

Regional Inspector General for Audit  
San José, Costa Rica

---

Audit of USAID/Guatemala's  
Highlands Agricultural Development Project  
Activities Managed by the  
Project Administration Unit  
June 1, 1989 to March 31, 1992

---

Audit Report No. 1-520-94-05-N  
May 23, 1994



---

Financial information contained in this report may be privileged. The restrictions of 18 USC 1905 should be considered before any information is released to the public.

---

BEST AVAILABLE COPY



U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT



AGENCY FOR INTERNATIONAL DEVELOPMENT  
OFFICE OF THE REGIONAL INSPECTOR GENERAL  
SAN JOSE, COSTA RICA

Unit 2521  
APO AA 34020  
Telephone 220-4545  
FAX: (506) 220-3573

May 23, 1994

**MEMORANDUM**

TO: Director USAID/Guatemala, Stacy Rhodes

FROM: RIG/A/San José, *George N. Gothard*  
George N. Gothard

SUBJECT: Audit of USAID/Guatemala's Highlands Agricultural Development Project, Activities Managed by the Project Administration Unit, June 1, 1989 to March 31, 1992

This report presents the results of a financial audit of the Highlands Agricultural Development Project (Project), USAID/Guatemala Project No. 520-0274, covering those activities managed by the Project Administration Unit (Unit), for the period June 1, 1989 to March 31, 1992. The audit firm of Deloitte Touche Tohmatsu prepared the report dated March 4, 1994.

The purpose of the Project was to increase rural agricultural productivity and profitability. The Unit was formed in 1989 specifically to coordinate Project activities. Its activities included processing reimbursement requests from implementing entities, receipt and management of funds provided by USAID/Guatemala and the Government of Guatemala, local procurement and contracting, and the consolidation of the Project's financial information based on financial information received from other Project implementing entities. Under the procedures established for the Project, the Government of Guatemala's Ministry of Agriculture, Livestock, and Food had the authority to review and approve the Unit's activities.

The Unit was one of four Government of Guatemala implementing entities receiving funding directly from USAID/Guatemala to implement natural resources management activities under the Project. Two additional implementing entities, the General Directorate for Livestock Services and the Institute of Agricultural Science and Technology, received their funding from the Unit. During the audit period the Unit disbursed Project funds equivalent to \$2,096,174. The Project was subsequently completed on September 30, 1993.

The objectives of the audit were to determine whether: (1) the Unit's fund accountability statement for the audited period presents fairly, in all material respects, the financial position for the Project activities funded through the Unit during the audit period, (2) the Unit's internal control structure was adequate to manage Project operations, and (3) the Unit complied with agreement terms and applicable laws and regulations. The scope of the audit included an examination of the Unit's activities and transactions to the extent considered necessary to issue a report thereon for the audit period.

Deloitte Touche Tohmatsu reported that, except for certain questionable costs amounting to \$15,648, the Unit's fund accountability statement presents fairly, in all material respects, the financial activities funded through the Unit for the audited period. The auditors noted, however, that the two implementing entities which had received USAID/Guatemala funding through the Unit had not submitted to the Unit their accounting records concerning the Government of Guatemala's counterpart contributions made through those entities. Therefore, RIG/A/San Jose considers the counterpart contributions made through those two entities to be unsupported due to a lack of accounting records.

Deloitte Touche Tohmatsu identified seven material weaknesses in the Unit's internal control structure. Specifically, the auditors reported that: (1) the Institute of Agricultural Science and Technology did not maintain adequate controls over vehicle fuel consumption in two of its regions, (2) the Unit did not establish budgets to control the execution of the Project's activities and it had not accounted for funds provided to one subimplementing unit, (3) bank reconciliations were not properly controlled, (4) there were various control deficiencies in the Unit's electronic data processing department, (5) assets being used by employees were not being controlled through sign-out cards, (6) costs to construct a building for the Unit were invoiced to the Ministry of Agriculture, Livestock and Food, and (7) an adequate filing system was not maintained for Project reports.

Regarding the Unit's compliance with agreement terms and applicable laws and regulations, the auditors identified what they considered to be four material instances of noncompliance. They found that the Unit: (1) had incurred the cost of a feasibility study but did not put the study into practice, (2) did not comply with certain Guatemalan legal requirements (i.e., registering payrolls and labor contracts, withholding and paying Guatemalan social security taxes, and exercising proper accounting controls over certain payroll disbursements), (3) did not make annual audits of the Project as required by agreement terms, and (4) did not operate subsidiary records for the control of the Government of Guatemala's

counterpart contribution nor obtain information from the General Directorate for Livestock Services and the Institute of Agricultural Science and Technology on their counterpart contribution amounts.

The Project ended September 30, 1993 and, according to USAID/Guatemala project officers, the Mission does not plan to use the Unit, the General Directorate for Livestock Services, or the Institute of Agricultural Science and Technology as implementing entities in the future. Therefore, we are not recommending any action to correct procedural deficiencies identified by the auditors with respect to the internal control structure and compliance deficiencies noted for these entities. **However, we strongly suggest that the Mission obtain a full accounting of the Government of Guatemala counterpart contributions provided through the General Directorate for Livestock Services and the Institute of Agricultural Science and Technology to the Project over its life, taking appropriate actions should shortfalls be noted.**

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

**Recommendation No. 1**

**We recommend that USAID/Guatemala resolve the questionable costs of \$15,648 (\$430 questioned and \$15,218 unsupported) identified in the Deloitte Touche Tohmatsu report dated March 4, 1994, and recover from the Project Administration Unit the amounts determined to be unallowable.**

Recommendation No. 1 will be considered resolved upon the Mission's determination of the amount of recovery, and will be considered closed upon the recovery of funds, offset of funds, or issuance of a Bill for Collection.

The report was discussed with representatives from the Unit who expressed general agreement with the report except for questioned costs related to equipment purchases. Also, the Unit's comments indicate that records on the Government of Guatemala's counterpart contribution made to the Project through each implementing entity exist but such contributions were not separately reported by the implementing entities during the first quarter of 1992. The Unit's comments are included as Annex I to the Deloitte Touche Tohmatsu audit 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 recommendation.

**Regional Inspector General for Audit  
San José, Costa Rica**

**Audit of USAID/Guatemala's  
Highlands Agricultural Development Project  
Activities Managed by the  
Project Administration Unit  
June 1, 1989 to March 31, 1992**

**Audit Report No. 1-520-94-05-N  
May 23, 1994**

**Deloitte Touche  
Tohmatsu**



---

P. O. Box 317-I  
Guatemala, C. A.

Telephone: 315466 - 315140  
Facsimile: (502)-2 326595

AUDIT OF THE HIGHLANDS AGRICULTURAL DEVELOPMENT PROJECT  
ACTIVITIES MANAGED BY THE PROJECT ADMINISTRATION UNIT (UAP)  
USAID/GUATEMALA PROJECT No. 520-0274

---

**Deloitte Touche  
Tohmatsu  
International**

5

AUDIT OF THE HIGHLANDS AGRICULTURAL DEVELOPMENT PROJECT  
ACTIVITIES MANAGED BY THE PROJECT ADMINISTRATION UNIT (UAP)  
USAID/GUATEMALA PROJECT No. 520-0274

---

C O N T E N T

|  | <u>Page</u> |
|--|-------------|
| Transmittal Letter and Summary   |             |
| - Background   | 1           |
| - Audit Objectives and Scope   | 3           |
| - Results of the Audit   | 5           |
| - Management Comments  | 7           |
| Fund Accountability Statement  |             |
| - Independent Auditors' Report   | 8           |
| - Fund Accountability Statement  | 10          |
| - Notes to the Fund Accountability Statement                           | 11          |
| Internal Control Structure   |             |
| - Independent Auditors' Report   | 14          |
| - Findings   | 17          |
| Compliance with Agreement Terms and Applicable<br>Laws and Regulations |             |
| - Independent Auditors' Report   | 26          |
| - Findings   | 28          |
| List of Report Recommendations   | 32          |
| Annex I Management Comments  | 36          |



March 4, 1994

Mr. Coinage N. Gothard  
Regional Inspector General for Audit  
United States International Development Agency  
San Jose, Costa Rica, C. A.

Dear Mr. Gothard:

This report presents the results of our audit of the Highlands Agricultural Development Project, USAID/Guatemala Project No. 520-0274, activities managed by the Project Administration Unit (UAP) for the period from June 1, 1989 to March 31, 1992.

BACKGROUND

On September 30, 1983, the United States Government through the Agency for International Development, Mission to Guatemala (USAID/Guatemala) and the Government of Guatemala (GOG), represented by the Treasury Department; the General Secretariat of the National Economic Planning Council; the Ministry of Communications, Transportation, and Public Works; and the Ministry of Agriculture, Livestock and Food, signed Loan Agreement No. 520-T-037 for US\$13,500,000 and Grant Agreement No. 520-0274 for US\$18,316,046. The project assistance completion date was extended to September 30, 1993.

The purpose of this project is to increase rural agricultural productivity and profitability. This would be accomplished through development of diversified commercial agriculture, expanded emphasis on irrigated farm systems, and transfer of production technology and marketing services to small farmers. With the exception of the Department of Peten, the project area is the entire country.

The principal components of the project are:



- . Management of natural resources, which comprises: a) Soil conservation activity; b) Small irrigation systems construction; c) Credit fund and social payments; and d) Reforestation activity.
- . Access road program, which comprises: a) Access road maintenance with intensive utilization of manual labor, aided by heavy equipment; b) Maintenance of heavy equipment for construction programs and maintenance of access roads; c) Mapping, promotion, and planning of the access road program; and
- . Basic study, evaluations and audits of the project.

The Government of Guatemala must provide counterpart funds to the Highlands Agricultural Development Project according to the conditions contained in the loan and grant agreements for Q.8,831,294 (equivalent to US\$8,831,294) and Q.29,071,171 (equivalent to US\$29,071,171) respectively.

The project is executed through six institutions of the Government of Guatemala, described as follows:

- . The project Administration Unit (UAP) for the Highlands Agricultural Development Project was formed in 1989 specifically to coordinate project activities. This includes processing reimbursement requests from implementing entities, receipt and management of funds provided by USAID/Guatemala and the counterparts, local procurement and contracting, and the consolidation of the project's financial information based on fund accountability statements, or other financial statements, prepared by the implementing entities. Under the project's established procedures, MAGA has the authority to review and approve UAP activities.
- . The Institute of Agricultural Science and Technology (ICTA), receives project funding through UAP. Its role in the project is to research and adapt technology for improving fruits and vegetables, and to improve the agricultural technical training provided to small farmers by DIGESA.
- . The General Directorate for Livestock Services (DIGESEPE), receives project funding through UAP. Its role in the project is to develop, in coordination with the other participating entities, livestock extension activities for cows, pigs, sheep, and poultry, focusing primarily on improving management production practices related to disease and parasite control, and nutrition/feed supply, with special emphasis on using animal waste products for fertilizer and plant waste products for animal feed.



The other three Government institutions of the agricultural sector participating in the project, are:

- . The National Bank for Agricultural Development (BANDESA), receives project funds directly from USAID/Guatemala for the project's trust fund which provides loans to qualified small- and medium-size farmers.
- . The General Directorate for Agricultural Services (DIGESA), receives project funds directly from USAID/Guatemala and is responsible for project activities involving the transfer of agricultural technology for crop production of vegetables, fruits, deciduous trees, soil preservation, and for small-scale irrigation works. DIGESA is also responsible for project activities involving extension and technical assistance services for promotion, planning, credit arrangements, and the design and construction of small-scale irrigation systems and soil conservation structures.
- . The General Directorate of Forests and Wildlife (DIGEBOS), receives project funding directly from USAID/Guatemala and is responsible for implementing the project activities related to integrated watershed management and reforestation.

#### AUDIT OBJECTIVES AND SCOPE

The general objective was to perform an audit of the Highlands Agricultural Development Project, USAID/Guatemala Project No. 520-0274, activities managed by the project Administration Unit (UAP), for the period from June 1, 1989 to March 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 accordingly 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 financial situation of the project activities managed by UAP from June 1, 1989 to March 31, 1992, and costs reported as incurred and reimbursed by USAID/Guatemala during the period are allowable, allocable, and reasonable in accordance with agreement terms, and applicable laws and regulations.
- b) The internal control structure of UAP is adequate to manage its project operations.



- c) UAP complied with agreement terms and applicable laws and regulations which may affect project goals and incurred costs.

The scope of our work consisted of:

1. Auditing the fund accountability statement of the project activities managed by UAP to:
  - a) Examine the fund accountability statement including the budgeted amounts by category and major items; costs reported as incurred during the audit period, and revenues received from USAID/Guatemala for that period.
  - b) Examine whether the fund accountability statement included separate identification of those revenues and costs applicable to the project, but did not include counterpart contributions, nor direct procurement of vehicles, equipment, commodities, and technical assistance provided by USAID/Guatemala to the project; whether required counterpart contributions have been provided in accordance with the agreement, and whether direct USAID/Guatemala procurement is accounted for and control procedures exist to adequately safeguard such assets.
  - c) Examine whether the amount received from USAID/Guatemala less the costs incurred, reconciled with the balance in banks at the end of the period.
  - d) Evaluate project implementation actions and accomplishments to determine whether costs 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. Reviewing and evaluating UAP's internal control structure 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. Determining whether UAP has complied, in all material respects, with agreement terms, project implementation letters, and applicable laws and regulations, and identifying those aspects of noncompliance which could have a direct and material effect on the fund accountability statement.

10



## RESULTS OF THE AUDIT

### Fund Accountability Statement

The results of our audit of the fund accountability statement of the Highlands Agricultural Development Project, USAID/Guatemala Project No. 520-0274, activities managed by the Project Administration Unit (UAP), disclosed that, except for certain costs of Q.76,873 (approximately US\$15,648) which are considered questioned as explained in Note 4, the accompanying fund accountability statement presents fairly, in all material aspects, UAP's financial activities under the Highlands Agricultural Development Project, for the period from June 1, 1989 to March 31, 1992.

The Government of Guatemala promised to provide counterpart funds to the Highlands Agricultural Development Project of Q.8,831,294 (equivalent to US\$8,831,294) and Q.29,071,171 (equivalent to US\$29,071,171) for the loan and grant agreement respectively; however, DIGESA and DIGEBOS did not submit accounting records for their counterpart contributions. UAP has contributed Q.110,392 (equivalent to US\$110,392), but there are no counterpart records from ICTA nor DIGESEPE. BANDESA has contributed Q.11,236,915 (equivalent to US\$11,236,915) as counterpart funds. The total amount of contributions represent 30% of the total of counterpart which the Government must contribute, and September 30, 1993 is the date programmed for the project's termination.

### Internal Control Structure

Our study and evaluation of the internal control structure revealed some matters related with 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 judgment, could adversely affect UAP's capacity to record, process, summarize, and report financial data consistent with the assertions of management in the fund accountability statement. The reportable conditions, all of which we consider are material weaknesses, are the following:

1. No control over fuel consumption.
2. Lack of operations and budget records.



3. Deficiencies in the control of bank reconciliations and lack of segregation of functions.
4. Deficiencies in the Electronic Data Processing.
5. No preparation of employee responsibility cards.
6. Deficiencies in the documents supporting the construction of the UAP building.
7. No adequate file with reports on the activities performed in the project.

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 the UAP complied with the agreement terms and applicable laws and regulations which may affect the funds received from USAID and the funds disbursed by UAP.

Our tests of compliance disclosed the following material instances of noncompliance:

1. The feasibility study was not implemented at the Los Brillantes Development Station.
2. There were deficiencies in the project's payrolls.
3. Audits were not made.
4. There was lack of accounting information on national counterpart funds, provided through project implementing entites.

The results of our tests of compliance indicate that, for items tested, except for the items mentioned above, UAP has complied, in all important aspects, 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 UAP has not complied, in all significant aspects, with the agreement terms and with laws and regulations which could affect the funds received from USAID and those disbursed by UAP.



MANAGEMENT COMMENTS

This report was discussed on August 4, 1993 by representatives of our Firm and UAP's management represented by Guillermo Borrayo and Elizabeth de Toledo. As result of this discussion in general, UAP's management agreed with the report and they suggested minor changes which have been incorporated in this final report, and these not have effect on our opinions. UAP's comments on some findings are detailed in Annex I.

DELOITTE TOUCHE TOHMATSU

Lic. Rolando Lara Leiva



AUDIT OF THE HIGHLANDS AGRICULTURAL DEVELOPMENT PROJECT  
ACTIVITIES MANAGED BY THE PROJECT ADMINISTRATION UNIT (UAP)  
USAID/GUATEMALA PROJECT No. 520-0274

REPORT ON THE FUND ACCOUNTABILITY STATEMENT  
INDEPENDENT AUDITORS' REPORT

We have audited the accompanying fund accountability statement of the Highlands Agricultural Development Project, USAID/Guatemala Project No. 520-0274, activities managed by the project Administration Unit (UAP), for the period from June 1, 1989 to March 31, 1992. This fund accountability statement is the responsibility of UAP management. Our responsibility is to express an opinion on this fund accountability statement based on our audit.

Except as discussed in the next paragraph, we conducted our audit in accordance with generally accepted auditing standards and the "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 the management, as well as evaluating the overall fund accountability statement. We believe that our audit provides a reasonable basis for our opinion.

We did not have an external quality control review by an unaffiliated audit organization as required in paragraph 46 chapter 3 of Government Auditing Standards, since no such quality review program is offered by professional organizations in Guatemala. We believe that the effect of this departure from the financial audit requirements of Government Auditing Standards is not material, because we participate in the Deloitte Touche Tohmatsu International worldwide internal quality control program



which requires the Deloitte Touche Tohmatsu Guatemala office to be subjected, every three years, to an extensive quality control review by partners and managers from other Deloitte Touche Tohmatsu offices.

As described in Note 5 to the fund accountability statement, expenditures in the amount of Q.76,873 (approximately US\$15,648) were considered as questioned costs.

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

In our opinion, except for the questioned costs described in the fourth paragraph, the fund accountability statement referred to above, presents fairly, in all material respects, the funds received and the disbursements made by UAP under the Highlands Agricultural Development Project for the period from June 1, 1989 to March 31, 1992, in accordance with the accounting basis described in Note 1.

This report is intended solely for the information and use of the project Administration Unit (UAP) 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 Tohmatsu*

January 27, 1993  
Guatemala, C. A.

AUDIT OF THE HIGHLANDS AGRICULTURAL DEVELOPMENT PROJECT  
 ACTIVITIES MANAGED BY THE PROJECT ADMINISTRATION UNIT (UAP)  
 USAID/GUATEMALA PROJECT No. 520-0274

FUND ACCOUNTABILITY STATEMENT

For the period from June 1, 1989 to March 31, 1992

(Expressed in Quetzales)

|                                  | <u>Executed</u>   |                | <u>Total</u>      | <u>Questioned<br/>Costs<br/>(Note 4)</u> |
|----------------------------------|-------------------|----------------|-------------------|--|
|                                  | <u>UAP</u>        | <u>FEAT</u>    |                   |  |
| <b><u>REVENUES:</u></b>          |                   |                |                   |  |
| Funds Received from              |                   |                |                   |  |
| AID                              | Q.11,278,917      | Q.750,000      | Q.12,028,917      |  |
| Earned Interest                  | <u>-</u>          | <u>70,481</u>  | <u>70,481</u>     |  |
|                                  | <u>11,278,917</u> | <u>820,481</u> | <u>12,099,398</u> |  |
| <b><u>EXPENDITURES:</u></b>      |                   |                |                   |  |
| Personal services                | 5,217,138         | -              | 5,217,138         |  |
| Administrative services          | 1,959,151         | -              | 1,959,151         | Q.26,652                                 |
| Material and supplies            | 1,491,849         | -              | 1,491,849         | -  |
| Machinery and equipment          | 1,255,208         | -              | 1,255,208         | 50,221                                   |
| Constructions                    | 521,267           | -              | 521,267           | -  |
| Technical services               | <u>-</u>          | <u>162,028</u> | <u>162,028</u>    | <u>-</u>                                 |
|                                  | <u>10,444,613</u> | <u>162,028</u> | <u>10,606,641</u> | Q.76,873<br>=====                        |
| Accounts payable                 | 37,569            | -              | 37,569            |  |
| Accounts receivable              | <u>(309,705)</u>  | <u>-</u>       | <u>(309,705)</u>  |  |
| Available according to statement | 562,168           | 658,453        | 1,220,621         |  |
| Funds available in banks         | <u>562,168</u>    | <u>658,453</u> | <u>1,220,261</u>  |  |
| Reconciled balances Q.           | -                 | Q. -           | Q. -              |  |
|                                  | =====             | =====          | =====             |  |

The enclosed notes are an integral part of this statement.

16

AUDIT OF THE HIGHLANDS AGRICULTURAL DEVELOPMENT PROJECT  
ACTIVITIES MANAGED BY THE PROJECT ADMINISTRATION UNIT (UAP)  
USAID/GUATEMALA PROJECT No. 520-0274

NOTES TO THE FUND ACCOUNTABILITY STATEMENT  
For the period from June 1, 1989 to March 31, 1992

---

1. OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

Operations - The Project Administration Unit (UAP) for the Highlands Agricultural Development Project was formed in 1989 specifically to coordinate project activities. This includes processing reimbursement requests from implementing entities, receipt and management of funds provided by USAID/Guatemala and the counterparts, local procurement and contracting, and the consolidation of the project's financial information based on fund accountability statements, or other financial statements, prepared by the implementing entities. Under the project's established procedures, MAGA has the authority to review and approve UAP activities.

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

- a. Presentation Base - The enclosed fund accountability statement includes the revenues and expenditures of the Highlands Agricultural Development Project activities managed by the Project Administration Unit (UAP), as well as the operations of the Special Technical Aid Fund (FEAT), which was executed by the National Agricultural Development Bank (BANDESA) and managed by UAP.
- b. Accounting Base - The project's fund accountability statement is prepared on a cash basis, in which the receipts are recognized when received and the expenses when disbursed. This is a comprehensive basis of accounting applicable to governmental institutions rather than generally accepted accounting principles.

2. LOAN AND GRANT AGREEMENT

On September 30, 1983, the United States Government through the Agency for International Development, Guatemala Mission (USAID/Guatemala) and the Government of Guatemala (GOG) represented by the Treasury Department; the General Secretariat of the National Economic Planning Council; the Ministry of Communications, Transportation, and Public Works; and the Ministry of Agriculture, Livestock, and Food, signed Loan Agreement No. 520-T-037 for US\$13,500,000 and Grant Agreement No. 520-0274 for US\$18,316,046. The project assistance completion date was extended to September 30, 1993.

The purpose of the project is to increase rural agricultural productivity and profitability. This would be accomplished through the development of diversified commercial agriculture, expanded emphasis on irrigated farm systems, and transfer of production technology and marketing services to small farmers. With the exception of the Department of Peten, the project area is the entire country.

The principal components of the project are:

- . Management of natural resources, which comprises: a) Soil conservation activity; b) Small irrigation systems construction; c) Credit fund and social payments; and d) Reforestation activity.
- . Access road program, which comprises: a) Access road maintenance with intensive utilization of manual labor, aided by heavy equipment; b) Maintenance of heavy equipment for construction programs and maintenance of access roads; c) Mapping, promotion, and planning of the access road program; and
- . Basic study, evaluations and audits of the project.

### 3. COMMITMENTS

The Government of Guatemala must provide counterpart funds to the Highlands Agricultural Development project according to the conditions contained in the loan and grant agreements for Q.8,831,294 (equivalent to US\$8,831,294) and Q.29,071,171 (equivalent to US\$29,071,171) respectively. By March 31, 1992 the Government had provided to UAP Q.110,392 (equivalent to US\$110,392).

### 4. QUESTIONED COSTS

- Computer equipment purchased with project funds from Tres Torres, S.A., with Banco del Café checks Nos. 1617, 1649, and 1668. There is no evidence of this equipment being received in its major part, and it was not possible to find where it is located; additionally, the part of the equipment which was received is not possible to identify since the invoices lack information on the purchased items, (approximately US\$9,360).
- Fuel consumption is considered a questionable cost, since:

Q.48,015





AUDIT OF THE HIGHLANDS AGRICULTURAL DEVELOPMENT PROJECT  
ACTIVITIES MANAGED BY THE PROJECT ADMINISTRATION UNIT (UAP)  
USAID/GUATEMALA PROJECT No. 520-0274

REPORT ON THE INTERNAL CONTROL STRUCTURE  
INDEPENDENT AUDITORS' REPORT

We have audited the fund accountability statement of the Highlands Agricultural Development Project, USAID/Guatemala Project No. 520-0274, activities managed by the project Administration Unit (UAP), for the period from June 1, 1989 to March 31, 1992, and we have issued our report thereon dated January 27, 1993 in which we qualified our opinion because of certain costs which were considered questionable.

Except for not conducting an external quality control review by an unaffiliated organization as further described in our report on the fund accountability statement, we conducted our audit in accordance with generally accepted auditing standards and the "Government Audit 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 for UAP's activities under the Highlands Agricultural Development Project for the period from June 1, 1989 to March 31, 1992, we considered the internal control structure applied by UAP, 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 UAP 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 purpose of this report, we have classified the significant policies and procedures of the internal control structure in the following categories: accounting and budgetary control system; procurement system; payroll controls; fuel consumption and per-diem labor; and controls over direct USAID/Guatemala procurement.

For all of the internal control structure categories listed above, we obtained an understanding of the relevant policies and procedures and whether they had been placed in operation, and we 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 to 7 of this report, there is no control on the consumption of fuel; there is a lack of operations and budget records; there are deficiencies in the control of bank reconciliations, and lack of functions segregation; there are deficiencies in the electronic data processing department; no responsibility control cards have been prepared; there are deficiencies in the support documents of the building construction; and there is no adequate file on the reports of the activities carried out by the project.

A material weakness is a reportable condition in which the design or operation of the specific elements in the internal control



structure do 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 consideration 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 to 7 of this report are material weaknesses.

This report is intended solely for the information and use of the project Administration Unit (UAP), 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 Tohmatsu*

January 27, 1993  
Guatemala, C. A.

AUDIT OF THE HIGHLANDS AGRICULTURAL DEVELOPMENT PROJECT  
ACTIVITIES MANAGED BY THE PROJECT ADMINISTRATION UNIT (UAP)  
USAID/GUATEMALA PROJECT No. 520-0274

REPORT ON THE INTERNAL CONTROL STRUCTURE  
FINDINGS

---

1. No Control over Fuel Consumption

Condition:

In evaluating the fuel consumption in two of the ICTA Regions, which used the most fuel, we observed the following:

In ICTA Region III, corresponding to Zacapa, we observed the following deficiencies:

- a) Fuel consumption vouchers were not found.
- b) There was no control over the mileage of the vehicles.
- c) The fuel was used according to programs established by the technicians to supervise the project activities; these programs however, were not found.
- d) There was no periodic reconciliation of the total gallons of fuel used, against the total of gallons purchased.

In the ICTA Region VI which correponds to Quetzaltenango, we observed the following deficiencies:

- a) There is no evidence of elaboration of plans for project activities to support the consumption of fuel.
- b) There was no control over the mileage of the vehicles.
- c) There was no periodic reconciliation of the total gallons of fuel used against the total gallons purchased.

Criterion:

In order to have a good control over the consumption of fuel, the internal control structure must be capable of detecting, correcting, and preventing errors, and to document the use of fuel.

Cause:

Through lack of supervision, an adequate internal control system over fuel consumption was not established.

The programs established by the technicians to supervise the project's activities were not found.

These programs remain in the possession of the technicians and there was no file created.

Effect:

The financial information was not reliable, and losses, misuse, and irregularities may have occurred and not been detected. The lack of controls to justify fuel consumption caused questionable costs of Q.26,652.

Recommendation:

We recommend that the Agricultural Science and Technology Institute (ICTA):

- A. Prepare a report on the consumption of fuel used during the term of the program in order to show USAID/Guatemala the adequate use of fuel.
- B. Establish controls over fuel consumption which include, at least, the following:
  - a) Prenumber fuel requisition forms.
  - b) Establish policies about the working levels of the persons who authorize, receive, use, and supervise fuel consumption.
  - c) Design the daily utilization control of vehicles, indicating each one's trip, purpose of said trip, places visited, and mileage covered. As part of this control, there must be a history of the mileage of each vehicle and statistics on its use, indicating repairs, if any.
  - d) Reconcile the fuel used according to the requisition forms against the purchase invoices, enclosing the supporting documents and evaluating the reasonability of the fuel consumption according to the mileage covered, and investigating any difference thereof.

2. Lack of Operations and Budget Records

Condition:

On reviewing the project's operations, we observed the following deficiencies:

- A. The Project Administration Unit (UAP) did not register the Technical Aid's Special Fund's operations (FEAT). UAP did not receive the liquidations and documents from BANDESA and did not generate any accounting record. FEAT's operations were included in the fund accountability statement based on extra-accounting records for the audit's purposes.
- B. The fund accountability statement submitted by the Project Administration Unit (UAP) did not include the budgeted amounts for each one of the project's activities.

Criterion:

According to Project Implementation Letter No. 78, UAP must record FEAT's operations.

The project's fund accountability statement must include the budget, since it constitutes an instrument of control which allows the evaluation, in a comparative form, of that which was executed against that which was budgeted.

Cause:

The accountant was not ordered, in writing, to record FEAT's operations; and furthermore, it was assumed that the institution in charge of recording FEAT's operations was BANDESA, since it charges a commission to manage this Fund.

There was no budget for the period of 1992, due to the suspension of funds from USAID/Guatemala so there was no budget made for the complete period.

Effect:

Due to the lack of recording of FEAT's operations, errors or irregularities may have existed without being detected.

The fund accountability statement has not been adequately prepared; furthermore, due to the lack of a budget, funds may have been assigned to unauthorized items without being timely detected.

Recommendation:

We recommend that the Project Administration Unit (UAP) carry out the following:

- A. Request and verify that the project's accountant records in UAP's records all operations which may have been carried out with the Technical Aid's Special Fund (FEAT).
  - B. Control the assignment of funds to each item by category, including both the budgeted as well as the executed, in the fund accountability statement.
3. Deficiencies in the Bank Reconciliations Control and Lack of Functions Segregation

Condition:

During the review of bank reconciliations and petty cash expenses of the Project Administration Unit (UAP), we observed the following deficiencies:

- A. The bank reconciliations are not authorized nor signed by administration officials.
- B. The signature of the project's accountant is registered in the bank accounts with joint signatures.

Criterion:

An adequate control over cash requires that in bank reconciliations there is evidence of review and authorization, as well as an adequate segregation of functions.

Cause:

UAP officials did not adopt the policy of signing the bank reconciliations as evidence of review and authorization.

The registered signature of the accountant is due to the fact that, generally, UAP officials were away on trips and thus, out of their offices.

Effect:

There may be errors of irregularities in the handling of cash that may not be timely detected, due to the lack of an adequate control on the part of the establishment.

Lack of functions segregation.

Recommendation:

We recommend that the Project Administration Unit (UAP):

- A. Establish which officials must review and monthly authorize the bank reconciliations.
- B. Define segregation of functions in the financial department, in which the accountant's signature is excluded from the signing of checks.

4. Deficiencies in the Electronic Data Processing Department

During our evaluation of the Electronic Data Processing Department (PED) of the Project Administration Unit, we observed the following deficiencies:

- A. There is no adequate control over physical access to the computers where the Tecapro software is installed.
- B. The budget module was installed in December 1990, and the training was carried out in January and February of 1991; however, it is not being used. The budget execution statement has not been prepared.
- C. There is no adequate policy on the use of access levels which the Tecapro software allow, and these are not changed periodically. The use of current passwords are indiscriminately allowed by the users, including the password for level 10, which permits the unlimited creation, modification, or elimination of transactions inside the modules. Furthermore, some of the passwords for personnel who no longer work for UAP, are still active.
- D. There is no policy for functions segregation for the use of Tecapro modules. The general accountant and her auxiliaries indiscriminately use each one of the modules.
- E. There is no evidence to determine who reviews the information of the accounting software and the issuance of checks.
- F. There is no established contingency plan for the safeguarding of the information in case of disaster. The accounting department does not have copies of the Tecapro software. The copies of the data-based software are placed on the general accountant's desk, which is found beside the computer where the information is processed. The content in the copies of this software is not verified.
- G. UAP does not have a maintenance plan for the computer equipment where the Tecapro software is stored.

H. Utilities software such as Norton, Buffalo, XTree, and Disk Manager are installed in the computers where the Tecapro software is stored. This type of software allows the user to create, modify, or erase the data-based information without having to use the application programs.

I. The computers do not have detectors or virus-ridding programs, thus risking loss of information.

Criterion:

Annex II, Section B-5 of the grant agreement and Execution norm No. 2 of USAID require the keeping of books and records according to generally accepted accounting principles, to reflect the project's disbursements for the duration of three years after the date of the last disbursement.

An adequate internal control structure places the general and system controls in a reasonably safe electronic data processing environment, where the information is safeguarded against loss through unauthorized use or disposition, and that all recorded transactions are valid.

Cause:

Generally, there are no procedures in PED that cover the internal control aspects. Moreover, there have been no administrative procedures to guarantee the adequate use of the current PED resources.

The budget module was not used due to the divisions made to the budget from January to May, 1991, and from June to December, besides the fact that there was not enough practice and time to handle the same.

No contract was made for maintenance, since the computers had a two-year guarantee.

Effect:

The weaknesses in the PED may cause errors or irregularities which may be undetected, mainly through access by unauthorized personnel to the information, through lack of review of the processed information, and through loss of information without possibility of recovery.

Because the accounting department does not prepare monthly budgets, it is impossible to compare what is authorized against what is executed.

Resources are not being used adequately since all the financial information which the Tecapro software can generate is not obtained. Such is the case of budgets.

Recommendation:

We recommend that the Project Administration Unit (UAP) establish appropriate procedures in the Electronic Data Processing Department (PED) to protect the project's records. The changes in the systems should consider at least the following:

- A. Improve PED's physical security.
- B. Restrict the use of utilities softwares only to authorized personnel.
- C. Establish policies on the access levels and password rotation for the system's users.
- D. Define responsibilities for the operation and supervision of each one of the Tecapro Modules.
- E. Show evidence in the processes of who operates, authorizes, and reviews the procedures, as well as the date in which they were made.
- F. Use the budget module to be able to generate adequately and in a timely manner the reports requested by USAID/Guatemala, assigning the handling of the budget software to one person, so that this person controls the availability of the same, thus avoiding unauthorized overdrafts.
- G. Establish a formal plan which allows an adequate backup of information and security measures in case of a disaster.
- H. Establish the use of a program to allow the detection and elimination of any type of virus which may harm the information.

5. No Preparation of Employee Responsibility Cards

Condition:

No responsibility cards signed by each one of the workers have been prepared; there is only a list of what each worker owns.

Criterion:

Each worker must have a responsibility card to indicate each one of the assets received.

Cause:

Due to lack of time, no individual control of responsibility cards has been created.

Effect:

When an asset is lost or destroyed, the workers' responsibilities cannot be defined clearly.

Recommendation:

We recommend that the Project Administration Unit (UAP) create responsibility cards for each one of the workers, and have a personal control over the assets in its charge.

6. Deficiencies in the Support Documents for the Construction of the UAP Building

---

Condition:

The invoices which support the construction of the project Administration Unit's building are issued in the name of the Ministry of Agriculture, Livestock and Food (MAGA).

Criterion:

All the purchases of goods and services made by UAP must be documented with invoices issued in its name, in order to adequately support the disbursements.

Cause:

The construction company invoiced work in the name of MAGA, due to the fact that this institution contracted the work.

Effect:

There may be errors or irregularities which are not opportunely detected through lack of adequate supporting documentation, as well as direct purchases of MAGA recorded as UAP's that could go undetected.

Recommendation:

We recommend that the Project Administration Unit (UAP) request that all documents supporting its purchases of goods and services be in its name.

7. There is no Adequate File on the Project's Activities Report

Condition:

The Project Administration Unit (UAP) does not have an adequate file of all the reports issued on the project's activities.

Criterion:

Annex II of the grant agreement, Section B-5 establishes that adequate books and records must be kept to show the receipt and use of the goods and services, without restrictions.

Cause:

The majority of the persons who made these reports no longer work in UAP, so it has not been possible to find them.

Effect:

Noncompliance with what the agreement establishes. It may also cause the reports on the activities to be unavailable, and that the advance and development of the project's objectives may be unknown.

Recommendation:

We recommend that the Project Administration Unit (UAP) obtain a copy of all the reports on the activities carried out in the project, order them, and create a file on them.

\* \* \* \* \*



AUDIT OF THE HIGHLANDS AGRICULTURAL DEVELOPMENT PROJECT  
ACTIVITIES MANAGED BY THE PROJECT ADMINISTRATION UNIT (UAP)  
USAID/GUATEMALA PROJECT No. 520-0274

REPORT ON COMPLIANCE WITH AGREEMENT TERMS  
AND APPLICABLE LAWS AND REGULATIONS  
INDEPENDENT AUDITORS' REPORT

We have audited the fund accountability statement of the Highlands Agricultural Development Project, USAID/Guatemala Project No. 520-0274, activities managed by the Project Administration Unit (UAP), for the period from June 1, 1989 to March 31, 1992, and have issued our report thereon dated January 27, 1993, in which we qualified our opinion because of certain costs which were considered questionable.

Except for not conducting an external quality control review by an unaffiliated organization as further described in our report on the fund accountability statement, we conducted our audit in accordance with generally accepted auditing standards and the "Government Audit 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 the Highlands Agricultural Development Project is the responsibility of UAP's management. As part of obtaining reasonable assurance about whether the fund accountability statement is free of material misstatement, we performed tests on UAP of its 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.

32



Material instances of noncompliance are failures to follow requirements, or violations of prohibitions, contained in the agreements, 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 being audited. The results of our tests of compliance disclosed the following material instances of noncompliance matters.

As described in finding Nos. 1 to 4 of this report, UAP did not implement the feasibility study at the Los Brillantes development station; there are deficiencies in the project payroll; no audits have been made; and there is lack of integration of national counterpart funds.

We considered these material instances of noncompliance in forming our opinion on whether the fund accountability statement of UAP's activities under the Highlands Agricultural Development Project for the period from June 1, 1989 to March 31, 1992 is presented fairly, in all material respects, in conformity with the accounting basis used. This report does not affect our opinion dated January 27, 1993 on the fund accountability statement.

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

This report is intended solely for the information and use of the project Administration Unit (UAP) 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 Tohmatsu*

January 27, 1993  
Guatemala, C. A.

33

AUDIT OF THE HIGHLANDS AGRICULTURAL DEVELOPMENT PROJECT  
ACTIVITIES MANAGED BY THE PROJECT ADMINISTRATION UNIT (UAP)  
USAID/GUATEMALA PROJECT No. 520-0274

REPORT ON COMPLIANCE WITH AGREEMENT TERMS AND APPLICABLE LAWS AND  
REGULATIONS  
FINDINGS

---

1. The Feasibility Study was not implemented at the "Los  
Brillantes Development Station"

Condition:

There was a feasibility study made at the Los Brillantes Development Station to make this station income producing, for a cost of Q.103,500, but it was never put into practice.

Criterion:

Annex II of the grant agreement, article B Section B-3, establishes that any resource financed under the grant must be used for the project, supporting the objectives sought in the performance of the project.

Cause:

The feasibility study was not implemented due to the suspension of funds from USAID/Guatemala.

Effect:

The incurred cost for the feasibility study has not been taken advantage of to accomplish the project's objectives.

Recommendation:

We recommend that the Project Administration Unit (UAP) consider the possibility of putting into practice the report on the feasibility study to make the Los Brillantes Development Station income producing.

2. Deficiencies in the Project's Payrolls

On reviewing the payrolls of the Project Administration Unit, we observed the following deficiencies:

- A. The project's payroll was not registered at the Instituto Guatemalteco de Seguridad Social (IGSS).
- B. The labor contracts are not recorded at the General Labor Bureau as indicated by law.

- C. No payrolls were made from 1989 to January 1990, and part of the personnel received their salary from the petty cash fund without being included in the general UAP payroll. The payrolls were prepared upon request of the audit.
- D. The receipts which support the payments of payrolls in 1989 show the net value collected, not the total value earned.

Criterion:

According to what is established by law, any noncompliance may cause fines and interests.

There must be a monthly payroll issued in which all employees appear; furthermore, the receipts for salaries must be issued for the total amount earned.

Cause:

The medical insurance substituted the IGSS payment, and it was not considered necessary to register the labor contracts at the General Labor Bureau.

Due to lack of time, payrolls were not made. Because of the distance of some of the places where project activities take place, it was easier to pay salaries with petty cash funds.

Effect:

None of the corresponding workers' and employers' contributions were made, which could be required in case of a review by the IGSS.

Recommendation:

We recommend that the Project Administration Unit (UAP) establish at least the following procedures for an adequate control over payrolls:

- A. Register the institution's personnel in the Social Security legal system.
- B. Send all working contracts to the General Labor Bureau to be registered.
- C. Include all the personnel in the monthly payroll and issue a personal check for each employee, as well as support all salary payments with receipts which indicate the total amount of what each employee earns monthly.

3. Audits Were not Made

Condition:

The Project Administration Unit (UAP) did not have annual financial audits of the project made.

Criterion:

Section 5.3 and amendment No. 3 Section 5.5 c of the grant agreement establish that the donor must make the necessary arrangements to have annual independent audits of the financial activities inside the project made with grant funds, according to generally accepted audit standards.

Cause:

No audits of the project were made considering that the contracting of such service should be made by USAID/Guatemala.

Effect:

- A. Noncompliance to the agreement.
- B. Errors and deficiencies not timely detected.

Recommendation:

We recommend that the Project Administration Unit (UAP) coordinate the procedure to contract the annual financial audit service with USAID/Guatemala.

4. Lack of Accounting Information on National Counterpart Funds Provided through Project Implementing Entities

Condition:

The Project Administration Unit (UAP) does not have accounting records on the national counterpart funds provided through ICTA and DIGESEPE.

Criterion:

Section 3.2 and amendments to the loan and grant agreements establish that the Government of the Republic of Guatemala must furnish additional funds to the project as national counterpart for US\$8,831,294 and US\$29,071,171 respectively, as indicated in Note 4 of the fund accountability statement.

36

Cause:

UAP did not operate auxiliary records for the control of the national counterpart and did not obtain the information from ICTA and DIGESEPE.

Effect:

There must be limitations to determine the total amount to which the UAP part rises to, as part of the national counterpart of the Government of Guatemala.

Recommendation:

We recommended that the Project Administration Unit (UAP) at a minimum:

- A. Prepare a complete summary of funds brought to the project by all the implementing institutions of the national counterpart.
- B. Quantify how much should be provided by each of the implementing institutions and determine the shortfall so that it can be allocated to each institution.

\* \* \* \* \*

AUDIT OF THE HIGHLANDS AGRICULTURAL DEVELOPMENT PROJECT  
ACTIVITIES MANAGED BY THE PROJECT ADMINISTRATION UNIT (UAP)  
USAID/GUATEMALA PROJECT No. 520-0274

LIST OF REPORT RECOMMENDATIONS

INTERNAL CONTROL STRUCTURE

1. No Control over Fuel Consumption

Recommendation:

We recommend that the Agricultural Science and Technology Institute (ICTA):

- A. Prepare a report on the consumption of fuel used during the term of the program in order to show USAID/Guatemala the adequate use of fuel.
- B. Establish controls over fuel consumption which include, at least, the following:
  - a) Prenumber fuel requisition forms.
  - b) Establish policies about the working levels of the persons who authorize, receive, use, and supervise fuel consumption.
  - c) Design the daily utilization control of vehicles, indicating each one's trip, purpose of said trip, places visited, and mileage covered. As part of this control, there must be a history of the mileage of each vehicle and statistics on its use, indicating repairs, if any.
  - d) Reconcile the fuel used according to the requisition forms against the purchase invoices, enclosing the supporting documents and evaluating the reasonability of the fuel consumption according to the mileage covered, and investigating any difference thereof.

2. Lack of Operations and Budget Records

Recommendation:

We recommend that the Project Administration Unit (UAP) carry out the following:

- A. Request and verify that the project's accountant records in UAP's records all operations which may have been carried out with the Technical Aid's Special Fund (FEAT).
  - B. Control the assignment of funds to each item by category, including both the budgeted as well as the executed, in the fund accountability statement.
3. Deficiencies in the Bank Reconciliations Control and Lack of Functions Segregation

Recommendation:

We recommend that the Project Administration Unit (UAP):

- A. Establish which officials must review and monthly authorize the bank reconciliations.
  - B. Define segregation of functions in the financial department, in which the accountant's signature is excluded from the signing of checks.
4. Deficiencies in the Electronic Data Processing Department

Recommendation:

We recommend that the Project Administration Unit (UAP) establish appropriate procedures in the Electronic Data Processing Department (PED) to protect the project's records. The changes in the systems should consider at least the following:

- A. Improve PED's physical security.
- B. Restrict the use of utilities softwares only to authorized personnel.
- C. Establish policies on the access levels and password rotation for the system's users.
- D. Define responsibilities for the operation and supervision of each one of the Tecapro Modules.
- E. Show evidence in the processes of who operates, authorizes, and reviews the procedures, as well as the date in which they were made.
- F. Use the budget module to be able to generate adequately and in a timely manner the reports requested by

USAID/Guatemala, assigning the handling of the budget software to one person, so that this person controls the availability of the same, thus avoiding unauthorized overdrafts.

- G. Establish a formal plan which allows an adequate backup of information and security measures in case of a disaster.
- H. Establish the use of a program to allow the detection and elimination of any type of virus which may harm the information.

5. No Preparation of Employee Responsibility Cards

Recommendation:

We recommend that the Project Administration Unit (UAP) create responsibility cards for each one of the workers, and have a personal control over the assets in its charge.

6. Deficiencies in the Support Documents for the Construction of the UAP Building

---

Recommendation:

We recommend that the Project Administration Unit (UAP) request that all documents supporting its purchases of goods and services be in its name.

7. There is no Adequate File on the Project's Activities Report

Recommendation:

We recommend that the Project Administration Unit (UAP) obtain a copy of all the reports on the activities carried out in the Project, order them, and create a file on them.

COMPLIANCE WITH AGREEMENT TERMS AND APPLICABLE LAWS AND REGULATIONS

---

1. The Feasibility Study was not implemented at the "Los Brillantes Development Station"

---

Recommendation:

We recommend that the Project Administration Unit (UAP) consider the possibility of putting into practice the report

on the feasibility study to make the Los Brillantes Development Station income producing.

2. Deficiencies in the Project's Payrolls

Recommendation:

We recommend that the Project Administration Unit (UAP) establish at least the following procedures for an adequate control over payrolls:

- A. Register the institution's personnel in the Social Security legal system.
- B. Send all working contracts to the General Labor Bureau to be registered.
- C. Include all the personnel in the monthly payroll and issue a personal check for each employee, as well as support all salary payments with receipts which indicate the total amount of what each employee earns monthly.

3. Audits Were not Made

Recommendation:

We recommend that the Project Administration Unit (UAP) coordinate the procedure to contract the annual financial audit service with USAID/Guatemala.

4. Lack of Accounting Information on National Counterpart Funds Provided through Project implementing Entities

Recommendation:

We recommend that the Project Administration Unit (UAP) at a minimum:

- A. Prepare a complete summary of funds brought to the project by all the implementing institutions of the national counterpart.
- B. Quantify how much should be provided by each of the implementing institutions and determine the shortfall so that it can be allocated to each institution.

\* \* \* \* \*

# Ministerio de Agricultura, Ganadería y Alimentación

## Proyecto de Desarrollo Agrícola

GdeG/AID 520-0274

Guatemala, C. A.

Al Contestar referirse al  
No. CM-129-93

### ANNEX I

9 de agosto de 1993

**Licenciado**  
**Rolando Lara Leiva**  
Representante de la Firma de Auditores  
LARA & GONZALEZ, CPA.  
7a. Ave. 7-11, Zona 9  
Guatemala, Ciudad

**Licenciado Lara:**

tengo el agrado en dirigirme a usted para comunicarle que ha sido conocido y analizado el informe de la auditoría practicada a esta Unidad Administrativa y que comprendió el período del 1 de junio de 1989 al 31 de marzo de 1992.

Como producto de lo indicado procede hacer algunas aclaraciones con el propósito de desvanecer situaciones que han motivado cuestionamientos.

1. **Resultado de la Auditoría:**

"El Gobierno de Guatemala se comprometió a aportar fondos de contrapartida al Proyecto Desarrollo Agrícola del Altiplano por un monto de Q.37,902,465.00...; sin embargo, DIGESA y DIGEBOS no tienen registros contables de los aportes de contrapartida; UAP ha aportado Q.110,392.00, pero no existen registros de la contrapartida de ICTA y DIGESEPE;..."

**Respuesta:**

Oportunamente esta Unidad de Administración solicitó dicha información a las Unidades Ejecutoras, la cual fue trasladada a sus auditores; obteniendo lo siguiente:

.../

# Ministerio de Agricultura, Ganadería y Alimentación

## Proyecto de Desarrollo Agrícola

GdeG/AID 520-0274

Guatemala, C. A.

Lic. Rolando Lara Leiva...  
Página No.2

| <u>Unidad Ejecutora</u> | <u>Aporte de Contrapartida hasta 31/12/91</u> |
|-------------------------|---|
| BANDESA                 | Q. 11,236,915.00                              |
| DIGESA                  | 3,691,692.00                                  |
| DIGEBOS                 | 512,847.00                                    |
| ICTA                    | * 1,290,725.00                                |
| DIGESEPE                | 1,161,700.00                                  |
| <b>TOTAL</b>            | <u>Q. 17,893,879.00</u><br>=====              |

**\*\* Reporta contrapartida hasta 31/marzo/92.**

El problema existido en este dato fue que las Unidades Ejecutoras no reportaron separadamente el primer trimestre '92; período hasta el cual abarca la auditoría externa; sin embargo, dicha información se pudo haber obtenido, es diferente indicar que el aporte es de Q. 17,893,879.00 y no solamente de Q. 11,236,915.00 y al sumar el primer trimestre '92 de las otras instituciones, la cantidad puede incrementarse en el aporte.

## 2. Estructura de Control Interno:

"... Las condiciones a informar involucran asuntos relacionados con deficiencias importantes en el diseño u operación de la estructura de control interno que a nuestro juicio, podrían afectar desfavorablemente la capacidad de la UAP para registrar, procesar, revisar y reportar información financiera..."

### Respuesta:

Desde el momento en que la Agencia Internacional para el Desarrollo suspendió temporalmente las actividades del Proyecto hubo necesidad de cancelar contratos del personal administrativo, lo cual motivó que las atribuciones que estas personas desarrollaban fueran llevadas a cabo por una o dos personas que ya tenían sus propias atribuciones; lo que origina que no haya habido segregación de funciones, registro de operaciones presupuestarias, deficiencias en el procesamiento electrónico de datos, etc...

.../

# Ministerio de Agricultura, Ganadería y Alimentación

## Proyecto de Desarrollo Agrícola

GdeG/AID 520-0274

Guatemala, C. A.

Lic. Rolando Lara Leiva...  
Página No.3

### 3. Estado de Rendición de Cuentas:

#### Costos cuestionables

#### 3.1 Compra de equipo de computación y del cual no obtuvieron evidencia de recepción y localización.

El equipo comprado consiste en lo siguiente:

- 1 Servidor serie S/N. 0107
- 7 CPU- sin disco duro, 5 sin drives, serie S/N 0108, 0109, 0110, 0111, 0112, 0113 y 0114.
- 8 Monitores marca Magitronic, MA-1200, series Nos. 1VO1235 (N) 1VO1221 (N), 1VO1148 (N), 1VO1165 (N), 1VOO206 (N), 1VO1227 (N), 1VOO855 (N) y 1VO0887 (N).
- 8 Teclados FCC-ID: E5X5RBTC-5339R-0, series Nos. 517260756, 918120451, 517260764, 517260443, 918120460, 713280463, 21RO12278 y 21RO12276.
- 3 Impresoras Marca Epson LX-810, modelo P80SA, series Nos. 44B0075148, 44B0074909 y 44B0074919.

Este equipo listado se ingresó al inventario de la Unidad de Administración del Proyecto de Desarrollo Agrícola. Actualmente, se gestiona ante AID lo siguiente:

- a) Autorización del gasto ejecutado;
- b) Aprobación de que parte del equipo y el cual se lista a continuación, pueda estar al servicio del Despacho Ministerial del Ministerio de Agricultura, Ganadería y Alimentación en calidad de préstamo desde la fecha en que se puso a su disposición como parte de la red del Sistema de Información y Seguimiento -SISE.

- 1 Servidor serie S/N. 0107
- 5 CPU- sin disco duro, 5 sin drives, serie S/N 0108, 0109, 0110, 0111, 0112.
- 6 Monitores marca Magitronic, MA-1200, series Nos. 1VO1235 (N) 1VO1221 (N), 1VO1148 (N), 1VO1165 (N), 1VOO206 (N), 1VO1227 (N).
- 6 Teclados FCC-ID: E5X5RBTC-5339R-0, series Nos. 517260756, 918129451, 517260764, 517260443, 918120460, 713280463.
- 3 Impresoras Marca Epson LX-810, modelo P80SA, series Nos. 44B0075148, 44B0074909 y 44B0074919.

.../

# Ministerio de Agricultura, Ganadería y Alimentación

## Proyecto de Desarrollo Agrícola

GdeG/AID 520-0274

Guatemala, C. A.

Lic. Rolando Lara Leiva...

Página No.4

La diferencia entre el equipo entregado al MAGA para estar al servicio del SISE y lo comprado a la casa Comercial TRES TORRES, S.A, se encuentra en las oficinas de la Unidad de Administración del PDA y el cual consiste en lo siguiente:

- 2 CPU, sin disco duro, con drive de 5 1/4" series No. S/N 0113 - 0114.
- 2 Monitores, marca Magitronic, MA 1200, series Nos. 1V00855 (N) - 1V00887 (N).
- 2 Teclados FCC ID: E5X5R5BTC-5339R-0, series Nos. 21R012278 - 21R012276.

3.2 Compra de videograbadora VHS de dos cabezas serie 10501065613, destinada a la Dirección Técnica de Sanidad Vegetal. Dicho equipo se encuentra en el inventario de la Dirección General de Servicios Agrícolas con el No 93-389 por lo que sí esta controlada su existencia, además, en el momento de la auditoría no se utilizaba por carecer de equipo de televisión; actualmente ya se cuenta con dicho equipo y cumple con el adiestramiento técnico y el programa de manejo de plaguicidas.

Valores cuestionables:

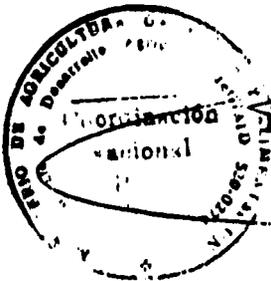
Equipo de computación  
Videograbadora

Q. 48,015.00  
1,493.00

Q. 49,508.00  
=====

Esperamos que con lo explicado anteriormente se puedan desvanecer dichos costos cuestionables.

Atentamente,



*Sergio F. Morales Suárez*  
Ing. Agr. Sergio F. Morales Suárez  
Coordinador Nacional del PDA

**APPENDIX I**

**REPORT DISTRIBUTION**

|                              |   |
|------------------------------|---|
| U.S. Ambassador to Guatemala | 1 |
| D/ USAID/Guatemala           | 5 |
| AA/LAC                       | 1 |
| LAC/CEN                      | 1 |
| LPA/XA/PR                    | 1 |
| LPA/LEG/CL                   | 1 |
| GC                           | 1 |
| AA/M                         | 1 |
| M/FA/FM                      | 1 |
| PPC/POL/CDIE/DI              | 1 |
| M/FA/MC                      | 1 |
| IG                           | 1 |
| AIG/A                        | 1 |
| AIG/I&S                      | 1 |
| D/AIG/A                      | 1 |
| IG/A/SPEC RPTS               | 2 |
| IG/LC                        | 1 |
| IG/RM/GS                     | 5 |
| IG/A/PSA                     | 1 |
| IG/A/FA                      | 1 |
| RIG/A/Eur/W                  | 1 |
| RIG/A/Bonn                   | 1 |
| RIG/A/Cairo                  | 1 |
| RIG/A/Dakar                  | 1 |
| RIG/A/Nairobi                | 1 |
| RIG/A/Singapore              | 1 |
| IG/I/JFO                     | 1 |

1/6