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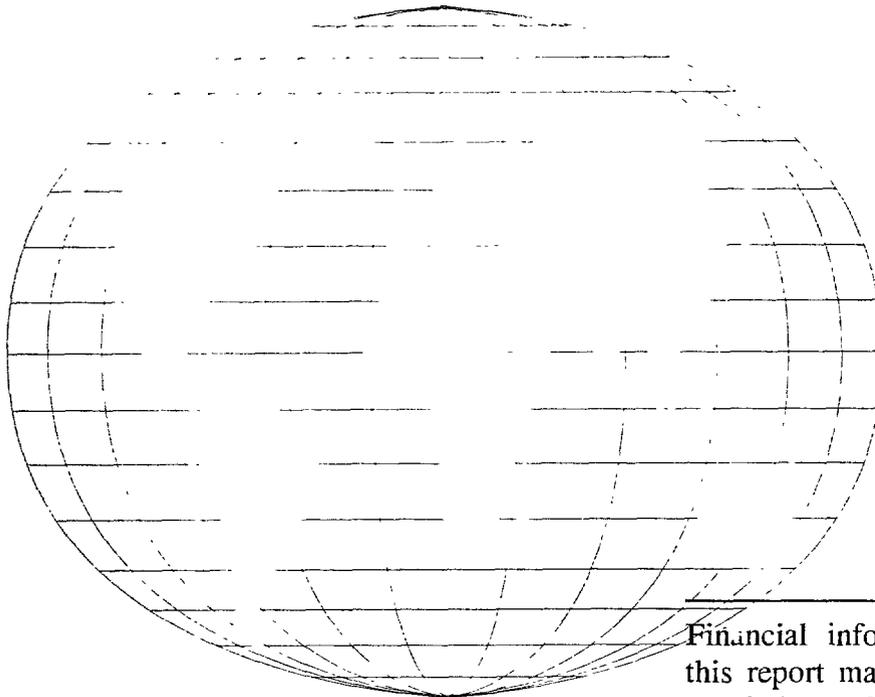
# Report of Audit

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Regional Inspector General for Audit  
San Salvador, El Salvador  
Audit of USAID/Guatemala's  
Maya Biosphere Project  
Managed by the National Council for Protected Areas  
for the Period August 30, 1990 to December 31, 1992

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Audit Report No. 1-520-96-07-N  
June 26, 1996



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Financial information contained in this report may be privileged. The restrictions of 18 USC 1035 should be considered before any information is released to the public.

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**OFFICE OF INSPECTOR GENERAL  
U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT**

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June 26, 1996

**MEMORANDUM**

TO: Director USAID/Guatemala, William S. Rhodes

FROM: RIG/San Salvador, *for* Wayne J. Watson *Wayne J. Watson*

SUBJECT: Audit Report No. 1-520-96-07-N "Audit of USAID/Guatemala's Maya Biosphere Project No. 520-0395, Managed by the National Council for Protected Areas, for the Period August 30, 1990 to December 31, 1992"

This report presents the results of a financial audit of USAID/Guatemala Project No. 520-0395 managed by the National Council for Protected Areas (CONAP) for the period August 30, 1990 to December 31, 1992. The report was prepared by the audit firm of Deloitte & Touche.

The purpose of this project was to improve the management of renewable natural resources and the protection of diverse biological species and tropical forests of the Maya Biosphere Reserve as well as improve the economic well-being of the Guatemalan population through rational management of the region's natural resources. Deloitte & Touche audited \$174,160 of USAID/Guatemala disbursements to the project during the audit period.

The objectives of the audit were to determine whether: (1) the fund accountability statement presents fairly, in all material respects, project receipts and disbursements for the audit period; (2) the internal control structure is adequate to manage the project's operations; and (3) CONAP complied with the terms of the agreement and applicable laws and regulations. The scope of the audit included an examination of CONAP's activities and transactions to the extent considered necessary to issue a report thereon for the audit period.

Deloitte & Touche was of the opinion that the fund accountability statement presents fairly, in all material respects, CONAP's receipts and disbursements under the grant agreement, except for the effects of questioned costs of \$22,034 related to unauthorized expenditures for travel and training, the loss of a project vehicle, an unreconciled fund balance, and purchases which were split in order to avoid competitive bidding.

Regarding the internal control structure, the auditors identified eight weaknesses which

Regarding the internal control structure, the auditors identified eight weaknesses which they considered to be material. The auditors found that CONAP needed to improve its: (1) accounting records; (2) internal controls for procurement of goods and services; (3) controls over travel expenses; (4) supervision of activities and control of assets in the Uaxactum district; (5) justification for trips made by officials of CONAP; (6) controls over photocopy expenses; (7) marking of paid invoices; and (8) controls over checking accounts.

Regarding CONAP's compliance with the terms of the agreement and applicable laws and regulations, the auditors identified two material instances of noncompliance. The auditors found that CONAP: (1) did not account for or properly control project assets purchased directly by USAID and (2) did not assure that annual audits of the project were performed.

We are including the following recommendations in the Office of Inspector General's audit recommendation follow-up system.

#### **Recommendation No. 1**

**We recommend that USAID/Guatemala resolve the questionable costs of \$22,034 (\$21,111 questioned and \$923 unsupported) identified in the Deloitte & Touche report and recover from the National Council for Protected Areas the amounts determined to be unallowable.**

#### **Recommendation No. 2**

**We recommend that USAID/Guatemala obtain evidence that the National Council for Protected Areas has taken proper action to design and implement procedures to: (a) maintain adequate accounting records; (b) establish proper internal controls for procurement of goods and services; (c) establish adequate controls over travel expenses; (d) adequately supervise activities and control the use of assets in the Uaxactum district; (e) adequately document the justification for trips made by officials of the Council; (f) establish adequate controls over photocopy expenses; (g) properly mark paid invoices; (h) establish proper controls over checking accounts; (i) account for and properly control project assets purchased directly by USAID; and (j) assure that annual audits of the project are performed.**

**In addition, we strongly suggest that USAID/Guatemala obtain a full accounting of the Government of Guatemala's counterpart contributions provided to the project, taking actions should insufficient contributions be noted.** Recommendation No. 1 will be considered resolved upon USAID/Guatemala's determination of the amount of recovery, and will be considered closed upon the recovery or offset of funds. Recommendation No. 2 can be resolved when USAID/Guatemala presents an acceptable plan of action to correct the reported deficiencies and can be closed when it presents acceptable evidence that the required procedures have been designed and placed in operation.

The report was discussed with representatives of CONAP who expressed disagreement with all questionable costs in the audit report. They did not comment on the report's procedural findings. CONAP's comments are included as Annex II to the Deloitte & Touche report.

This final audit report is being transmitted to you for your action. Please advise this office within 30 days of actions planned or taken to resolve and close the recommendations.

*d*

**Regional Inspector General for Audit  
San Salvador, El Salvador**

**Audit of USAID/Guatemala's  
Maya Biosphere Project  
Managed by the National Council for Protected Areas  
For the Period August 30, 1990  
to December 31, 1992**

**Audit Report No. 1-520-96-07-N  
June 26, 1996**

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AUDIT OF THE MAYA BIOSPHERE PROJECT  
MANAGED BY THE NATIONAL COUNCIL FOR PROTECTED AREAS (CONAP)  
USAID/G-CAP PROJECT No. 520-0395

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**AUDIT OF THE MAYA BIOSPHERE PROJECT  
MANAGED BY THE NATIONAL COUNCIL FOR PROTECTED AREAS (CONAP)  
USAID/G-CAP PROJECT No. 520-0395**

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August 3, 1994, (Except for the follow up review section,  
which is dated March 12, 1996)

Mr. Wayne J. Watson  
Regional Inspector General for Audit  
United States Agency for International Development  
San Salvador, El Salvador, C. A.

Dear Mr. Watson:

This report presents the results of our audit of the Maya Biosphere Project, USAID/G-CAP Project No. 520-0395 managed by the National Council for Protected Areas (CONAP), for the period August 30, 1990 to December 31, 1992.

## BACKGROUND

On August 30, 1990, the United States Government, through the U.S. Agency for International Development, Guatemala Mission (USAID/G-CAP) and the Government of Guatemala (GOG), represented by the Ministry of Public Finance, the National Council for Protected Areas (CONAP), and the General Secretariat of the National Economic Planning Council (SEGEPLAN), signed Grant Agreement No. 520-0395 for US\$4,470,000. The project assistance completion date is August 30, 1996.

The purpose of the project is to improve the management of renewable natural resources and the protection of diverse biological species and tropical forests of the Maya Biosphere Reserve. At the same time, it will strive to improve the economic well being of the Guatemalan population on a long-term basis, through the rational management of the renewable natural resources in the region.

The principal activities and objectives of the project are:

- Management of the Biosphere. This activity will be carried out by the Government of Guatemala, providing immediate support for the management of the biosphere through the strengthening of the offices at CONAP.



- Evaluation and handling of the project. This will be a responsibility that includes the supervision of the annual operational plans, as well as their execution; it will also include the basic studies for the project, maintenance of libraries and data bases for the project.
- Units complementary to Private Voluntary Organizations (PVO) which include:
  - a) Environmental education; public and political awareness, both permanent, and on a long-term basis in elementary and secondary schools, as well as any other institution which requires it.
  - b) Sustainable handling of the natural resources including natural forest management, use of available reserves, tourism, and nature centers.

The Government of Guatemala is committed to provide counterpart funds to the Maya Biosphere Project, according to what was established in the grant agreement for Q.34,350,000 (equivalent to US\$7,500,000).

The National Council for Protected Areas (CONAP) is an institution of the Presidency of the Republic of Guatemala, mainly responsible for the direction and coordination of the Guatemalan System of Protected Areas, with territorial jurisdiction over all national territories, sea coasts, and airspace. It is a self-functioning department and its budget is assigned by the State. Its main offices are in Guatemala City and there are five districts in the Maya Biosphere Protected Areas: Bethel, Carmelita, Cruce Dos Aguadas, Melchor and Uaxactún. It also has two control stations: Yaxhá and Caoba.

#### **AUDIT OBJECTIVES AND SCOPE**

The general objective was to perform an audit of the Maya Biosphere Project, USAID/G-CAP Project No. 520-0395 managed by the National Council of Protected Areas (CONAP) for the period August 30, 1990 to December 31, 1992. Our audit was performed in accordance with generally accepted auditing standards established by the American Institute of Certified Public Accountants (AICPA) and the U.S. Comptroller General's "Government Auditing Standards" (1988 Revision), and with the "Guide to Financial Audits Contracted by USAID." Accordingly, it included such tests of the accounting records as we considered necessary under the circumstances.



Our audit was performed to determine whether:

- a) The fund accountability statement for the project presents fairly, in all material respects, the funds received and the disbursements of the project activities managed by the National Council for Protected Areas (CONAP) from August 30, 1990 to December 31, 1992, and if disbursements reported as incurred and reimbursed by USAID/G-CAP during the period are allowable, allocable, and reasonable in accordance with agreement terms, and applicable laws and regulations.
- b) The internal control structure of CONAP is adequate to manage the project's operations.
- c) CONAP complied with agreement terms and applicable laws and regulations which may affect the project's goals and fund receipts and disbursements.

The scope of our work consisted of:

1. Auditing the fund accountability statement of the project to:
  - a) Review the fund accountability statement including the budgeted amounts by category and major items; disbursements reported as incurred during the audit period, and revenues received from USAID/G-CAP for that period.
  - b) Review whether the fund accountability statement included separate identification of those receipts and disbursements applicable to the project; direct procurement of vehicles, equipment, products; and technical assistance provided by USAID/G-CAP to the project; but did not include counterpart contributions; and whether required counterpart contributions had been provided in accordance with the agreement.
  - c) Review whether the amount received from USAID/G-CAP, less the disbursements incurred, reconciled with the balance in banks at the end of the period.
  - d) Evaluate project implementation actions and accomplishments to determine that disbursements incurred are allowable, allocable and reasonable under the agreement terms, and to identify areas where fraud, waste, abuse and mismanagement exist or could exist as a result of inadequate controls.



2. Review and evaluate CONAP's internal control structure related to the operations of the grant to obtain a sufficient understanding of the design of relevant control policies and procedures and whether those policies and procedures have been placed in operation.
3. Determine whether CONAP has complied, in all material respects, with agreement terms, project implementation letters, and applicable laws and regulations, and identify those aspects of noncompliance which could have a direct and material effect on the fund accountability statement.

### **RESULTS OF THE AUDIT**

#### **Fund Accountability Statement**

The result of our audit of the fund accountability statement of the Maya Biosphere Project, USAID/G-CAP Project No. 520-0395 managed by the National Council for Protected Areas (CONAP), disclosed that, except for certain disbursements of Q. 116,338 (approximately US\$ 22,034) which are considered questionable as explained in Note 4, the accompanying fund accountability statement presents fairly, in all material respects, the funds received and the disbursements made by the Maya Biosphere Project for the period August 30, 1990 to December 31, 1992.

As at December 31, 1992, Government had contributed Q.3,360,915 (approximately US\$733,824) as counterpart funds to the Project. This amount only represents 10% of the total counterpart funds. We consider this amount insufficient in relation to the total amount of the Project's needs even though there is no legal requirement for annual commitments.

#### **Internal Control Structure**

Our study and evaluation of the internal control structure revealed some matters related to its operation which we consider to be reportable conditions in accordance with the standards established by the American Institute of Certified Public Accountants and "Government Auditing Standards" (1988 Revision) issued by the Comptroller General of the United States. Reportable conditions involve matters coming to our attention related to significant deficiencies in the design or operation of the internal control structure that, in our judgement, could adversely affect CONAP's capacity to record, process, summarize, and report financial data consistent with the assertions of management in the fund accountability statement.



The reportable conditions, which we considered material weaknesses, are the following:

1. Inadequate accounting records.
2. Deficiencies in procurement procedures.
3. Deficiencies in control over daily expenses.
4. Deficiencies observed in the Uaxactum District.
5. Lack of control over trips made by officials.
6. Lack of control over expenses for photocopies.
7. Paid documents not cancelled.
8. Deficiencies in cash control.

Compliance with Agreement Terms, and Applicable Laws and Regulations

As a part of obtaining reasonable assurance about whether the fund accountability statement is free of material misstatement and in order to form an opinion on compliance with agreement terms and applicable laws and regulations, we performed our tests to assure that CONAP complied with the agreement terms and applicable laws and regulations which may affect the funds received from USAID/G-CAP and the funds disbursed by CONAP.

Our tests of compliance disclosed the following instances of noncompliance:

1. Deficiencies in controls over purchases effected directly by USAID/G-CAP.
2. Audits were not carried out on an annual basis.

The results of our tests of compliance indicate that, for items tested, except for the items mentioned above, CONAP has complied, in all material respects, with the agreement terms and with the applicable laws and regulations which could affect the project. For items not tested, nothing came to our attention which would lead us to believe that CONAP has not complied, in all material respects, with the agreement terms and with laws and regulations which could affect the funds received from USAID/G-CAP and those disbursed by CONAP.

MANAGEMENT COMMENTS

This report was discussed on July 20, 1994, by representatives of our firm and CONAP administration, represented by the attorney Mrs. Emma Diaz de Gordillo. On May 12 and June 24, 1994, we received written comments from CONAP as well. Additionally, CONAP sent comments on August 3, 1994, enclosing photocopies of some of the questionable costs, showing their disagreement on the total of questionable costs. CONAP's comments are included in this report in Annex II.



**AUDITORS' RESPONSE**

CONAP provided documents of the costs which were questioned in its reply of August 3, 1994.

CONAP in accordance with the minutes No. 10-90 approved by the Council authorized the payment of the training events; nevertheless, the mentioned minutes do not take precedence over the Law of Protected Areas, that requires that payments greater than Q.10,000 should be authorized by CONAP. This situation must be resolved with USAID/G-CAP.

In relation to the purchase made from the same supplier in the same day, the procedure used by CONAP does not comply with the regulations of the Law of Purchases in force at that date. Additionally, the numbers of the requests for purchases of materials and supplies, do not bear any relation to the chronological order of the invoices.

The other questionable costs mentioned in the original draft of the report were modified, based on information and documents provided by CONAP.

**FOLLOW UP REVIEW**

As required by RIG/A/SS, on March 12, 1996, we have carried out a follow-up of the findings reported in our report on the fund accountability statement, on the internal control structure, and on compliance with agreement terms, laws and applicable regulations with the purpose of determining the status of recommendations made in the draft report dated April 14, 1994. The results of the follow up are reported in each finding indicating which ones were already corrected.

**DELOITTE & TOUCHE**

Lic. Rolando Lara Leiva



**AUDIT OF THE MAYA BIOSPHERE PROJECT  
MANAGED BY THE NATIONAL COUNCIL FOR PROTECTED AREAS (CONAP)  
USAID/G-CAP PROJECT No. 520-0395**

**REPORT ON THE FUND ACCOUNTABILITY STATEMENT  
INDEPENDENT AUDITORS' REPORT**

We have audited the fund accountability statement of the Maya Biosphere Project, USAID/G-CAP Project No. 520-0395, managed by The National Council for Protected Areas (CONAP) for the period August 30, 1990 to December 31, 1992. This fund accountability statement is the responsibility of CONAP management. Our responsibility is to express an opinion on this fund accountability statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and "Government Auditing Standards" (1988 Revision) issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the fund accountability statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the fund accountability statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall fund accountability statement. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the fund accountability statement was prepared on a cash basis. This is a comprehensive basis of accounting other than that of generally accepted accounting principles.

As described in Note 4 to the fund accountability statement, disbursements in the amount of Q. 116,338 (approximately US\$ 22,034) were considered questionable costs.



In our opinion, except for the questionable costs, referred to in the preceding paragraph, the fund accountability statement presents fairly, in all material respects, the funds received and the disbursements made by Maya Biosphere Project, USAID/G-CAP Project No. 520-0395 for the period August 30, 1990 to December 31, 1992, in accordance with the accounting basis described in Note 1.

This report is intended solely for the information and use of The National Council for Protected Areas (CONAP) and the U.S. Agency for International Development (USAID). This restriction is not intended to limit the distribution of this report, which upon acceptance by the office of the Inspector General, is a matter of public record.

*Deloitte & Touche*

April 14, 1994, (except for Note 4, concerning questionable costs and Note 5 of the follow up review, which are dated March 12, 1996.

Guatemala, C. A.

**AUDIT OF THE MAYA BIOSPHERE PROJECT  
 MANAGED BY THE NATIONAL COUNCIL FOR PROTECTED AREAS (CONAP)  
 USAID/G-CAP PROJECT No. 520-0395**

**FUND ACCOUNTABILITY STATEMENT**

For the Period August 30, 1990, to December 31, 1992  
 (Expressed in Quetzales)

	Budget	Questionable Costs (Note 4)		Reference
	<u>1991 &amp; 1992</u>	<u>Actual</u>	<u>Questioned</u>	<u>Unsupported to Findings</u>
<b>Receipts</b>				
August to December 1990	Q. -	Q. -		
January to December 1991	1,111,020	183,361		
January to December 1992	<u>1,111,020</u>	<u>736,202</u>		
Total	<u>2,222,040</u>	<u>919,563</u>		
<b>Disbursements</b>				
Non-Personal services	Q.1,291,600	586,671	Q. 45,964	Q. 572 2,5 (A)
Materials and supplies	888,640	319,449		4,303 2 (A)
Equipment	<u>41,800</u>	<u>10,579</u>		
Total disbursements	Q.2,222,040 =====	<u>916,699</u>		
Balance according to statements		2,864		
Funds in banks		<u>-</u>		
Shortage to be explained or reconciled		Q. 2,864 =====	2,864	1 (A)
<b>Items Purchased directly by USAID/G-CAP</b>				
Vehicles		Q.1,492,826		
Forestry Equipment		<u>170,428</u>	<u>62,635</u>	
		Q.1,663,254 =====	<u>62,635</u>	1 (B)
Total questionable costs			Q. 111,463 =====	Q. 4,875 =====

The enclosed notes are an integral part of this statement.

- (A) Internal control findings
- (B) Compliance with agreement terms findings.

**AUDIT OF THE MAYA BIOSPHERE PROJECT  
MANAGED BY THE NATIONAL COUNCIL FOR PROTECTED AREAS (CONAP)  
USAID/G-CAP PROJECT No. 520-0395**

**NOTES TO THE FUND ACCOUNTABILITY STATEMENT**

For the period August 30, 1990, to December 31, 1992  
(Expressed in Quetzales)

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**1. THE INSTITUTION AND SIGNIFICANT PROJECT ACCOUNTING POLICIES**

**The Institution** - The National Council for Protected Areas (CONAP) is an institution of the Presidency of the Republic of Guatemala, mainly responsible for the direction and coordination of the Guatemalan System of Protected Areas, with territorial jurisdiction over all national territories, sea coasts, and airspace. It is a self-functioning department and its budget is assigned by the State. Its main offices are in Guatemala City and there are five districts in the Maya Biosphere Protected Areas: Bethel, Carmelita, Cruce Dos Aguadas, Melchor and Uaxactún. It also has two control stations: Yaxhá and Caoba.

**Significant Project Accounting Policies** - A summary of significant accounting policies used by CONAP to prepare the project's fund accountability statement follows:

- a. **Accounting System** - The CONAP accounting system established is in accordance with the Governmental Accounting Integrated System policies, which are obligatory for all institutions of the Public and Financial Sector in Guatemala. The Government's rotating fund is used to pay for disbursements made by CONAP, which are later reimbursed by USAID/G-CAP.
- b. **Presentation Basis** - The fund accountability statement includes the receipts and disbursements of the Maya Biosphere Project managed by CONAP but does not include government counterpart funds.
- c. **Accounting Basis** - The project's fund accountability statement is prepared on a cash basis. USAID/G-CAP reimburses the funds upon the presentation of documents supporting the disbursements made by CONAP. These disbursements are originally paid with Guatemala Government funds, contributions from Non Governmental Organizations (NGO's), or other institutions. The total disbursements in the fund accountability statement, therefore, correspond to the total amount of the receipts.

- d. **Direct Procurements** - According to the "Guidelines for Financial Audits Contracted by Foreign Recipients", the procurements or technical aid received directly from USAID, should be registered in the accounting records and should appear in the fund accountability statement.
- e. **Counterpart Funds** - The counterpart funds are presented on a separate schedule and therefore not included in the fund accountability statement.

## 2. GRANT AGREEMENT

On August 30, 1990, the United States Government through the Agency for International Development, Guatemala Mission (USAID/G-CAP), and the Government of Guatemala (GOG) represented by the Ministry of Public Finance, The National Council for Protected Areas (CONAP) and the General Secretariat of the National Economic Planning Council (SEGEPLAN), signed Grant Agreement No. 520-0395 for US\$4,470,000. The project assistance completion date is August 30, 1996.

The purpose of the project is to improve the renewable natural resources management and the protection of the diverse biological species and tropical forests in the Maya Biosphere Reserve. At the same time, it will strive to improve the economic well being of the Guatemalan population on a long term basis, through the rational management of the renewable natural resources in the region.

The principal activities and objectives of the project are:

- Management of the Biosphere. This will be handled by the Government of Guatemala, providing immediate support for the management of the biosphere through the strengthening of the offices at CONAP.
- Evaluation and Handling of the Project. This will be a responsibility that includes the supervision of the annual operational plans, as well as their execution; it will also include the basic studies for the project, maintenance of libraries and data bases for the project.
- Units Complementary to PVO's which include:
  - a) Environmental education; public and political awareness, permanent, and on a long-term basis in elementary and secondary schools, as well as any other institution which requires it.

- b) Sustainable handling of the natural resources including natural forest management, use of available reserves, tourism, and nature centers.

### 3. COMMITMENTS

The Government of Guatemala is committed to providing counterpart funds, for the sum of Q.34,350,000 (equivalent to US\$7,500,000), to the Maya Biosphere Project according to the terms contained in the grant agreement, during the six years of the life of the project. As of December 31, 1992, CONAP had provided counterpart funds for Q.3,360,915 (approximately US\$733,824), equivalent to only 10% of total required contributions with one third of the project term expired.

### 4. QUESTIONABLE COSTS

- A vehicle valued at Q.62,635 was totally destroyed by an intoxicated employee and no action has been taken to recover the loss incurred. 62,635
- Training events: the "Mayarema Project" seminar for the secretariat of the Presidential Political Affairs, both public and private, conducted on October 10 and 11, 1992, at the Camino Real Hotel, shows no evidence of authorization from the CONAP Council. 19,700
- Training events: Course for 66 forest rangers, from May 4 to 14, 1991, included board at the Imperio Maya restaurant. There is no evidence of the authorization from the CONAP Council. 13,975
- Training events: Course for 73 new forest rangers from May 10 to May 15, 1992, includes expenses for board at the Imperio Maya restaurant. There is no evidence of authorization from the CONAP council. There is no report on the objectives achieved during the training course. 11,680
- Disbursements were made for airline tickets to Flores, Peten, without evidence of authorization from the administrative head. Furthermore, there is no control over the objectives of the trips, nor over their duration or respective authorizations.

<u>Document</u>	<u>Number</u>	<u>Date</u>	<u>Amount</u>	
Invoice	45916	3/25/91	Q. 325	
Receipt	568404	2/14/92	<u>284</u>	609

- Unreconciled difference between the disbursements in the fund accountability statement and the amount reimbursed by USAID/G-CAP. 2,864

Total questioned costs 111,463

- Purchases made from a single supplier on a single day, which were split in order to avoid bidding.

<u>Document</u>	<u>Number</u>	<u>Date</u>	<u>Amount</u>	
Invoice	182	1/21/92	Q. 211	
Invoice	37242	1/21/92	188	
Invoice	37243	1/21/92	50	
Invoice	37244	1/21/92	896	
Invoice	37245	1/21/92	199	
Invoice	37247	1/21/92	136	
Invoice	37248	1/21/92	495	
Invoice	34807	1/21/92	639	
Invoice	454-475	5/21/92	<u>2,061</u>	<u>4,875</u>

Total unsupported costs 4,875

Total questionable costs Q. 116,338

(Approximately) US\$ 22,034  
=====

5. **FOLLOW UP REVIEW**

In our draft report dated April 14, 1994, direct purchases of vehicles and forestry equipment made by USAID/G-CAP for Q.1,663,254, were questioned because they had not been registered in accounts; however, as indicated in the finding No. 1 of the report on compliance with agreement terms, laws and applicable regulations, this situation was corrected, so this amount is no longer questioned.

**6. MONETARY UNIT**

The fund accountability statement and its notes are reported in Quetzales (Q.), the monetary unit of Guatemala. Foreign currency transactions in Guatemala must be carried out through the banking system. The exchange rate in comparison to the dollar of the United States of America was liberated on November 6, 1989 by the Monetary Board with the exchange rate being determined according to supply and demand. As at December 31, 1992, the exchange rate was Q.5.28:US\$1.

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**AUDIT OF THE MAYA BIOSPHERE PROJECT  
MANAGED BY THE NATIONAL COUNCIL FOR PROTECTED AREAS (CONAP)  
USAID/G-CAP PROJECT No. 520-0395**

**REPORT ON THE INTERNAL CONTROL STRUCTURE  
INDEPENDENT AUDITORS' REPORT**

We have audited the fund accountability statement of the Maya Biosphere Project, USAID/G-CAP Project No. 520-0395, managed by The National Council for Protected Areas (CONAP), for the period August 30, 1990 to December 31, 1992. We have issued our report thereon dated April 14, 1994 in which we qualified our opinion because certain costs were considered questionable.

We conducted our audit in accordance with generally accepted auditing standards and "Government Auditing Standards" (1988 Revision), issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the fund accountability statement is free of material misstatement.

In planning and performing our audit of the fund accountability statement of the Maya Biosphere Project, USAID/G-CAP Project No. 520-0395, for the period August 30, 1990 to December 31, 1992, we considered the internal control structures applied by CONAP, in order to determine the auditing procedures necessary for us to express our opinion on the fund accountability statement, and not to provide assurance on the internal control structure.

The management of CONAP is responsible for establishing and maintaining an internal control structure to manage the project's activities. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of the policies and procedures of the internal control structure. The objectives of an internal



control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to allow the preparation of the fund accountability statement in accordance with the accounting basis established. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the purposes of this report, we have classified the significant internal control structure policies and procedures in the following categories: accounting and budgetary control system; procurement system; controls over use of vehicles, fuel, and lubricants; controls over daily expenses; and controls over purchases made directly by USAID/G-CAP.

For all of the internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures and whether they had been placed in operation. We also assessed control risk.

We noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the fund accountability statement.

As described in finding Nos. 1 through 8 of this report, there exist inadequate accounting records; deficiencies in the procurement procedures; deficiencies in the control over per-diem; deficiencies observed in the Uaxactum District; deficiencies in cash control; lack of control over trips made by officials; lack of control over expenses for photocopies; and paid documents that were not marked paid.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the fund accountability statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.



Our examination of the internal control structure would not necessarily disclose all matters that might be reportable conditions and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe that the reportable conditions described in finding Nos. 1 through 8 of this report are the main material weaknesses.

This report is intended solely for the information and use of The National Council for Protected Areas (CONAP) and the U. S. Agency for International Development (USAID). This restriction is not intended to limit the distribution of this report, which, upon acceptance by the Office of the Inspector General is a matter of public record.

*Deloitte & Touche*

April 14, 1994, (Except for the follow up of the findings, which is dated March 12, 1996.)

Guatemala, C. A.

AUDIT OF THE MAYA BIOSPHERE PROJECT  
MANAGED BY THE NATIONAL COUNCIL FOR PROTECTED AREAS (CONAP)  
USAID/G-CAP PROJECT No. 520-0395

INTERNAL CONTROL STRUCTURE  
FINDINGS

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1. Inadequate Accounting Records

Condition:

During the evaluation of the project's accounting records, we observed the following deficiencies:

- A. During the audit period of the project, no fund accountability statements were prepared.
- B. CONAP did not keep separate accounting records in respect of the project or the Government's counterpart contributions. The Project's financial transactions were entered in the Government's Rotating Fund accounting records, and in the accounting records of the funds received from Private Voluntary Organization, The Nature Conservancy. The counterpart contributions were entered in the CONAP's accounting records.
- C. Reimbursements received from USAID/G-CAP were not reconciled periodically against the accounting records. Consequently, the fund accountability statement prepared to December 31, 1992, shows a shortage of Q.2,864 which has not been cleared.
- D. some purchase documents supporting the reimbursement check from USAID/G-CAP lack reference with respect to the CONAP check number with which they were paid. The individual entries registered in the expenses ledger may also include several purchase documents. This situation makes identification of the support documents difficult because of the lack of reference to both the expense ledger and the check register.
- E. As at the date of termination of our audit on April, 1994, the accounting transactions corresponding to the 1993 reimbursements had not been recorded.

Criterion:

Annex B section B.5 of the grant agreement stipulates that the donor must keep adequate accounting records and books related to the project.

The reports which contain financial information must be reconciled with the project's accounting records.

Reimbursements received from USAID/G-CAP must be periodically reconciled with the purpose of keeping an adequate control, and thus avoiding differences when compiling the fund accountability statement.

Cause:

Management did not consider it necessary to prepare periodic fund accountability statements nor to reconcile reimbursements, since these were never requested by USAID/G-CAP.

Because the funds are received from USAID/G-CAP under the reimbursement system, management did not consider it necessary to keep separate accounting records for the project's activities.

Effect:

Project information generated by CONAP may contain errors and irregularities, and there may be inappropriate use of funds without any of these being detected in a timely manner.

The project's disbursements and receipts are intermingled with those of other projects. This situation, consequently, resulted in questionable costs of Q.2,864.

Recommendation:

We recommend that CONAP carry out an evaluation of the accounting system, ensuring that the following, at a minimum, be complied with:

- A. Prepare accounting records exclusively for the project activities and the national counterpart contributions.
- B. Prepare quarterly fund accountability statements at a minimum according to USAID requirements.
- C. Periodically reconcile reimbursements received from USAID/G-CAP.
- D. Establish a policy that each purchase document should have a reference to the check with which it was paid, and that the entries in the expense ledger are referenced to their source documents and to the check register.
- E. Update the accounting records to 1993 as soon as possible using the aforementioned recommendations.

Follow up:

- A. Partially corrected. In 1993 and 1994, fund accountability statements were prepared; however, at March 7, 1996, the accounting records for 1995 had not been processed.

- B. Uncorrected. There has been no change in the accounting system. The Project operations are still being recorded in the accounting records of the Government Rotating Funds and in the TNC accounting records.
- C. Uncorrected. The USAID/G-CAP statement accounts are available; however, they have not been reconciled with the receipts reported in the fund accountability statement.
- D. Corrected. All the documents show the number of the check they were paid with, and all the the entries are cross referenced.
- E. Uncorrected. At March 7, 1996, the accounting records for the operations corresponding to 1995, have not been processed.

2. Deficiencies Observed in Procurement Procedures

Condition:

From a sample of 54 purchases (totalling Q.5,148) reviewed, we observed the following deficiencies:

- A. Three purchases for over Q.10,000 each have no evidence of authorization. The total amount of these purchases is Q.45,355.
- B. The Law of Purchases and Contracting establishes that the purchases of more than Q.1,000, require competitive bidding; however, two purchases were spread over several invoices for amounts less than Q.1,000, in order to avoid bidding. The invoices are made out to the same supplier on the same date for Q.4,875.
- C. CONAP does not have an adequate filing system to maintain documentation for its purchases. We noted two purchases totalling Q.14,418 for which CONAP maintained separate files for the bids and the authorizations making it difficult to locate the needed information.

Criterion:

Article 69 of Decree 4-89, Law of Protected Areas, establishes that one of the CONAP members' functions is to approve outgoing amounts of more than Q.10,000. Article 70 establishes, as well, that expenses up to Q.10,000 must be approved by the Administrative Assistant.

Article 14 of the regulation of the Law of Purchases and Contracting establishes, that the purchases more than Q.1,000, but less than Q.10,000 should have three bids.

An adequate file requires that all documents supporting the purchases be kept in the same place.

Cause:

The Protected Areas Law regulations were not complied with and the necessary steps were not taken, since these steps would delay the execution of the events.

The purchase was spread since it was alleged that in Peten there was no other supplier who could provide the kind of spare part that was needed.

The purchases by Q.7,959 and Q.6,519 were made in Peten; therefore, the bids and authorizations have not been forwarded to the central office along with the invoice.

Effect:

Expenses incurred with project funds are considered questionable for an amount of Q.45,355 and Q.4,875, respectively.

Recommendation:

We recommend that CONAP do the following:

- A. Clear the situation of questionable costs with USAID/G-CAP, or reimburse the project's funds.
- B. Establish supervision mechanisms to comply with the requisites established by the Law of Purchases and Contracting for purchase of goods and services, and to comply with regulations of the Law of Protected Areas.
- C. Establish an adequate filing system for the documents supporting the purchases.

Follow up:

- A. Uncorrected. On December 8 and December 12, 1995, there were three purchases above Q.10,000 made, for Q.110,488. These purchases were authorized by the CONAP Council in the minutes of October 13, 1995. This statement does not indicate how many purchases were made, the amount per purchase, or the name of the awarded supplier, so it is impossible to verify if this authorization corresponds to these purchases.
- B. Corrected. The current State Contracting Law establishes that purchases above Q.10,000 must be quoted; however, there is a policy that three quotations must be requested in all purchases above Q.1,000.
- C. Corrected. Quotations and authorizations are filed with the documents supporting the purchases.

3. Deficiencies in Control Over Per-diem

Condition:

- A. Forms for per-diem are numbered by hand, and there are no supporting documents for them.
- B. When fuel is authorized for an assignment, there is no cross reference between the fuel voucher and the per-diem form.
- C. Not all of the per-diem forms indicate the hour of return from the assignment, thus making it impossible to establish the amount to be paid.

Criterion:

An adequate internal control system for per-diem expenses requires the capacity to detect, correct, and prevent errors; and to document the purchase of fuel, to the corresponding voucher.

Cause:

Since, according to CONAP, it was considered not necessary, the use of forms numbered in sequential order has not been established, nor the labeling of the voucher for purchase of fuel, since the use of fuel is supported with a form which indicates the activity performed and the kilometers traveled.

In some cases, through carelessness, the hour of return from the assignment has not been indicated by the responsible official.

Effect:

The per diem expenses may be used, without authorization, for purposes other than the project's. Some expenses may have been paid for purchases other than those established in the regulations.

There may be some unauthorized vouchers for fuel, and the fuel itself may be used for activities alien to the project's.

Recommendation:

We recommend that CONAP establish, at a minimum, the following for the control of per diem expenses:

- A. Use pre-numbered forms, thus creating an auxiliary control for their registration and supporting document file.

- B. Indicate the number of the voucher for fuel, as well as the time assigned to each assignment, in the per-diem forms.
- C. Assign a responsible official to verify that the established controls are adequately complied with.

Follow up:

- A. Corrected. The voucher forms are printed and numbered, and consist of two parts: order for commission and the perdiem voucher.
- B. Corrected. The voucher for fuel indicates the reference.
- C. Corrected. The perdiem voucher form indicates the place visited, time the visit starts and time it ends.

4. Deficiencies Observed in the Uaxactum District

Condition:

- A. The District's activities have not been adequately supervised by personnel from the Peten or the Guatemala offices.
- B. There are no responsibility cards for the assets assigned to the employees. There are only vouchers of what each employee has, and these are not pre-numbered.

Criterion:

The grant agreement and CONAP regulations require that the activities carried out be supervised and authorized by CONAP administration.

Each employee must have a responsibility card indicating assets received, in order to assign responsibilities in case of damage or loss and to maintain accountability of assets.

Cause:

The programmed supervision has not been totally carried out because of the poor resources (lack of fuel and vehicles in good condition).

An individual control of responsibility cards for each employee has not been carried out because of the rotation of personnel in the district.

Effect:

The lack of supervision over activities may cause the failure of the project to achieve its objectives.

The lack of cards indicates that responsibility may not be assigned in case of loss or damage of goods in the custody of each employee.

Recommendation:

- A. Establish procedures to ensure that the activities of each district be supervised adequately in order to determine if the project's objectives are being achieved.
- B. Create individual record-of-responsibility cards for each employee.

Follow up:

- A. Corrected. The activities for this District are being periodically supervised. This supervision is recorded in the minutes.
- B. Corrected. Each worker has a responsibility card of the assets in his charge.

5. Lack of Control over Trips Made by Officials

Condition:

CONAP has not established controls for trips from Guatemala to Peten made by officials of the Institution, in which the objective of the trip, duration of same, and corresponding authorization is specified.

Criterion:

Annex "B" section B.5 of the agreement stipulates that CONAP must have records with unrestricted information showing the receipt and use of funds received.

Cause:

CONAP's administration was unaware that this control should have been established.

Effect:

The need for the trips, or whether they complied with the project's objectives, cannot be established; consequently, this resulted in questionable costs for Q.609.

Recommendation:

We recommend that CONAP:

- A. Establish at a minimum a control over the trips made by the officials showing:

- Assignment of the task/trip
  - Objective of the trip
  - Amount of time necessary for the trip
  - Authorization from immediate superior
- B. Clear the situation of the expenses for trips made by the officials, or reimburse the funds used for these expenses to the project.

Follow up:

- A. Corrected. The use of a pre-printed and pre-numbered form was established. This form specifies the object of the trip, duration, and proper authorization for same.
- B. Uncorrected. The questionable costs for Q.609 for the officials' trips questioned in our report, have not been established.

6. Lack of Control over Expenses for Photocopies

Condition:

The National Council for Protected Areas (CONAP) located in Peten incurs expenses without evaluating the reasonability of the cost. For example, approximately 5,000 photocopies are taken monthly with a cost of Q.0.40 each.

Criterion:

The purchase of a photocopier machine or offset would have been more beneficial and may yield income to optimize the project's resources.

Cause:

CONAP's management was not aware of the magnitude of this expense through lack of analysis of this entry.

Effect:

The difference between the cost of a photocopier machine or any other means of reproducing paper copies, and the amount used for photocopies, could have been used in other project activities.

Recommendation:

We recommend that CONAP evaluate its needs of reproducing paper copies, and determine whether it is necessary to obtain authorization for the purchase of a photocopier machine for the Peten office.

Follow-up:

Uncorrected. In 1995, a photocopier was purchased with Government funds; however, the machine was not given preventive maintenance, and to date has not been repaired. This situation caused expenses of Q.5,497 and Q.3,400 for 13,743 and 8,500 photocopies respectively in the 1995 reimbursements.

7. Paid Documents were not Marked as Paid

Condition:

The documents supporting the project's expenses which are reimbursed by USAID/Guatemala, are not marked as paid.

Criterion:

An adequate internal control structure must provide security by stamping documents as paid, thus avoiding the risk of any payment or record being duplicated.

Cause:

The practice of stamping documents as paid has not been established by the CONAP administration as an internal procedure.

Effect:

A payment or a record of a document may be duplicated.

Recommendation:

We recommend that CONAP establish the procedure of stamping paid documents using a seal stating "PAID WITH CHECK NO.: \_\_\_\_\_ DATE: \_\_\_\_\_, AUTHORIZED (or APPROVED) BY: \_\_\_\_\_", as well as indicating that the amount for the purchase has already been reimbursed by USAID/G-CAP.

Follow up:

Corrected. The documents supporting the expenses are being cancelled or voided.

8. Deficiencies in Cash Control

Condition:

- A. The checks issued for all the CONAP banking accounts require a single official's signature.
- B. The bank reconciliations show the following deficiencies:

- They were not prepared on time.

- They do not show a detail of outstanding checks.
- They are prepared on informal records.
- There is no evidence of review or authorization

Criterion:

An adequate internal control system requires handling of bank accounts with a joint signature. Bank reconciliations, as well, must be reconciled monthly using established forms, leaving evidence of review and authorization.

Cause:

CONAP's administration did not consider it necessary to establish joint signatures in bank accounts, nor to adopt the policy of using forms to show the reconciliations; it was also considered unnecessary to sign the reconciliations as evidence of review and/or authorization.

Effect:

Error or irregularities may exist in the handling of cash, and not be detected in a timely manner through lack of an adequate control.

Recommendation:

We recommend that CONAP adopt, at a minimum, the following control procedures:

- A. Establish the use of joint signatures for the project's bank accounts.
- B. Define which officials must review and authorize the reconciliations on a monthly basis.
- C. Reconcile the project's bank accounts monthly, detailing the checks and other items in the reconciliation.

Follow up:

- A. Corrected. The use of joint signatures was established.
- B. Uncorrected. The 1995 reconciliations show no evidence of review and authorization.
- C. Corrected. Checks and entries are detailed in reconciliation.

\* \* \* \* \*

**AUDIT OF THE MAYA BIOSPHERE PROJECT  
MANAGED BY THE NATIONAL COUNCIL FOR PROTECTED AREAS (CONAP)  
USAID/G-CAP PROJECT No. 520-0395****COMPLIANCE WITH AGREEMENT TERMS,  
AND APPLICABLE LAWS AND REGULATIONS REPORT  
INDEPENDENT AUDITORS' REPORT**

We have audited the fund accountability statement of the Maya Biosphere Project, USAID/G-CAP Project No. 520-0395 managed by the National Council for Protected Areas (CONAP), for the period August 30, 1990 to December 31, 1992. We have issued our report thereon dated April 14, 1994, in which we qualified our opinion because certain costs were considered questionable.

We conducted our audit in accordance with generally accepted auditing standards and "Government Auditing Standards" (1988 Revision) issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the fund accountability statement is free of material misstatement.

Compliance with agreement terms and laws and regulations applicable to Maya Biosphere Project, USAID/G-CAP Project No. 520-0395, is the responsibility of CONAP's management. As part of obtaining reasonable assurance about misstatement, we performed tests of CONAP's compliance with certain provisions of laws, regulations, contracts and agreement terms. However, our objective was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

Material instances of noncompliance are failures to follow requirements, or violations of prohibitions, contained in agreement, statutes, or regulations, that cause us to conclude that the aggregation of the misstatements resulting from those failures or violations is material to the fund accountability statement. The results of our tests of compliance disclosed the following material instances of noncompliance matters.

**Deloitte &  
Touche**

As shown in finding No. 1 and No. 2 of this report, there are deficiencies in the controls over direct purchases made by USAID/G-CAP, and annual audits of the project were not made. In addition, we consider findings No. 1 and No. 2 of the report on internal control structure to be instances of noncompliance. These findings were related to inadequate accounting records and deficiencies in procurement procedures.

We considered these material instances of noncompliance in forming our opinion on whether the fund accountability statement of the Maya Biosphere Project, USAID/G-CAP Project No. 520-0395, for the period August 30, 1990 to December 31, 1992, is presented fairly, in all material respects, in conformity with the accounting basis used. This report affects our opinion dated April 14, 1994 on the fund accountability statement.

Except as described above, the results of our test of compliance indicate that, with respect to the items tested, CONAP complied, in all material respects, with the provisions referred to in the third paragraph of this report. With respect to items not tested, nothing came to our attention that caused us to believe that CONAP had not complied, in all material respects, with those provisions.

This report is intended solely for the information and use of The National Council for Protected Areas (CONAP) and the U.S. Agency for International Development (USAID). This restriction is not intended to limit the distribution of this report, which upon acceptance by office of the Inspector General, is a matter of public record.

*Deloitte & Touche*

April 14, 1994, (Except for the follow up of the findings, which is dated March 12, 1996.

Guatemala, C. A.

AUDIT OF THE MAYA BIOSPHERE PROJECT  
MANAGED BY THE NATIONAL COUNCIL FOR PROTECTED AREAS (CONAP)  
USAID/G-CAP PROJECT No. 520-0395

COMPLIANCE WITH AGREEMENT TERMS  
AND APPLICABLE LAWS AND REGULATIONS  
FINDINGS

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1. Deficiencies in Control Over Direct Purchases made by USAID/G-CAP

Condition:

In evaluating the purchases made directly by USAID/G-CAP, we observed the following deficiencies:

- A. The purchases made by USAID/G-CAP, amounting to Q.1,663,254 and consisting of vehicles and forestry equipment, were not recorded in CONAP's accounting system.
- B. The vehicles have been used for activities not related to the project, such as:
  - Vaccination trips
  - Transportation of an artistic group, a soccer team, marimba band, and personnel from the Reconstruction Commission.
- C. In November 1992, the Ford Ranger pick-up, license plates No. 0-7063 by the value of Q.62,635, was involved in an accident caused by the intoxicated driver. The accident took place in a location different from the one he had been assigned to. The driver was not made accountable and the vehicle is still unoperable to date. This situation is recorded in the minutes 35-92 of the person in charge of vehicles. An insurance claim was not filed for the accident.
- D. Some vehicles do not have the original set of tools with which they were delivered. The drivers have not been made accountable for this situation.
- E. The amount for forestry equipment actually present in the Uaxactum District has not been computed, and there has been no physical inventory taken so far.

The warehouse of this district, which included the forestry equipment, caught fire in 1992. To date, it has not been possible to quantify losses due to the fact that the minutes of the CONAP council meeting, which include the equipment destroyed in the fire, does not reconcile with the information from USAID/G-CAP of the forestry equipment which was bought.

Criterion:

- A. Amendment No. 2, section B.5, (b) of the grant agreement establishes that the donee must record all expenses made with funds of the grant in the accounting books of the project.
- B. USAID regulations and CONAP vehicle regulation over the use of the vehicles, establish specific rules for the control and use of the same. The internal control structure must provide safeguarding and control over the use of project resources as well.
- C. CONAP regulations on the use of vehicles establish that these vehicles must be used exclusively for Project activities and for assigned activities. Damage caused by the vehicle should have been claimed from the insurance company, and at the same time de pilot's responsibility should have been deducted.
- D. USAID regulations establish that the grant resources must be adequately used in the Project's activities; therefore, the missing tools should have been determined to deduct the pilot's responsibilities.
- E. A physical inventory of the forestry equipment at the Uaxactum district must be taken, and the losses must be estimated in order to deduct them from the assets.

Cause:

- A. CONAP's accounting department was not informed of the total purchases made by USAID/G-CAP.
- B. CONAP provides social services to the nearby communities in response to the support they offer to the project.
- C. The driver of the vehicle fled; it was thus impossible to hold him accountable, and the administration was not aware that the insurance could have been claimed.
- D. Since the vehicles make trips to the country for several days, and then are sent to other assignments, it was impossible to control each of the vehicles set of tools.

- E. No physical inventory of the forestry equipment from the Uaxactum district has been required, so none was taken. The fire of 1992, probably destroyed the mentioned equipment.

Effect:

- A. There was lack of compliance with the agreement. There may be a risk that all the assets purchased with project funds are not recorded in the accounting department. Consequently, questionable costs for Q.1,663,254 resulted.
- B. Vehicles are being used for activities other than those established in the agreement.
- C. Inadequate use of the Project's resources, and the insurance claim was not made.
- D. Loss of Project's resources which have not been quantified.
- E. Could cause errors and irregularities without being detected in a timely manner.

Recommendation:

We recommend that CONAP establish controls for the appropriate use of goods received from USAID/G-CAP, and also carry out the following:

- A. Establish controls to record all purchases made directly by USAID/G-CAP with grant funds in the specific accounting department of the project, and at the same time clear the questionable costs situation.
- B. Establish controls to ensure that vehicles are exclusively used for project activities according to what is established in the agreement.
- C. Monetary accountability should be demanded of those persons who cause any kind of damage to the vehicles, as well.
- D. Take an inventory of each vehicles's tools in order to determine missing tools, and deduct responsibilities to each pilot, clearing this situation with USAID/G-CAP.
- E. Take periodic inventories of the forestry equipment and compute the losses caused by the fire in the Uaxactum District warehouse in the year 1992, and obtain approval from USAID/G-CAP to eliminate the lost assets from the inventory.

F. In the case of insured assets, present a claim to the insurance company.

Follow up:

- A. Corrected. Direct purchases from USAID/G-CAP, were recorded on July 31, 1993.
- B. Due to the limited procedures of a follow up, it is impossible to determine if the vehicles were used in activities outside the Project.
- C. Uncorrected. On March 12, 1996, we verified that this vehicle was destroyed. The driver has not been held financially responsible.
- D. Uncorrected. The vehicles do not have the complete set of tools with which they were equipped and delivered. The driver has not been held financially responsible.
- E. Corrected. An inventory of the forestry equipment was made and it was determined that it was not destroyed in the Uaxactun District.

2. Audits were not Made

Condition:

CONAP did not make annual audits of the project.

Criterion:

Annex B, section B.5 of amendment 2 of the grant agreement establishes that if funds over the amount of US\$25,000, or more, are directly disbursed to the donor, said donor will make sure that financial audits are conducted on the fund disbursements made to the donor.

Cause:

The CONAP management was unaware of this agreement term. Additionally, due to lack of an adequate accounting system, it has been not be possible to make the audits on a timely basis.

Effect:

Lack of compliance with the agreement.

Errors and deficiencies may exist without being detected in a timely manner.

Recommendation:

We recommend that CONAP coordinate procedures with USAID/G-CAP to make annual audits.

Follow up:

Uncorrected. At March 12, 1996, the audit for 1993, 1994, and 1995, had not been contracted.

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AUDIT OF THE MAYA BIOSPHERE PROJECT  
MANAGED BY THE NATIONAL COUNCIL FOR PROTECTED AREAS (CONAP)  
USAID/G-CAP PROJECT No. 520-0395

LIST OF REPORT RECOMMENDATIONS

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INTERNAL CONTROL STRUCTURE

1. Inadequate Accounting Records

Recommendation:

We recommend that CONAP make an evaluation of the accounting system, verifying that the following, at a minimum, be complied with:

- A. Establish accounting records exclusively for the project activities and the national counterpart contribution.
- B. Prepare periodic fund accountability statements according to USAID requirements.
- C. Periodically reconcile reimbursements received from USAID/G-CAP.
- D. Establish a policy so that each document has a reference to the check with which it was paid, and that the entries in the ledger give a reference to their source documents.
- E. Update the accounting records to 1993 as soon as possible using the aforementioned recommendations.

2. Deficiencies Observed in Procurement Procedures

Recommendation:

We recommend that CONAP do the following:

- A. Clear the situation of questionable costs with USAID/G-CAP, or reimburse the project's funds.
- B. Establish supervision mechanisms to comply with the requisites established by the Law of Purchase and Contracting for purchase of goods and services, and to comply with regulations of the Law of Protected Areas.
- C. Establish an adequate file of the documents supporting the purchases.

3. Deficiencies in Controls Over Per-diem

Recommendation:

We recommend that CONAP establish, at a minimum, the following for the control of per diem expenses:

- A. Use pre-numbered forms, thus creating an auxiliary control for their registration and correlative file.
- B. Indicate the number of voucher for fuel, as well as the time assigned to each assignment, in the per-diem forms.
- C. Assign a responsible official to verify that the established controls be adequately complied with.

4. Deficiencies Observed in the Uaxactum District

Recommendation:

- A. The activities of each district must be supervised adequately in order to determine if the project's objectives are being complied with.
- B. Create an individual record of responsibility cards for each employee.

5. Lack of Control in Trips Made by Officials

Recommendation:

We recommend that CONAP:

- A. Establish at a minimum: A control on the trips made by the officials showing:
  - Assignment of the task/trip
  - Objective of the trip
  - Amount of time necessary for the trip
  - Authorization from immediate superior
- B. Clear the situation of the expenses for trips made by the officials, or reimburse the funds used for these expenses to the project.

6. Lack of Control in Expenses for Photocopies

Recommendation:

We recommend that CONAP evaluate its needs of reproducing paper copies, and determine whether it is necessary to obtain authorization for the purchase of a Xerox machine for the Peten office.

7. Paid Documents were not Marked as Paid

Recommendation:

We recommend that CONAP establish the procedure of stamping paid documents using a seal stating "PAID WITH CHECK NO.: \_\_\_\_\_ DATE: \_\_\_\_\_, AUTHORIZED (or APPROVED) BY: \_\_\_\_\_", as well as indicating that the amount for the purchase has already been reimbursed by USAID/G-CAP.

8. Deficiencies in Cash Control

Recommendation:

We recommend that CONAP adopt, at a minimum, the following control procedures:

- A. Establish the use of joint signatures for the Project's bank accounts.
- B. Define which officials must review and authorize the reconciliations on a monthly basis.
- c. Reconcile the project's bank accounts monthly, detailing the checks and other items in the reconciliation.

COMPLIANCE WITH AGREEMENT TERMS AND APPLICABLE LAWS AND REGULATIONS

1. Deficiencies in Controls Over Direct Purchases made by USAID/G-CAP

Recommendation:

We recommend that CONAP control the adequate use of goods received from USAID/G-CAP, and also carry out the following:

- A. Record all purchases made directly by USAID/G-CAP with grant funds in the specific accounting department of the project, and at the same time clear the questionable costs situation.
- B. Use the vehicles exclusively in project activities according to what is established in the agreement. Monetary accountability should be demanded of those persons who cause any kind of damage to the vehicles, as well.
- C. Take periodic physical inventories of the forestry equipment, as well as of all the assets received from USAID/G-CAP.
- D. Compute the losses caused by the fire in the Uaxactum district warehouse in 1992, and obtain approval from USAID/G-CAP to eliminate the lost assets from the inventory.

2. Audits were not Made

Recommendation:

We recommend that CONAP coordinate procedures with USAID/G-CAP to make annual audits.

AUDIT OF THE MAYA BIOSPHERE PROJECT  
 MANAGED BY THE NATIONAL COUNCIL FOR PROTECTED AREAS (CONAP)  
 USAID/G-CAP PROJECT No. 520-0395

COUNTERPART CONTRIBUTIONS SCHEDULE

For the Period From August 30, 1990, to December 31, 1992

(Expressed in Quetzales)

<u>EXPENSE CATEGORY</u>	<u>Grant Agreement Budget</u>		<u>Actual</u>	<u>Reference to Notes</u>
	<u>Total Project</u>	<u>Audit Period</u>		
1 Personnel	Q.17,294,080	Q.3,548,035	Q.2,700,630	
2 Commodities	8,958,480	1,387,971	240,933	
3 Supplies & Operating expenses	2,693,040	445,195	311,461	
4 Travel and Per Diem	<u>925,160</u>	<u>256,644</u>	<u>107,891</u>	
Sub total	29,870,760	5,637,845	3,360,915	
Contingencies, inflation	<u>4,479,240</u>	<u>-</u>	<u>-</u>	
Total	Q.34,350,000 =====	Q.5,637,845 =====	Q.3,360,915 =====	3

**NATIONAL COUNCIL FOR PROTECTED AREAS**  
**National Administration**  
**Guatemala**

Guatemala, August 3, 1994

Mr. Rolando Lara  
Lara & Coyoy, CPA  
Guatemala, City

Dear Mr. Lara:

I am sending for your consideration some comments and explanations related with the final report of the external audit for the Mayan Biosphere Project, submitted at the exit conference which took place on July 21, 1994

**1. QUESTIONABLE COSTS**

- 1.1. Purchases for vehicles and forestry equipment acquired directly by USAID/G-CAP, which at the moment of audit had not been recorded in the grant records, have already been duly operated in said accounting records. We are enclosing a certification of them. It is necessary to make clear that the amount registered in Quetzales corresponds to the conversion according to the type of exchange rate in force on the date the corresponding vouchers were paid. Enclosed is a detail of the mentioned value. Amount Q.1,663,254.
- 1.2 Training events: The "Mayarema Project", where personnel from the Personal and Private Political Affairs Offices of the National Administration were presents, which took place at the Real-Tikal Camino Real Hotel on October 10 and 11, 1992. Authorization for such event is covered by minutes signed by the CONAP Council empowering the Administrative Secretary to execute the Project's expenses. The assigned budget therefore, was executed and was sent to you at that time. Enclosed is a copy of the final report of the event explaining that the excess of participants according to the invoice issued by the Hotel regarding the list of participants, is due to the

attendance of the individuals from the participating communities and additional personnel from CONAP. Amount Q.19,700.00.

1.3 Training events: Course for 75 resource guards, from May 4 to 14, 1991. Authorization for such event is covered by the minutes referred to in entry 1.2. Regarding the number of participants, it is necessary to state that according to the enclosed list, 66 persons attended the event. Such data is compatible with the information in the payment receipt, which only includes the value paid (Q.13,975.00), without referring to the number of participants. Considering the duration of the course (11 days), the cost for meals is approximately Q.6.41 per meal, which is considered reasonable. Additionally, we enclose a copy of the report of the event which refers to the goals achieved. Amount: Q.13,975.00

1.4 Training events: Course for 78 new resource guards, from May 10 to 15, 1992. Authorization for such event is covered in the aforementioned minutes. As to the number of meals paid, the corresponding receipt indicates there were 1,168. The list of participants contains 73 persons, and the duration of the events was 6 days (from May 10 to the 15, including the 10th and the 15th). The meals served according to this count, were 1,314 (73 persons x 3 meals a day x 6 days). The meals paid were 1,168. The difference is 146 meals, in favor of CONAP. At the same time, we are enclosing a copy of the report related to the objectives reached in this event. Amount Q.11,680.00

1.5 Disbursements questioned due to lack of authorization from the Administrative Head or by the Regional Head.

According to Audit Report

According to Document Verification

Document	No.	Date	Amount	Document	No.	Date	Amount
Invoice	2600	26/1/91	2243	Invoice	2600	19/06/91	2243
Invoice	2601	26/1/91	2243	Invoice	1937	6/06/91	2243
Receipt	747962	30/1/91	710	Receipt	747962	22/02/91	710
Receipt	747963	30/1/91	710	Receipt	746962	22/02/91	710
Invoice	10916	5/3/91	117	Invoice	10916	11/10/91	117
Invoice	10068	3/4/91	180	Invoice	37813	10/07/91	118
Invoice	5776	8/5/91	270	Invoice	5776	15/04/91	270

We are enclosing the corresponding authorizations for the expenses appearing above. Amount: Q.6,519.00

1.6 Questioned disbursements due to lack of purchase quotation.

According to Audit ReportAccording to Document Verification

Receipt	No.	Date	Amount	Document	No.	Date	Amount
Receipt	w/n	3/03/91	3250	Receipt	w/n	15/02/91	3250
Invoice	37249	21/01/91	1364	Invoice	29332	12/03/91	1364
Invoice	065	14/02/92	2265	Invoice	065	30/01/92	2265
Receipt	w/n	22/05/92	1080	Receipt	w/n	01/04/92	1080

We are enclosing the corresponding purchase quotation.  
Amount: Q.7,959.00

1.7 Questioned disbursements due to purchases made to one single supplier in one single day

<u>Document</u>	<u>Number</u>	<u>Date</u>	<u>Amount</u>
Invoice	182	21/01/92	Q. 211
Invoice	37242	21/01/92	188
Invoice	37243	21/01/92	50
Invoice	37244	21/01/92	896
Invoice	37245	21/01/92	199
Invoice	37247	21/01/92	136
Invoice	37248	21/01/92	495
Invoice	34807	21/01/92	639
Invoice	454 to 475	21/05/92	<u>2,061</u>

Total Q.4,875

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The above-mentioned invoices were issued on the same date, because the supplier (Librería y Papelería Cultura) issued them on the same day. However, the expenses they cover do not correspond to a single purchase. The evidence appears in the purchase orders for materials and supplies which were made on different dates (from January to May, 1992). Due to the shortage of funds in CONAP, these purchases were not paid as they were required; consequently, the supplier invoiced them in individual documents for each requirement, writing in each invoice the oldest date for them at the moment of payment.

We are enclosing photocopies of all support documents covering these comments and explanations.

Based on these explanations, we consider we have clarified the referred questionable costs, and we shall appreciate that the same not be included in the final version of the audit report.

Cordially yours,

Otoniel Chacón  
Acting Administrative Assistant