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Joseph R. Harmon, Director FTAS

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Tax Admin*

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July 13, 1971

F. Marion Coburn, Acting Team Leader

Narrative Report -- June 1971

### General

The take over of the government by the newly elected president, Dr. Ramon Ernesto Cruz, was extremely peaceful. A new Ministry of Economy was created, we are now the Ministry of Finances and Public Debt and our new Minister, Lic. Elio Ynestroza, has taken over his duties. We were all happy that Sr. Efraim Suazo was renamed as Director General of Taxation. During the month, I attended a dinner (photo enclosed) in honor of Mr. Suazo and a cock-tail welcoming the new Minister. Both parties were given by personnel of the DGT.

Dr. Menalco Solís, Executive Secretary (CIAT) passed through Tegucigalpa on his way to Washington. While here he discussed with the Director General various matters regarding the CIAT General Assembly. In a talk with him, I proposed that a paper on "quality control by computers" be presented at the next CIAT Seminar on ADP. Upon Menalco's request, I forwarded to him a synopsis on the system the GOH installed for processing income tax returns. I am very proud of the Income Tax Processing System which the DGT now has and feel other countries could benefit from such a paper.

Mr. Pedro Ponce Larios returned from the training management INTAX seminar on June 5. The Director General has transferred him to Tegucigalpa so he can be more effectively used. He is already very active in the training program.

A study is being made by AID/II of the Tax System in Honduras. An AID/W economist, Mr. Jacob P. Meerman, has been detailed here for a period of thirty days for this project. If I understand the project, he is studying the laws in respect to how they affect the administration of the taxes, both as to equity of assessment and as to the ability to enforce collections. A 4 week study is also being made of customs by Mr. Kenneth Stacey, which

will include a study of the collection of the taxes on distilled spirits, currently administered by Customs. These two studies may have a direct affect on the make-up of the Tax Team.

#### ADP

##### Master File

Through June 30, 43,432 income tax returns were processed through the master file and bills amounting to \$ 15,881,300 were sent to the collection banks. This information was furnished within minutes after the Director General asked for it. Never before was this data immediately available nor was it reliable. Another by-product of the master file is the simultaneous accumulation and balancing of income tax statistical data as the returns are being processed. This eliminates the necessity and cost of processing all of the returns a second time in order to compile the statistical reports. Previously this second cycle of processing required a lapse time of 6 months and the data was not too reliable.

The programmers are currently busy writing programs for processing audit adjustments. This is another phase of the planned expansion of the master file. The feasibility study was actually conducted by the DGT Systems Analyst, Rolando Lean Barillas, whereas I only assisted. Rolando has shown a remarkable ability to adapt what the ADP Advisors have been teaching.

##### Sales Tax

The DGT Systems Analyst, with my assistance, has designed a system for processing the 1970 Sales Tax Returns. The adoption of this plan will be a big step towards the planned improvement in this area for 1971. Though its early implementation may slow down the compilation of the Sales Tax Statistics for 1970, the end result will be accurate statistics plus the creation of a Sales Tax master file for 1971 processing. The programmers are proceeding with outlining the necessary programs.

##### Cattle Sales Statistics

The processing ran into a technical snag which is being resolved. Using the RPG language, the computer cannot process certain invalid characters which entered the system because about 50% of the data was not key-verified.

The technicians have found a way-around the problem and I am sure all will go well soon. This system was programmed by in-experienced programmers who did not pass the IBM aptitude test. They did a good job and completed the project ahead of schedule.

#### Audit

The auditor working on the Audit Techniques Handbook was recalled to work on the audit course which began July 4 at the Cooperative Industrial Technical Center. See Training. I am informed that she will return to the Handbook project on or about July 15.

#### Training

The ADP personnel are being cross-trained as coding clerks, keypunch-keyverifiers and machine operators. The plan is two-fold; to create a ready cadre of trained personnel for emergencies and replacement, as well as to orient all personnel on the total processing system, relating each job to the entire chain of operations. Hopefully, this will eliminate some human errors as well as stimulate job interest.

The DGT signed a contract with the Cooperative Industrial Technical Center (CCTI) who will give six courses averaging about 15 persons per group. The courses are to be funded by USAID. The topics are:

1. General Accounting	2 groups	30 hours
2. Advanced Accounting	1 group	30 hours
3. General Auditing	1 group	20 hours
4. Human Relations	1 group	20 hours
5. Tax Auditing and Tax law	1 group	20 hours
6. Training of Instructors	1 group	3 weeks.

The general accounting course was prepared by DGT Audit Personnel and the instructors are also from the DGT Audit.

Mr. Ponce Larios is coordinating all of these programs.

#### Taxpayer Education

The tax calendars designed by the DGT with our assistance, and funded by USAID have been printed and distributed through various commercial channels. Due to the printing, they had to be bound in the left side rather than

at the top as originally planned. As can be seen by the example forwarded on June 30, they turned out very nice. The tax team secretary is the one who discovered that the printing run could be saved by changing the binding, this permitted distribution in June. Hats off to Nena.

