

PD-AAV-880

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AUDIT OF THE
AGROINDUSTRIAL PLAN AND THE PROGRAM
FOR FOOD DISTRIBUTION
WITH THE COOPERATIVE FOR AMERICAN RELIEF
EVERYWHERE/COSTA RICA

PUBLIC LAW 480, TITLE I FUNDS

Audit Report No. 1-515-87-30-N
July 14, 1987

004348

AGENCY FOR INTERNATIONAL DEVELOPMENT

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July 14, 1987

MEMORANDUM

TO : Acting D/USAID/Costa Rica, Richard Archi
FROM : RIG/A/T, *Coinage N. Gothard* Coinage N. Gothard, Jr.
SUBJECT: Audit Report No. 1-515-87-30-N, "Audit of the Agroindustrial Plan and the Program for Food Distribution with the Cooperative for American Relief Everywhere/Costa Rica - Public Law 480, Title I Funds"

This report presents the results of a non-Federal financial and compliance audit requested by your Mission of the Agroindustrial Plan and the Program for Food Distribution (Program) with the Cooperative for American Relief Everywhere (CARE/Costa Rica), an international private voluntary organization. The Program was financed with Public Law 480, Title I funds. The audit firm of Price Waterhouse in Costa Rica prepared the report, which is dated June 17, 1987.

The purpose of this financial and compliance audit was to determine if the financial information of the Program fairly presented its financial position as of September 30, 1985; to study and evaluate CARE/Costa Rica's internal controls for AID's purposes; and to determine if CARE/Costa Rica complied with applicable laws, regulations and agreements.

Price Waterhouse disclaimed an opinion on the Program's financial information as of September 30, 1985 because CARE/Costa Rica had not maintained separate accounting records for the Program. Their study and evaluation of internal controls disclosed that CARE/Costa Rica's internal control system was inadequate for AID's purposes. They also determined that CARE/Costa Rica had not complied with certain agreement terms applicable to the program. For items not tested, nothing came to their attention that caused them to believe that untested items were not in compliance.

The Price Waterhouse report contains three recommendations to improve CARE/Costa Rica's internal controls and four recommendations to achieve compliance with applicable laws, regulations, and agreements. We believe that these recommendations will significantly improve CARE/Costa Rica's administrative and compliance weaknesses. As a result, the following recommendation will be included in the Office of the Inspector General's audit recommendation follow-up system.

Recommendation No. 1

We recommend that USAID/Costa Rica obtain evidence from the Cooperative for American Relief Everywhere/Costa Rica to demonstrate that, to improve the Agroindustrial Plan and the Program for Food Distribution, it has implemented the three recommendations for internal controls and the four recommendations for compliance contained in the Price Waterhouse report dated June 17, 1987.

Please advise this office within 30 days of the actions planned or taken to implement this recommendation.

COOPERATIVE FOR AMERICAN RELIEF EVERYWHERE
(CARE/COSTA RICA)

AUDIT OF THE AGROINDUSTRIAL PLAN AND THE
PROGRAM FOR FOOD DISTRIBUTION

PUBLIC LAW (PL) 480, TITLE I
PROGRAM IN COSTA RICA

JUNE 17, 1987



COOPERATIVE FOR AMERICAN RELIEF EVERYWHERE
(CARE/COSTA RICA)

AUDIT OF THE AGROINDUSTRIAL PLAN AND THE
PROGRAM FOR FOOD DISTRIBUTION

PUBLIC LAW (PL) 480, TITLE I PROGRAM IN COSTA RICA

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Price Waterhouse



June 17, 1987

Mr. Coinage N. Gothard
Regional Inspector General for Audit
U.S. Agency for International Development
Tegucigalpa, Honduras

Dear Mr. Gothard:

This report presents the result of our audit of the income and expenditures of the Agroindustrial Plan and the Program for Food Distribution for the thirty-month period ended September 30, 1985 implemented by the Cooperative for American Relief Everywhere (Cooperativa Americana de Remesas al Exterior - CARE). This project was financed with funds from Public Law 480, Title I Program in Costa Rica.

BACKGROUND

The Ministry for National Planning and Economic Policy (MIDEPLAN) was appointed as the Costa Rican governmental institution in charge of coordinating, planning, promoting and supervising program activities and disbursements of funds, as well as reporting for and assuring compliance with the Public Law 480, Title I Program in Costa Rica. MIDEPLAN reports to the Government of Costa Rica and AID. The institutions benefiting from PL 480, Title I funds in Costa Rica report to MIDEPLAN.

The Cooperative for American Relief Everywhere (CARE) is an international private voluntary organization which has operated in Costa Rica under Law No. 2351 since May 1959. Its primary activity in Costa Rica is the production of low cost highly nutritional food, intended for consumption by toddlers, school-age children and pregnant and nursing mothers, under programs promoted by governmental welfare and health institutions.

On January 26, 1983, an agreement was signed between the Cooperative for American Relief Everywhere in Costa Rica (CARE/Costa Rica), the Agency for International Development (AID) and the Ministry of National Planning and Economic Policy (MIDEPLAN), for partial financing of the Agreement for the Agroindustrial Plan and the Program for Food Distribution signed between the Government of Costa Rica and CARE/Costa Rica in September 1976. On June 28, 1984, another agreement was signed

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Mr. Coinage N. Gothard

among the mentioned institutions for the same purpose. These agreements were financed with funds from Public Law 480, Title I Program in Costa Rica. Under such agreements, CARE/Costa Rica would produce Vitaleche, Pinolisto, Frijolisto and Masarina, for delivery to governmental institutions in charge of their distribution to the recipients.

As part of these agreements between AID, CARE/Costa Rica and MIDEPLAN, CARE should assign part of the grant to finance a development project for soy bean crops in Costa Rica, which, at the same time, would be used as an important raw material in its food production.

The funds from PL 480, Title I Program in Costa Rica for both agreements, were incorporated in the National Budget through Executive Decree No. 14318-H dated February 16, 1983, in the amount of ¢42,840,000 and Executive Decree No. 15503-H dated June 25, 1984, in the amount of ¢49,702,000.

The prevailing exchange rates for the purchase and sale of U.S. dollars were ¢44.65 and ¢45.15, respectively, during February 1983 and ¢43.50 and ¢44.00, respectively, during June 1984.

AUDIT OBJECTIVES AND SCOPE

The overall objective of the examination was to perform a financial and compliance audit of the income and expenditures of the Agroindustrial Plan and the Program for Food Distribution, implemented by CARE/Costa Rica, for the thirty-month period ended September 30, 1985.

Our examination was performed in accordance with generally accepted auditing standards as well as with the United States Comptroller General's "Standards for Audit of Governmental Organizations, Programs, Activities, and Functions" (1981 Revision) and consequently, included the examination of accounting records and other auditing procedures which we consider necessary in the circumstances to determine that all transactions financed with the funds of Public Law 480, Title I Program in Costa Rica were adequately recorded in the accounting records of the Project.

The scope of the examination included sufficient tests to determine whether the income and expenditures for the Agroindustrial Plan and the Program for Food Distribution as of September 30, 1985, presents fairly the operations of the Project and whether CARE/Costa Rica complied with laws, regulations, and project agreement terms that may have an effect on the income and expenditures.

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The results of our work are included in the following three reports:

- Report on the income and expenditures.
- Report on internal control system.
- Report on the compliance with applicable laws, regulations and agreements.

The scope of the work consisted of the following:

1. Review of the income and expenditures of the Agroindustrial Plan and the Program for Food Distribution implemented by CARE/Costa Rica, for the thirty-month period ended September 30, 1985.
2. Review and evaluation of the internal control system including compliance and substantive tests, which we considered necessary in the circumstances.
3. Evaluation of the accuracy of the information reported by CARE/Costa Rica to MIDEPLAN.
4. Review of reconciliations of all bank accounts that control the receipt and disbursement of Public Law 480, Title I funds and determining the validity of the recorded transactions.
5. Review of letters of understanding and decrees under which funds were incorporated in the National Budget.
6. Determination of whether CARE/Costa Rica paid fair and reasonable prices for goods and services and whether CARE/Costa Rica used fair and competitive commercial practices.
7. Reconciliation of the amounts recorded by CARE/Costa Rica of funds received from PL 480, Title I, with those reported as disbursements by the Ministry of National Planning and Economic Policy (MIDEPLAN).
8. Determination of whether CARE/Costa Rica complied with the terms and conditions of laws, regulations and agreements which may have an effect on the income and expenditures of the Project.

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RESULTS OF THE AUDIT

1. Income and expenditures

The results of our examination revealed that due to the lack of separate accounting records for the Project, CARE/Costa Rica did not prepare a statement of income and expenditures, solely for the funds provided from PL-480, Title I for the thirty-month period ended September 30, 1985. Due to the lack of separate accounting records, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the income and expenditures of the Agroindustrial Plan and the Program for Food Distribution for the thirty-month period ended September 30, 1985.

2. Internal control

Our study and evaluation of the internal control system of CARE/Costa Rica applicable to the project revealed the following internal accounting control weaknesses:

- Lack of separate accounting records for the recording of transactions financed with funds from PL 480, Title I.
- Lack of budgetary and cash flow systems for an efficient use of available funds.
- Lack of proper vouchers for checks issued from the revolving fund.

We considered that these aspects result in more than a relative low risk that errors or irregularities in amounts that would be material in relation to the income and expenditures of the Project may occur and not be detected within a timely period. This condition prevents us from expressing, and we do not express, an opinion on the system of internal accounting controls of CARE/Costa Rica applicable to PL 480, Title I funds.

3. Compliance with applicable laws, regulations and agreements

Our study of the applicable agreements that could have an effect on the income and expenditures, of the Project, revealed that CARE/Costa Rica, complied with tested

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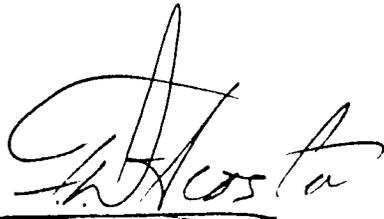
terms of such agreements except for the following:

- CARE/Costa Rica did not prepare periodic reports on financial position and management of PL - 480, Title I funds for MIDEPLAN.
- CARE/Costa Rica did not have separate accounting records for PL 480, Title I funds.
- No proposal was prepared by CARE/Costa Rica for transferring the Costa Rican Food Producer Plant (PROCOA) to a Costa Rican institution.
- The PL 480, Title I funds were used for financing expenses related to other projects.

For items not tested, nothing came to our attention that caused us to believe that untested items were not in compliance with applicable laws, regulations and agreements.

MANAGEMENT COMMENTS

We provided CARE/Costa Rica and USAID/Costa Rica with a draft copy of this report for their review and comments. We met with officials of CARE/Costa Rica and USAID/Costa Rica on June 16, 1987 and they were in basic agreement with the draft report.



Lic. Douglas Acosta Porras



Price Waterhouse



COOPERATIVE FOR AMERICAN RELIEF EVERYWHERE
(CARE/COSTA RICA)

AGROINDUSTRIAL PLAN AND THE PROGRAM FOR FOOD DISTRIBUTION

PUBLIC LAW (PL) 480, TITLE I PROGRAM IN COSTA RICA

REPORT ON THE INCOME AND EXPENDITURES

AUDITOR'S OPINION

We have performed a financial and compliance audit of the income and expenditures of the Agroindustrial Plan and the Program for Food Distribution for the thirty-month period ended September 30, 1985 implemented by CARE/Costa Rica financed with funds of Public Law 480, Title I Program in Costa Rica. However, we were not able to examine the statement of income and expenditures for this project because CARE/Costa Rica had not prepare it and because of the matters mentioned in the following paragraph. Except as explained in the following paragraph, our examination was made in accordance with generally accepted auditing standards and the U.S. Comptroller General's "Standards for Audit of Governmental Organizations, Programs, Activities, and Functions" (1981 Revision) and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The accounting records of the Cooperative for American Relief Everywhere (CARE/Costa Rica) (1) do not provide separate accountability for funds received from the Public Law 480, Title I Program in Costa Rica and (2) we were unable to apply alternate audit procedures to project operations.

Because of the matters mentioned in the preceding paragraph the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the income and expenditures of the

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REPORT ON THE INCOME AND EXPENDITURES

AUDITOR'S OPINION

Agroindustrial Plan and the Program for Food Distribution, for the thirty-month period ended September 30, 1985, implemented by CARE/ Costa Rica financed by Public Law 480, Title I, Program in Costa Rica.



Lic. Douglas Acosta Porras

February 27, 1987

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Price Waterhouse



COOPERATIVE FOR AMERICAN RELIEF EVERYWHERE
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AGROINDUSTRIAL PLAN AND THE PROGRAM FOR FOOD DISTRIBUTION

PUBLIC LAW (PL) 480, TITLE I PROGRAM IN COSTA RICA

REPORT ON INTERNAL CONTROL SYSTEM

AUDITOR'S OPINION

We have performed a financial and compliance audit of the income and expenditures of the Agroindustrial Plan and the Program for Food Distribution implemented by CARE/Costa Rica for the thirty-month period ended September 30, 1985 and have issued our disclaimer of opinion thereon dated February 27, 1987. As part of our examination, we made a study and evaluation of CARE/Costa Rica's system of internal accounting control to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards and the standards for financial and compliance audits contained in the U.S. Comptroller General's "Standards for Audit of Governmental Organizations, Programs, Activities, and Functions" (1981 Revision). The purpose of our study and evaluation was to determine the nature, timing and extent of the auditing procedures necessary for expressing an opinion on the income and expenditures of the Project. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control of CARE/Costa Rica taken as a whole.

For the purposes of this report, we have classified the internal accounting controls evaluated in the following areas: cash receipts and disbursements, short-term investments, controls related to purchases and disbursements, inventory stocks, production orders and warehouse movements, controls over payrolls and overall controls regarding external financial reporting of PL 480, Title I funds.

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REPORT ON INTERNAL CONTROL SYSTEM

AUDITOR'S OPINION

The management of CARE/Costa Rica is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgements by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system 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 permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

Our study and evaluation made for the limited purpose described in the first paragraph would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal accounting control of CARE/Costa Rica taken as a whole or on any of the categories of controls identified in the second paragraph. However, our study and evaluation disclosed the conditions described in the accompanying findings No. 1 to 3, which in our opinion result in more than a relatively low risk that errors or irregularities in amounts that would be material in relation to the income and expenditures of the Agroindustrial Plan and the Program for Food Distribution, implemented by CARE/Costa Rica may occur and not be detected within a timely period.

As set forth in the statement of work for the financial and compliance audit of the project, our evaluation and study of internal controls also included the following controls: a) financial information provided by CARE/Costa Rica to MIDEPLAN, b) bank account reconciliations, c) reconciliation of funds recorded in books of CARE/Costa Rica with those transferred by MIDEPLAN, and d) the use of fair and competitive commercial practices that assure the most effective use of PL 480, Title I funds.

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REPORT ON INTERNAL CONTROL SYSTEM

AUDITOR'S OPINION

As described in finding No. 1 of the accompanying report on compliance with laws, regulations and agreements, CARE/Costa Rica has not prepared financial reports to MIDEPLAN, and therefore we can not express, and we do not express, an opinion on such reports.

In our opinion, the reconciliations of the bank account used for handling funds of Public Law 480, Title I were adequately prepared by CARE/Costa Rica.

In our opinion, the PL 480, Title I funds transferred by MIDEPLAN were properly recorded in CARE/Costa Rica's books and deposited timely.

In our opinion, CARE/Costa Rica has followed, according to the circumstances, fair and competitive commercial practices that assure the most effective use of the PL 480, Title I funds.

This report is intended solely for the use of CARE/Costa Rica and the Agency for International Development (AID). This restriction is not intended to limit distribution of this report which, upon acceptance by the AID Regional Inspector General, is a matter of public record.



Lic. Douglas Acosta Porras

February 27, 1987

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REPORT ON INTERNAL CONTROL SYSTEM

AUDIT FINDINGS

1. CARE/COSTA RICA DOES NOT HAVE AN ADEQUATE ACCOUNTING SYSTEM FOR THE RECORDING OF TRANSACTIONS RELATED WITH PL 480, TITLE I FUNDS.

Condition:

The accounting system of CARE/Costa Rica does not provide separate accountability for funds received from PL 480, Title I funds. Also many of the transactions are not properly recorded according to generally accepted accounting principles, for example (1) travel advances to employees are recorded as expenses when disbursed and (2) commission expenses paid to the bank for the handling of short-term investments are recorded net of interest earned.

Criteria:

An adequate accounting system permits the preparation of financial statements according to the generally accepted accounting principles and provides management with reliable and timely information, and permits the safeguarding of all the assets.

Cause:

CARE/Costa Rica has not established an adequate system for the recording of transactions, especially PL 480, Title I funds. We also detected that personnel in charge of finance and accounting areas do not possess sufficient skills in such matters.

Effect:

The lack of an information system in CARE/Costa Rica precluded the application of generally accepted auditing standards in the examination of the financial information prepared by CARE/Costa Rica to present the results of operations of the Project, financed with funds of PL 480, Title I Program in Costa Rica.

Recommendation:

CARE/Costa Rica should establish an information system to adequately record and control the operations and to permit the preparation and analysis of periodic financial statements. Such a system should be implemented and managed by skilled personnel with financial and accounting expertise.

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AUDIT FINDINGS

2. BUDGETARY AND CASH FLOW SYSTEMS FOR AN EFFICIENT USE OF AVAIL-
ABLE FUNDS WERE NOT USED.

Condition:

Budgetary and cash flow systems were not used by CARE/Costa Rica to support decisions for investing available funds from PL 480, Title I Program in Costa Rica to obtain adequate yields within timely periods.

Criteria:

Budgets and cash flows are useful tools in determining the best options for the investment of available funds of the Project.

Cause:

The financial information system of CARE/Costa Rica does not have this kind of financial reports.

Effect:

The management of CARE/Costa Rica has no support in making investment decisions. Moreover, the absence of the mentioned financial analysis may cause inefficiencies in the yield obtained from available funds.

Recommendation:

The financial department of CARE/Costa Rica should prepare financial analysis for budgeting and cash flows that permit CARE/Costa Rica to obtain the best use of available funds of the Project.

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AUDIT FINDINGS

3. REVOLVING FUND CHECKS ARE ISSUED WITHOUT VOUCHERS.

Condition:

The issued checks corresponding to the Revolving Fund bank account have no vouchers as evidence of the approval of the expense. Nevertheless, checks are supported by all documentation such as invoices, receipts, etc.

Criteria:

The checks of all bank accounts must be issued with a voucher to support the approval of the disbursement.

Cause:

The management of CARE/Costa Rica did not consider it necessary to apply such instruments to control PL 480, Title I funds.

Effect:

There is no written evidence documenting approval of the expenses.

Recommendation:

CARE/Costa Rica should prepare a voucher for each check issued on the PL 480, Title I bank account to support the approval of the disbursement.

Price Waterhouse



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REPORT ON THE COMPLIANCE WITH APPLICABLE LAWS,
REGULATIONS AND AGREEMENTS

AUDITOR'S OPINION

We have performed a financial and compliance audit of the income and expenditures of the Agroindustrial Plan and the Program for Food Distribution for the thirty-month period ended September 30, 1985, implemented by CARE/Costa Rica and have issued our disclaimer of opinion thereon dated February 27, 1987. Our examination was made in accordance with generally accepted auditing standards and the U.S. Comptroller General's "Standards for Audit of Governmental Organizations, Programs, Activities, and Functions" (1981 Revision), which includes additional standards and requirements for the review of compliance with applicable laws, regulations and agreements.

We tested transactions and records to determine CARE/Costa Rica's compliance with terms of the following applicable agreements:

1. Agreement between the Government of Costa Rica and Cooperative for American Relief Everywhere, authorizing the operation of CARE in Costa Rica.
2. Technical Assistance Agreement between MIDEPLAN, AID and CARE/Costa Rica with Public Law 480, Title I funds, dated January 26, 1983.
3. Agreement for the financing of Agroindustrial Plan and the Program for Food Distribution with PL 480, Title I funds between MIDEPLAN, AID and CARE/Costa Rica, dated June 28, 1984.

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AUDITOR'S OPINION

The results of our study indicate that, for the items tested, CARE/Costa Rica complied with the applicable terms of the agreements mentioned in the second paragraph except as described in the accompanying findings No. 1 to 4.

As described in the accompanying finding No. 2, the accounting records of CARE/Costa Rica do not provide sufficient evidence to support project expenses and related income. This situation restricted the application of adequate auditing procedures and the scope of our work was not sufficient to enable us to express and we do not express an opinion on the compliance with the requirements set forth in Clause VI subparagraph C, D and F of the technical assistance agreement signed between MIDEPLAN, AID and CARE/Costa Rica, as detailed below, that could have a material effect on the income and expenditures of the project:

Clause VI, subparagraph C) - To deposit in the Rotating Fund for Soy Bean production all the income from the sale of soy beans and derivatives.

Clause VI, subparagraph D) - Destination of the income from sale of finished goods.

Clause VI, subparagraph F) - To produce during the timeframe of the agreement certain quantities of finished goods.

For items not tested, nothing came to our attention that caused us to believe that untested items were not in compliance with applicable laws, regulations and agreements.

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AUDITOR'S OPINION

This report is intended solely for the use of CARE/Costa Rica and the Agency for International Development (AID). This restriction is not intended to limit distribution of this report which, upon acceptance by the AID Regional Inspector General, is a matter of public record.



Lic. Douglas Acostas Porras

February 27, 1987

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AUDIT FINDINGS

1. CARE/COSTA RICA DOES NOT PREPARE PERIODIC REPORTS TO INTERESTED INSTITUTIONS

Condition:

CARE/Costa Rica has not prepared periodic reports to MIDEPLAN and other institutions related to the development and results of the operations with PL 480, Title I funds.

Criteria:

Clause VI.K of the technical assistance agreement and Clause IV.4 of the agreement for financing the Agroindustrial Plan for Food Distribution, state that CARE/Costa Rica should present quarterly reports to MIDEPLAN.

Cause:

CARE does not have an adequate information system for the preparation of such reports and MIDEPLAN has not made any effort to obtain such periodic information.

Effect:

The lack of such reports does not permit interested entities to adequately monitor the results and advances of the Project and CARE/Costa Rica has not complied with the agreements requiring such quarterly reports.

Recommendation:

CARE/Costa Rica should comply with the agreement terms, by means of periodic reporting of project operations to MIDEPLAN and other interested institutions.

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AUDIT FINDINGS

2. CARE /COSTA RICA DOES NOT HAVE SEPARATE ACCOUNTING RECORDS FOR
PL 480, TITLE I FUNDS

Condition:

CARE/Costa Rica does not have independent accounting records for PL 480, Title I funds as required by the agreements with MIDEPLAN and AID.

Criteria:

Clause VII of the Technical Assistance Agreement and Clause IV of the agreement for the financing of Agroindustrial Plan and the Program for Food Distribution, both signed by MIDEPLAN, AID and CARE/Costa Rica on January 26, 1983 and June 28, 1984 require CARE/Costa Rica to have separate accounting records for PL 480, Title I funds.

Cause:

CARE/Costa Rica's accounting system is not designed to provide separate accountability as required.

Effect:

Non-compliance with such clauses of the agreements precludes an adequate control over PL 480, Title I funds.

Recommendation:

CARE/Costa Rica should modify its accounting system to permit separate accountability for programs financed with PL 480, Title I funds.

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AUDIT FINDINGS

3. CARE/COSTA RICA DID NOT PREPARE A PLAN FOR TRANSFERRING
PROCOA TO A COSTA RICAN INSTITUTION.

Condition:

CARE/Costa Rica has not prepared a plan for transferring the Costa Rican Food Producer Plant (PROCOA) to a Costa Rican institution.

Criteria:

Clause VI.E of the Technical Assistance Agreement and Clause IV.1 of the Agreement for the financing of Agroindustrial Plan and the Program for Food Distribution, both signed by MIDEPLAN, AID and CARE/Costa Rica require the preparation of a plan for the transfer of the Costa Rican Food Producer Plant (PROCOA) to a Costa Rican institution.

Cause:

CARE/Costa Rica was not interested in transferring the PROCOA plant to another institution because it wanted to continue with the project.

Effect:

CARE/Costa Rica has not transferred PROCOA to a Costa Rican institution and continues with the operation of the Program.

Recommendation:

CARE/Costa Rica should prepare a plan for transferring the Costa Rican Food Producer Plant to a Costa Rican institution as required by the PL 480, Title I Agreements.

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AUDIT FINDINGS

4. PL 480, TITLE I FUNDS WERE USED TO FINANCE EXPENSES RELATED TO OTHER PROJECTS.

Condition:

Expenses of the Director and Counselor of CARE/Costa Rica related to other operations of CARE/Costa Rica were financed using PL 480, Title I funds and had not been reimbursed at the date of our examination. Additionally, other minor expenses were financed with PL 480, Title I funds, but were reimbursed.

Criteria:

Clause III of each of the two agreements signed by MIDEPLAN, AID and CARE/Costa Rica, on January 26, 1983 and June 28, 1984, respectively, require CARE/Costa Rica to maintain an adequate control of PL 480, Title I funds and a segregation of expenses incurred by each of the projects managed by CARE/Costa Rica.

Cause:

The accounting system used by CARE/Costa Rica is not appropriate for recording or controlling the operations made with PL 480, Title I funds.

Effect:

The lack of segregation of PL 480, Title I funds and the proper recording of such expenses impedes the preparation of accurate financial statements. Also, the institution has not complied with the terms of the agreement mentioned above.

Recommendation:

CARE/Costa Rica should establish an adequate accounting system that permits an adequate control of PL 480, Title I funds and the recording of the transactions of each program, and use of PL 480, Title I funds only for project purposes.

APPENDIX 1

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