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PRE-AWARD SURVEY OF THE PRIVATE
ENTERPRISE DEVELOPMENT PROJECT WITH THE
ENTERPRISE CHAMBER OF GUATEMALA
USAID/GUATEMALA PROJECT NO. 520-0341

Audit Report No. 1-520-88-12-N
July 5, 1988

AGENCY FOR INTERNATIONAL DEVELOPMENT

MAILING ADDRESS
RIG-T
PO MIAMI 34222

OFFICE OF THE REGIONAL INSPECTOR GENERAL
AMERICAN EMBASSY
TEGUCIGALPA HONDURAS

TELEPHONES
32 9987
also 32 3125 EXT 2701-2729

July 5, 1988

MEMORANDUM

TO : D/USAID/Guatemala, Anthony J. Cauterucci
FROM : RIG/A/T, *Conings N. Gothard*
Conings N. Gothard, Jr.
SUBJECT: Audit Report No. 1-520-88-12-N, "Pre-Award Survey of the Private Enterprise Development Project with the Enterprise Chamber of Guatemala (CAEM) in Guatemala"

This report presents the results of a non-Federal pre-award survey requested by your Mission of the Enterprise Development Project with the Enterprise Chamber of Guatemala (CAEM). The certified public accounting firm of Price Waterhouse in Guatemala prepared the report, which is dated June 22, 1988.

The purpose of this pre-award survey was to determine if CAEM: (1) has sufficient management capability and span of control to administer the project; (2) has presented a cost proposal which is current, accurate, and reflects only costs which are allowable and necessary; (3) is financially capable of performing the project; (4) has an adequate system of accounting and internal control; and (5) is in compliance with agreement terms and applicable laws and regulations.

In the opinion of Price Waterhouse, CAEM:

- does not have sufficient management capability and span of control to administer the project because the management unit for the project has not yet been organized and key employees hired;
- does not have the financial capability to manage the project unless it receives cash advances from A.I.D.;
- has an adequate internal control system, except for two observed weaknesses; and
- has complied with agreement terms and applicable laws and regulations tested, except for four observed instances of non-compliance. For items not tested, nothing came to their attention to indicate that CAEM was not in compliance.

Price Waterhouse disclaimed an opinion on the cost proposal due to a scope limitation resulting from insufficient detail regarding certain proposed cost elements and a lack of data for the total funds provided for by the agreement.

The Price Waterhouse report contains 12 recommendations concerning CAEM's cost proposal, management capability, financial capability, system of internal control, and compliance with agreement terms. In response to the draft report, CAEM has already implemented many of the recommendations and/or presented a plan to correct the deficiencies found. This report is advisory only, since it is our policy for pre-award surveys not to include recommendations in the Office of the Inspector General's audit recommendation follow-up system.

PRE-AWARD SURVEY OF THE PRIVATE
ENTERPRISE DEVELOPMENT PROJECT
WITH THE ENTERPRISE CHAMBER OF GUATEMALA

USAID/GUATEMALA PROJECT NO. 520-0341

PRE-AWARD SURVEY OF THE PRIVATE
ENTERPRISE DEVELOPMENT
PROJECT WITH THE ENTERPRISE
CHAMBER OF GUATEMALA

USAID/GUATEMALA PROJECT NO.520-0341

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Price Waterhouse



June 22, 1988

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

Dear Mr. Gothard:

This report presents the results of our pre-award survey of the Private Enterprise Development Project (PEDP) with the Enterprise Chamber of Guatemala (Cámara Empresarial de Guatemala, CAEM), USAID/Guatemala Project No.520-0341.

BACKGROUND

The Enterprise Chamber of Guatemala (CAEM) is a non-profit, autonomous, non-political entity, with its own legal status. CAEM encompasses the chambers and associations of the private sector of Guatemala and is the liaison for the development sector. CAEM was established in 1981 and its by-laws were approved by Executive Decree on March 19, 1982.

CAEM was organized to draw the maximum benefits offered by the Caribbean Basin Initiative (CBI) and to enact policies accelerating the economic development of the country through the private sector. Its main purpose is to coordinate efforts aimed at attaining an integral development process for the private sector in Guatemala. In this respect CAEM supports the development of the small and medium enterprise sector for the benefit of the country and for improving the social conditions and the quality of life in the country.

The General Assembly has ultimate authority over CAEM. The Assembly is represented by CAEM's members who determine policies and select the areas of activities to be undertaken. Members of CAEM are the Chambers of Commerce,

Industry, Finance, and Tourism, as well as the National Union of Farmers and Cattlemen (UNAGRO) and the National Association of Sugar Producers. The Guild of Non-Traditional Product Exporters is a unit of CAEM working through the Chamber of Industry.

The Board of Directors, representing each chamber and association affiliated with CAEM, is the highest administrative body over the different committees. The general manager administers CAEM and reports to the Board of Directors.

CAEM undertakes its activities through committees by sector as follows:

- Private Sector Committee
- Public Sector Development Committee
- International Organization of Communications and Information Committee
- Technology Transfer Committee
- Exports Committee
- Economic and Social Development Committee

On August 31, 1987 CAEM signed an agreement for the Private Enterprise Development Project (PEDP) with the United States Agency for International Development (A.I.D.) under Cooperative Agreement No.520-0341. The purpose of this cooperative agreement is to amplify and strengthen the participation of the productive private sector in the social-economic development of Guatemala, by increasing investment, advancing and diversifying non-traditional exports and generating profitable employment and income. The project became effective on August 31, 1987, for a five-year period ending on August 27, 1992.

The Project's main components are:

a) Technical support to small and medium enterprises:

Technical assistance and training should strengthen the competitive position of small and medium size enterprises, and should maximize the application of the know-how and experience of private employers for the benefit of small and medium enterprises.

The objectives of the component are expected to be attained through a management advancement center, operating with the Guatemalan Management Association (AGG), by: (1) supporting small and medium enterprises with appropriate technical assistance and training; (2) establishing a permanent office at AGG to be a conduit for managers of small and medium enterprises to support and work in coordination with CAEM, to be an information network for such enterprises, and to supply other technical services; and (3) supporting individuals and private companies to furnish additional training and technical assistance to small and medium enterprises.

b) Export promotion:

The program is aimed at expanding and diversifying non-traditional exports, fostering access to international markets and giving support to the expansion of investment in export activities generating intensive employment.

Export development is expected to be attained by providing appropriate support to (1) the Guild of Non-Traditional Product Exporters; (2) the research, development and promotion of free zone facilities; (3) policies improving productive private sector participation in international markets.

c) Development of the financial markets:

Through this component, both small and medium enterprises will be strengthened and expanded by gaining access to financial resources. Also, through analysis the program attempts to identify and foster the development and improvement of financial devices.

d) New private enterprise initiatives:

The program aims at providing technical assistance to selected public sector entities for improving communication with and understanding of activities supporting the private sector. The program also supports the development of the abilities of institutions assisting the productive private sector through research, evaluation and implementation of economic options and policies on exports and investment.

e) Project administration:

CAEM will administer the portion of the project dealing with the private sector by organizing a Project Management Unit (PMU). The PMU will be responsible for establishing internal policies for executing, supervising and evaluating activities; for collecting and processing information; and for making recommendations for project execution.

The Guatemalan Management Association (AGG) is a non-profit organization established in 1959 to strengthen the private sector of Guatemala, through a wide range of management services aimed at specific business needs. AGG is affiliated with the American Management Association and maintains close contact with this organization throughout the world. AGG administers programs and activities in three main areas: Executive Development and Training, Management Information, and Meetings and Seminars. AGG will implement the technical support to Small and Medium Enterprises component.

The Guild of Non-Traditional Product Exporters (GEXPRONT) works through the Chamber of Industry and was founded in May 1982. The main purpose of GEXPRONT is to support the non-traditional export sector and to look for fiscal incentives encouraging production and exportation of Guatemalan goods.

GEXPRONT will administer the Export Promotion component.

AUDIT OBJECTIVES AND SCOPE

The specific objectives of our review were to determine whether:

- a) CAEM has sufficient management ability and span of control to administer the project, considering its current and forecasted project workload, staffing levels and past performance;
- b) The estimated direct and indirect proposed costs for the Project are based on the most current and accurate pricing data available, and reflect only those costs which are allowable and necessary to accomplish the work;
- c) CAEM's accounting system is adequate to accurately capture and record the accounting data required for administering the project, and that the system of internal accounting control is adequate;

- d) CAEM is financially capable to undertake the project, and
- e) CAEM is in compliance with agreement terms and applicable laws and regulations.

Our audit was performed in accordance with generally accepted auditing standards and with the U. S. Comptroller General's "Standards for Audit of Governmental Organizations, Programs, Activities and Functions" (1981 Revision) and accordingly included such tests as considered necessary in the circumstances.

The scope of our work consisted of:

- Reviewing the organizational structure, certain administrative systems and procedures and current and proposed staffing levels with respect to Project activity;
- Reviewing the proposed costs for the Project, with emphasis on compliance with the guidelines provided by OMB Circular No. A-122;
- Reviewing the internal accounting and administrative control systems, with emphasis on those systems which will be applied in recording Project activity;
- Reviewing CAEM's financial capability with respect to anticipated Project disbursements, taking into consideration the two-month time lag that would normally elapse before A.I.D. disbursements;
- Reviewing CAEM's operations and Project progress to date, in order to determine compliance with agreement terms and applicable laws and regulations;

During our work, we were alert to situations or transactions that could be indicative of fraud, abuse and illegal expenditures and acts.

RESULTS OF AUDIT

Proposed Costs:

We were unable to obtain sufficient data to determine whether the proposed costs were in compliance with the agreement and the guidelines established by OMB Circular No. A-122. Therefore, the scope of our work was not sufficient to permit us to express, and we do not express, an opinion on the fairness of the cost proposal. However, our work disclosed that the proposed cost budget prepared by CAEM was US\$189,006 and Q863,264 less than the total amount provided for in the cooperative agreement. Also, CAEM has not designated the manner in which Q500,000 of its required counterpart contributions will be paid. the average exchange rate at the time of audit was Q2.53 x US\$1.00.

Financial Capability:

CAEM does not appear to have the financial capability required to administer the Project, unless it receives cash advances from A.I.D.

Management Capability:

At present CAEM does not have the management capability and the span of control required for administering the Project because the entity has not yet hired key officers for the Project Management Unit (PMU) and the Project.

Internal Control:

CAEM's internal control systems are considered adequate for A.I.D. purposes, except for the following:

- . There is a lack of general controls over the electronic data processing department.
- . There is a lack of formal control procedures over computer applications that would ensure that all transactions are processed completely, accurately, and on a timely basis.

Compliance With Agreement Terms and Applicable
Laws and Regulations:

CAEM is in compliance with agreement terms and applicable laws and regulations, except for the following:

- . The project had not officially commenced eventhough the agreement was signed August 31, 1987.
- . CAEM's expenses for its own activities amounting to Q1,975 were paid with A.I.D. advances.
- . Some expenses reimbursed by A.I.D. included taxes which are not allowable for A.I.D. purposes.
- . CAEM had not submitted a five-year project implementation plan to USAID/Guatemala.

With respect to items not reviewed or examined, nothing came to our attention that would indicate non-compliance by CAEM with agreement terms and applicable laws and regulations.

MANAGEMENT COMMENTS:

The Enterprise Chamber of Guatemala (CAEM) has already implemented many of the recommendations included in the report as explained in the comments provided with its letter to Mr. Brendan Gannon dated June 8, 1988 (Appendix 1). These comments are summarized as follows:

Proposed Costs:

Some budget items had to be estimated by CAEM on a global basis with the understanding that the budgets should be redefined by key officials of both PMU and PEDP. Notwithstanding the foregoing, CAEM has prepared additional details complementing or expanding the original budget figures for the first full year of Project activities. The details for the remaining years of the Project will be prepared at a later date.

Also, the revised budget referred to above has been restructured to include (a) US\$189,006 and Q863,264 originally included in the financial plan of the Cooperative Agreement but not included in the original budget,

and (b) the Q500,000 of counterpart funds represented by taxes applicable to the purchase of goods and services, time charges for Project activities undertaken by CAEM's officers and key employees, and travel expenses.

Financial Capability:

CAEM fully agrees that at present it does not have the financial resources required by the Project and therefore, it needs cash advances from A.I.D.

Management Capability:

CAEM has prepared and submitted to A.I.D. an Action Plan together with documents, terms of reference and job descriptions required by the PMU and the PEDP. Once approval is secured from A.I.D. together with a corresponding cash advance, CAEM will immediately start the recruitment process of all needed staff.

Internal Controls:

The internal control system presently in force at CAEM has met the approval of A.I.D. as it was implemented in connection with Agreement No.520-0337. Nevertheless, if in the normal course of operations related to the Private Enterprise Development Project it becomes necessary or advisable to introduce changes or modifications to strengthen existing controls, CAEM will not hesitate in doing so.

Compliance with Agreement Terms and
Applicable Laws and Regulations:

Several reasons have caused delay in the commencement of the Project. However, CAEM has now complied with all conditions called for by the Cooperative Agreement and it is anticipated that project activities will formally start July 1, 1988.

Pric MacArthur

ENTERPRISE CHAMBER OF GUATEMALA
PRIVATE ENTERPRISE DEVELOPMENT PROJECT
USAID/GUATEMALA PROJECT NO. 520-0341

REPORT ON PROPOSED COSTS

AUDITOR'S OPINION

We have reviewed the cost proposal for the Private Enterprise Development Project, related to Cooperative Agreement No. 520-0341, between the Enterprise Chamber of Guatemala (CAEM) and the Agency for International Development (A.I.D.). Except for the scope limitations described in the second paragraph, our review was made in accordance with applicable guidelines included in OMB Circular No. A-122 (Cost Principles for Non-profit Organizations) and the United States Comptroller General's "Standards for Audit of Governmental Organizations, Programs, Activities and Functions" (1981 Revision).

The scope of our examination was limited by the following:

1. Certain budget components of the cost proposal lacked sufficient detail regarding individual elements. Also, the local and foreign technical assistance line items were computed on a global or overall basis since it is necessary to have the Project Management Unit (PMU) structured and the Project key personnel hired before defining the scope of the required technical assistance.
2. The total U.S. dollar and quetzal budgeted amounts in the cost proposal were smaller than the totals provided for by the Cooperative Agreement.
3. The budget did not include CAEM's counterpart contributions.

Because of the scope limitations, as explained above, our review was not sufficient to permit us to express, and we do not express, an opinion on the fairness of the overall proposed costs for the Private Enterprise Development Project.

ENTERPRISE CHAMBER OF GUATEMALA
PRIVATE ENTERPRISE DEVELOPMENT PROJECT
USAID/GUATEMALA PROJECT NO. 520-0341

REPORT ON PROPOSED COSTS

AUDITOR'S OPINION

This report is intended solely for the use of the Enterprise Chamber of Guatemala (CAEM) and the United States Agency for International Development. This restriction is not intended to limit distribution of this report which, upon acceptance by the Office of the Inspector General, is a matter of public record.



March 23, 1988
Guatemala, C. A.

ENTERPRISE CHAMBER OF GUATEMALA
PRIVATE ENTERPRISE DEVELOPMENT PROJECT
USAID/GUATEMALA PROJECT NO.520-0341
REPORT ON PROPOSED COSTS

STATEMENT OF PROPOSED COSTS

No.	PROGRAM	1988			1989			1990			1991			1992			TOTAL		
		US\$	QUETZALES	CAEM	US\$	QUETZALES	CAEM	US\$	QUETZALES	CAEM	US\$	QUETZALES	CAEM	US\$	QUETZALES	CAEM	US\$	QUETZALES	CAEM
	TOTAL	231,377	735,464		271,847	722,534		296,893	733,855		30,559	680,610		76,322	554,723		946,994	3,427,396	500,000
D.1	PRIVATIZATION	27,990	99,204		55,590	117,499		41,420	123,249		55,573			75,531			125,000	465,057	
	Local Technical Assistance		60,000			60,000		60,000										180,000	
	Foreign Technical Assistance	27,990			55,590		41,420										125,000		
	Salaries		35,204			57,499		63,249		69,573			75,531					306,057	
D.2	TRAINING	83,520			127,730		163,750											375,000	
	Training	83,520			127,730		163,750											375,000	
D.3	FREE TRADE PRODUCTION FACILITIES	54,853	131,837		57,527	178,347		60,723	192,768		64,559	179,593		70,322	181,177		307,994	853,722	
	Special Technical Assistance	25,600	16,137		25,600	16,137		25,600	16,137		25,600	16,137		25,600	16,137		128,000	80,565	
	Technical Assistance		10,800			15,840			17,424			19,166			21,083			84,313	
	Specialized Training		28,000			28,000			28,000			28,000			28,000			140,000	
	Tickets	6,240			11,088		13,305		15,955		15,955		20,319		59,918				
	Per diem allowances	4,080			4,896		5,875		7,050		8,450		9,450		30,351				
	Events enrollment	15,943			15,943		15,943		15,943		15,943		15,943		79,715				
	Other related expenses		17,500			31,250		25,375		10,875								85,000	
	Salaries		59,400			87,120		95,832		105,415		115,957						463,724	
E.1	PROJECT MANAGEMENT UNIT (PMU)	86,724			127,195		139,915		153,935		153,935		23,191					530,930	
	Salaries	86,724			127,195		139,915		153,935		153,935		23,191					530,930	
E.2	PROJECT MANAGEMENT INFORMATION SYSTEM (PMIS)	65,000	167,764		31,000	146,227		31,000	150,462		5,000	150,521		6,000	156,794		139,000	771,868	
	Inf. Center Communication exp.		19,200			28,880		28,880		28,880		28,880		28,880				134,720	
	Software		15,000			25,000		20,000		10,000		5,000						75,000	
	Programmable expenses		70,600															70,600	
	Information center inter.	14,000			7,000												21,000		
	Annual fees				4,000		6,000		6,000		6,000		6,000		22,000				
	Computer expansion				20,000		25,000								45,000				
	Programmable expenses	51,000													51,000				
	Salaries		62,964			92,347		101,582		111,741		122,914						491,549	
E.3	CAEM MANAGEMENT SUPPORT	249,935			153,255		137,471		127,118		127,118		117,030					784,819	
	Fixed assets	160,258			57,200		39,000		26,000		13,000							295,458	
	Rent	12,600			18,480		20,328		22,361		24,597							98,366	
	Maintenance	5,077			5,585		6,143		6,757		7,433							30,995	
	Non-personal services	72,000			72,000		72,000		72,000		72,000		72,000					360,000	

NOTE: The average exchange rate at the time of audit was Q2.53 x US\$1.00.

ENTERPRISE CHAMBER OF GUATEMALA
PRIVATE ENTERPRISE DEVELOPMENT PROJECT
USAID/GUATEMALA PROJECT NO. 520-0341

REPORT ON PROPOSED COSTS

FINDINGS

1. Details Regarding Some Cost Components were Lacking:

Condition:

Our review of the cost proposal disclosed the following:

- Amounts for some budget items were estimated by CAEM without any sound basis and also were either allocated without basis over the planned five-year duration of the project or in accordance with the Project's financial plan for the first three years. Such costs encompassed the following components:

<u>Budget component</u>	<u>TOTALS</u>	
	<u>QUETZALES</u>	<u>U.S. DOLLARS</u>
<u>Privatization</u>		
Technical Assistance	Q 180,000	\$125,000
<u>Training</u>		
Training		\$375,000
<u>Facilities</u>		
Technical Assistance	Q 80,685	\$128,000
Special training	Q 140,000	
Events enrollment		\$ 79,715
<u>Project Management</u>		
<u>PMIS</u>		
Communications expenses	Q 134,720	
Software implementation	Q 75,000	
Programming expenses	Q 70,600	\$ 51,000
Information Center Enrollment		\$ 21,000
Information Center fees		\$ 22,000
Computer expansion		\$ 45,000
<u>CAEM Management Support</u>		
Non-personal services	Q 360,000	
	<u>Q1,041,005</u>	<u>\$846,715</u>

ENTERPRISE CHAMBER OF GUATEMALA
PRIVATE ENTERPRISE DEVELOPMENT PROJECT
USAID/GUATEMALA PROJECT NO. 520-0341

REPORT ON PROPOSED COSTS

FINDINGS

- Travel and per diem expenses were determined for the first year on the basis of projected travel plus additional amounts for travel that, although not projected, were likely to occur. The budget for the subsequent years was estimated at 120% of the immediate prior year figures.
- The 32 percent budgeted for fringe benefits was over-estimated by 3.8%: 8.3% for vacations, which in our opinion should be included in annual salaries, less a 4.5% under-estimation for Social Security payments. This resulted in an excess of Q51,592, as detailed below:

	<u>Chamber of</u>		<u>Project Management</u>		
	<u>Private Enterprise</u>				
	<u>Privatization</u>	<u>FTPF</u>	<u>PMU</u>	<u>PMIS</u>	<u>Excess</u>
Salaries	Q231,861	Q351,306	Q402,220	Q372,385	
32%	<u>74,196</u>	<u>112,418</u>	<u>128,710</u>	<u>119,163</u>	
Total	306,057	463,724	530,930	491,548	
Excess 3.8%	<u>(8,811)</u>	<u>(13,350)</u>	<u>(15,284)</u>	<u>(14,147)</u>	Q51,592
Total salaries	<u>Q297,246</u>	<u>Q450,374</u>	<u>Q515,646</u>	<u>Q477,401</u>	

- The fixed asset budget for the last four years is based on global estimates with no details for such years.

The estimated values are:

	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>Total</u>
	Q11,258	Q39,000	Q26,000	Q13,000	Q89,258

Criteria:

The cost of the proposal, according to USAID policy, should be based on the most current, complete pricing data available. The budget should have sufficient details concerning the goods and services to be acquired for appropriate control over disbursements.

ENTERPRISE CHAMBER OF GUATEMALA
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REPORT ON PROPOSED COSTS

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Cause:

Estimates were made only for budget submission purposes. Some of the budget components should be redefined by key officials of both PMU and PEDP.

Effect:

Some proposed costs may be over- or under-estimated. Project activities could be delayed due to lack of sufficient budget information and poor management decisions might be made.

Recommendation:

USAID/Guatemala should require CAEM to revise its cost proposal based on the most current, complete and accurate pricing data available, which should be adequately supported and in sufficient detail in accordance with the guidelines in OMB circular A-122.

2. The Total Proposed Cost were Less than the Amounts Provided for by the Agreement:

The cost proposal submitted by CAEM did not cover the total amount provided for in the agreement. The Cooperative Agreement provides for US\$1,136,000 and Q4,290,660, but the cost proposal covers only US\$946,994 and Q3,427,396.

Criteria:

The budget prepared by CAEM should encompass all funds as agreed upon in the Cooperative Agreement.

Cause:

Some items in the financial plan were budgeted only for the first three years. The total five year amount per the agreement was not considered as available funds.

ENTERPRISE CHAMBER OF GUATEMALA
PRIVATE ENTERPRISE DEVELOPMENT PROJECT
USAID/GUATEMALA PROJECT NO. 520-0341

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FINDINGS

Effect:

There were US\$189,006 and Q863,264 not included in CAEM's cost proposal.

Recommendation:

USAID/Guatemala should require CAEM to prepare a revised cost proposal considering the total amount provided for in the Cooperative Agreement.

3. The Budget does not Cover CAEM's Counterpart Contribution of Q500,000

Condition:

CAEM has not designated the manner in which Q500,000 of its counterpart contribution, provided for in the Cooperative Agreement, will be paid.

Criteria:

The Agreement with A.I.D. calls for a counterpart contribution of Q4,000,000 as follows:

Guild of Non-traditional Product Exporters	Q2,500,000
Guatemalan Management Association	<u>1,000,000</u>
Subtotal	3,500,000
Difference	<u>500,000</u>
Total required counterpart contributions	<u>Q4,000,000</u>

It is assumed that the Q500,000 difference is ascribable to CAEM.

Cause:

The difference was not considered by CAEM as its counterpart contribution.

Effect:

The Project could be delayed due to lack of resources.

ENTERPRISE CHAMBER OF GUATEMALA
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REPORT ON PROPOSED COSTS

FINDINGS

Recommendation:

USAID/Guatemala should require CAEM to establish the manner in which its counterpart contributions will be paid in order to preclude delays that could arise in the budget execution.

ENTERPRISE CHAMBER OF GUATEMALA
PRIVATE ENTERPRISE DEVELOPMENT PROJECT
USAID/GUATEMALA PROJECT NO. 520-0341

REPORT ON FINANCIAL CAPABILITY

AUDITOR'S OPINION

We have performed a pre-award survey of the Enterprise Chamber of Guatemala's (CAEM) financial capability to manage the Private Enterprise Development Project under Cooperative Agreement No. 520-0341 with the Agency for International Development (A.I.D.). Our evaluation was performed pursuant to the Statement of Work for the pre-award survey of the above mentioned agreement and according to the United States Comptroller General's "Standards for Audit of Governmental Organizations, Programs, Activities and Functions" (1981 Revision). Our work included, to the extent that we considered necessary, a review of unaudited financial statements as of December 31, 1987, current available assets, members' contributions, credit availability, projected receipts and disbursements for nine months of 1988, project budget for 1988, and other CAEM projects that may require funding and proposed counterpart contributions.

Based on our review, as described in the first paragraph above, we believe that CAEM at present does not have the financial capability for administering the Private Enterprise Development Project, because its financial resources are not considered sufficient to cover operating expenses of the Project during the approximately two-month period that will normally elapse before reimbursements are made by A.I.D., unless cash advances are received from A.I.D..

This report is intended solely for the use of the Enterprise Chamber of Guatemala and the United States Agency for International Development. This restriction is not intended to limit distribution of this report which, upon acceptance by the Office of the Inspector General, is a matter of public record.



March 23, 1988
Guatemala, C. A.

ENTERPRISE CHAMBER OF GUATEMALA
PRIVATE ENTERPRISE DEVELOPMENT PROJECT
USAID/GUATEMALA PROJECT NO. 520-0341

MEMORANDUM ON FINANCIAL CAPABILITY

Our review of CAEM's unaudited financial statements as of December 31, 1987 disclosed the following:

1. Net current assets amount to approximately Q91,000.
2. Cash in banks, excluding advances from USAID/Guatemala Project No.520-0337, amounts to Q29,000.
3. Fixed assets amount to Q26,000.
4. Net worth amounts to Q76,000.
5. During the seven months ended December 31, 1987 cash receipts exceeded disbursements by approximately Q24,000.

We were informed by CAEM's officials that the entity has not used lines of credit. We were also informed that CAEM entered into agreement No. 520-0337 with A.I.D. that does not require use of its own funds, as it functions with fund advances.

On the strength of CAEM's budget for 1988, prepared on a monthly basis, it was determined that for the approximate two-month period that would normally elapse before A.I.D. could reimburse the related disbursements, the quetzal component of the project would require Q163,436 and that the excess receipts over expenses for the seven month period ended on December 31, 1987 would amount to only Q24,000. Therefore we have determined that CAEM lacks the financial capability for executing the project under the expense reimbursement system.

Our review disclosed that the agreement requires a counterpart contribution of approximately Q500,000 to be set aside from its normal receipts.

ENTERPRISE CHAMBER OF GUATEMALA
PRIVATE ENTERPRISE DEVELOPMENT PROJECT
USAID/GUATEMALA PROJECT NO. 520-0341

REPORT ON FINANCIAL CAPABILITY

FINDINGS

1. CAEM has not Prepared a Cash Flow Statement Estimating the Effect of Private Enterprise Development Project Activities on its own Normal Operations:

Condition:

CAEM does not have a projected cash flow statement which encompasses the project activities for evaluating its impact during implementation. An informal receipts and disbursements projection was prepared on the basis of available data requested by Price Waterhouse.

Criteria:

A projected cash flow statement is necessary for CAEM's officials to adopt management decisions and for evaluating the financial position of CAEM when supplying its own counterpart funds.

Cause:

The statement has not been prepared because the entity does not have sufficient resources for its submission.

Effect:

CAEM is unable to evaluate the effects that project execution will have on its own activities or to anticipate how it will supply counterpart funds to the project.

Recommendation:

USAID/Guatemala should require CAEM to prepare a projected cash flow statement for determining its financial capability for paying counterpart sums, and for evaluating and anticipating any impact concerning implementation activities.

ENTERPRISE CHAMBER OF GUATEMALA
PRIVATE ENTERPRISE DEVELOPMENT PROJECT
USAID/GUATEMALA PROJECT NO. 520-0341

REPORT ON MANAGEMENT CAPABILITY

AUDITOR'S OPINION

We have performed a study and evaluation of the Enterprise Chamber of Guatemala's management capability for the administration of the Private Enterprise Development Project under Cooperative Agreement No. 520-0341 with the U.S. Agency for International Development (A.I.D.). Our study and evaluation covered those areas we considered relevant to the criteria established by the statement of work for the pre-award survey of the above mentioned agreement. Our work was performed in accordance with the United States Comptroller General's "Standards for Audit of Governmental Organizations, Programs, Activities and Functions" (1981 Revision).

Based on our study and our understanding of the criteria included in the statement of work mentioned in the preceding paragraph, we believe that the Enterprise Chamber of Guatemala (CAEM) at present does not have sufficient management capability or span of control to administer the Project since CAEM has not organized the required Project Management Unit and has not yet hired the necessary key employees for their involvement with the functions directly related to the Private Enterprise Development Project.

This report is intended solely for the use of the Enterprise Chamber of Guatemala (CAEM) and the United States Agency for International Development. This restriction is not intended to limit distribution of this report which, upon acceptance by the Office of the Inspector General, is a matter of public record.



March 23, 1988
Guatemala, C. A.

ENTERPRISE CHAMBER OF GUATEMALA
PRIVATE ENTERPRISE DEVELOPMENT PROJECT
USAID/GUATEMALA PROJECT NO. 520-0341

REPORT ON MANAGEMENT CAPABILITY

FINDINGS

1. The Project Management Unit (PMU) has not been Organized

Condition:

The human resources required for establishing the Project Management Unit (PMU) have not yet been hired. CAEM needs these additional resources for coordinating the activities required for project implementation, because CAEM's present administrative staff does not have the capacity to absorb the additional work load pertaining to the Project.

Criteria:

The PMU is a key element for attaining the objectives set forth by the Project. Consequently the PMU, as stated in the cooperative agreement, should be installed with officers capable of managing the project resources and furnishing support to the Guild of Non-traditional Product Exporters and to the Guatemalan Management Association, following the subagreements entered into with said entities.

Cause:

Hiring of human resources for the PMU has not been accomplished because the Private Sector Office of USAID/Guatemala has not approved the position and organization profiles suggested by CAEM.

Effect:

The non-existence of the PMU may delay the undertaking of key activities and coordination with other entities, thus affecting the attainment of Project objectives and aims within the time frame originally established.

Recommendation:

USAID/Guatemala should require CAEM's Board of Directors to expedite approvals for the organization and position profiles for the PMU, in order that CAEM may be able to hire the required human resources in accordance with the requirements and specific procedures determined by A.I.D.

ENTERPRISE CHAMBER OF GUATEMALA
PRIVATE ENTERPRISE DEVELOPMENT PROJECT
USAID/GUATEMALA PROJECT NO. 520-0341

REPORT ON MANAGEMENT CAPABILITY

FINDINGS

2. The Key Officers for the Private Enterprise Development Project Have not been Hired.

Condition:

The employees programmed for the positions of Manager and Assistant Manager for the Private Enterprise Development Project and Manager and Assistant Manager for the Free Trade Production Facility (FTPF) as well as the Project Management Unit's (PMU) key officers have not been contracted. CAEM needs these additional resources for coordinating the activities required for project implementation, because CAEM's present administrative staff does not have the capacity to absorb the additional work load pertaining to the Project.

Criteria:

Capable management resources are vital for any organization desiring to attain its objectives.

Cause:

The Private Sector Office of USAID/Guatemala has not yet approved the position and organization profiles for both FTPF and PMU which are supposed to function within the organizational framework of CAEM.

Effect:

Adequate and timely decisions regarding the Project may be delayed because of lack of the required human resources, thus affecting the normal activity development and the attainment of project objectives within the established timeframe.

Recommendation:

USAID/Guatemala should require CAEM's Board of Directors to expedite approvals for the organization and position profiles for the Project, so that the necessary personnel according to the specific requirements established by A.I.D. can be hired in order for CAEM to have the management capability to undertake the Project.

ENTERPRISE CHAMBER OF GUATEMALA
PRIVATE ENTERPRISE DEVELOPMENT PROJECT
USAID/GUATEMALA PROJECT NO. 520-0341

REPORT ON INTERNAL CONTROLS

AUDITOR'S OPINION

We have performed a pre-award study and evaluation of the internal accounting and administrative control systems of the Enterprise Chamber of Guatemala (CAEM) in connection with the Cooperative Agreement No. 520-0341 with the Agency for International Development (A.I.D.). The purpose of our study and evaluation was to determine the adequacy of the control systems to record transactions under the agreement. Our study and evaluation considered the guidelines established by A.I.D. Handbook 13, Paragraph IL "Standards for Financial Management Systems" (Circular OMB A-110) and was performed in accordance with the United States Comptroller General's "Standards for Audit of Governmental Organizations, Programs, Activities, and Functions" (1981 Revision) and pursuant to the criteria set forth in the statement of work for the pre-award survey of the Agreement. It was limited to an evaluation of the key controls over cash disbursements, accounts receivable, assets protection, reporting, and procurement system.

The management of CAEM is responsible for establishing and maintaining adequate internal control systems in areas of significance to the program covered by the above mentioned Agreement. In fulfilling that responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of internal control systems are to provide management with reasonable, but not absolute, assurance that resources are safeguarded against waste, loss, and misuse; that resources are properly used and in compliance with established policies and procedures and applicable laws and regulations; and that reliable data are obtained, maintained, and fairly disclosed in management reports.

Because of inherent limitations in any system of internal accounting and administrative control, errors or irregularities may occur and not be detected. Also, projection of any evaluation of the systems to future

ENTERPRISE CHAMBER OF GUATEMALA
PRIVATE ENTERPRISE DEVELOPMENT PROJECT
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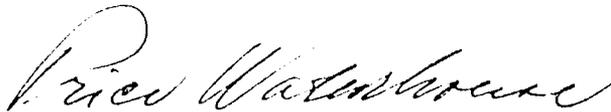
REPORT ON INTERNAL CONTROLS

AUDITOR'S OPINION

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.

Based on our study and the criteria referred to in the first paragraph of this report, we believe that CAEM's control systems are adequate for A.I.D.'s purposes, except for the conditions described in the accompanying findings Nos. 1 to 2, which we believe result in more than a relatively low risk that errors or irregularities may occur and not be detected within a timely period.

This report is intended solely for the use of the Enterprise Chamber of Guatemala (CAEM), and the United States Agency for International Development. This restriction is not intended to limit distribution of this report which, upon acceptance by the Office of the Inspector General is a matter of public record.



March 23, 1988
Guatemala

ENTERPRISE CHAMBER OF GUATEMALA
PRIVATE ENTERPRISE DEVELOPMENT PROJECT
USAID/GUATEMALA PROJECT NO. 520-0341

DESCRIPTION OF THE INTERNAL CONTROL SYSTEMS

PURCHASES

A description of the accounting and administrative internal control systems, as it applies to purchases, follows:

1. A general description of the goods to be acquired is prepared.
2. Quotations are requested directly from suppliers or by press advertisements when the intended value exceeds \$20,000.
3. Quotations are received for assessing and selecting the supplier.
4. The assessed quotations are submitted to A.I.D. with an opinion as to supplier selected for payment.
5. The purchase order is executed upon approval from A.I.D.

CASH RECEIPTS

Receipts mainly consist of membership fees collected as follows:

1. A cash receipt form is prepared.
2. The forms are presented for collection, against which either a promise to pay in fifteen days or checks are received.
3. Checks are deposited in CAEM's bank checking accounts.
4. Collections are registered in the books of record.

DISBURSEMENTS

1. Disbursements cover the payment of goods and services received.
2. Routine disbursements are approved by management. Board of Directors' approval is required for larger amounts.

ENTERPRISE CHAMBER OF GUATEMALA
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USAID/GUATEMALA PROJECT NO. 520-0341

DESCRIPTION OF THE INTERNAL CONTROL SYSTEMS

3. Payment is made.
4. Purchases are accounted for by their inclusion in the monthly listing of checks issued and the corresponding vouchers.
5. The supporting documentation is filed in numerical sequence.

FIXED ASSETS

Fixed assets are purchased following authorization by management and approval by the Board of Directors for purchases exceeding Q2,000.

As of the date of our evaluation, no formal procedures for safeguarding assets existed. Furthermore, no auxiliary ledgers of individual entries existed as an additional control, and no periodic physical counts were made.

ENTERPRISE CHAMBER OF GUATEMALA
PRIVATE ENTERPRISE DEVELOPMENT PROJECT
USAID/GUATEMALA PROJECT NO. 520-0341

REPORT ON INTERNAL CONTROLS

FINDINGS

1. Lack of General Controls Over the Electronic Data Processing Department (EDP).

Condition:

Upon evaluating the internal controls surrounding the EDP area, we noted lack of control procedures regarding the following:

- a) use of computer equipment and the related operating system;
- b) access to the EDP equipment;
- c) operation of the EDP equipment; and
- d) systems development and modification.

Criteria:

The above mentioned procedures should be formally defined, well documented, and implemented in order to provide assurance as to the reliability and control over the input data.

Cause:

The EDP function was recently incorporated into CAEM's other functions as support for project activities development, thus general controls are still lacking.

Effect:

There is the risk of voluntary or involuntary human errors, hardware/software breakdowns, abuse of computer facilities usage, and other problems with no controls over preventing, detecting or correcting such problems.

ENTERPRISE CHAMBER OF GUATEMALA
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USAID/GUATEMALA PROJECT NO. 520-0341

REPORT ON INTERNAL CONTROLS

FINDINGS

Recommendation:

USAID/Guatemala should require CAEM to establish adequate internal control procedures for minimizing the effects of the risks to which the data stored in the computer is subjected and to document and implement these procedures as part of the computer equipment installation.

2. Application Controls are not Defined as a Component of the Computerized Procedures of CAEM.

Condition:

There were inadequate control procedures over computer applications for entry, processing of data, and generation of the resulting outputs.

Criteria:

Procedures should be formally defined, documented, and implemented for each application system, in order to assure that:

- All authorized transactions are processed in full, only once;
- each transaction is complete and accurate;
- the data processing is adequate and correct in the circumstances;
- the resulting output is used to satisfy the proposed objectives and is generated on a timely basis;
- the application is backed up by an alternate procedure.

Cause:

The EDP function has been recently incorporated into CAEM's other functions as support for project activities

ENTERPRISE CHAMBER OF GUATEMALA
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REPORT ON INTERNAL CONTROLS

FINDINGS

development, which explains why the specific controls that should surround each application have not been defined.

Effect:

At present no application systems have been implemented and errors or irregularities could occur and not be detected.

Recommendation:

USAID/Guatemala should require CAEM to establish adequate formal control procedures over computer applications to ensure that all transactions are processed completely, accurately, and on a timely basis.

ENTERPRISE CHAMBER OF GUATEMALA
PRIVATE ENTERPRISE DEVELOPMENT PROJECT
USAID/GUATEMALA PROJECT NO. 520-0341

REPORT ON COMPLIANCE WITH AGREEMENT TERMS AND APPLICABLE
LAWS AND REGULATIONS

AUDITOR'S OPINION

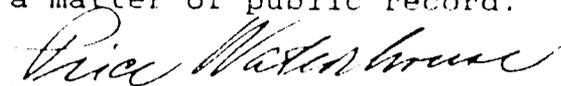
We have performed a study and evaluation of compliance with agreement terms and applicable laws and regulations with respect to Cooperative Agreement No 520-0341 between the Enterprise Chamber of Guatemala (CAEM), and the Agency for International Development (A.I.D.) signed on August 31, 1987. Our study and evaluation was performed in accordance with the United States Comptroller General's "Standards for Audit of Governmental Organizations, Programs, Activities, and Functions" (1981 Revision).

The management of CAEM is responsible for the entity's compliance with terms of the above-mentioned agreement and applicable laws and regulations. For purposes of our study we reviewed and/or tested the following matters related to the project:

1. Cooperative Agreement No. 520-0341, Private Enterprise Development Project, between the Enterprise Chamber of Guatemala and the Agency for International Development, dated August 31, 1987.
2. Progress of the Project through March 16, 1988, compared to activities programmed for commencement and or/completion as of that date as included in the project plan.
3. Payment of payrolls, fees and rent.

The results of our study indicate that for the items reviewed and/or tested, CAEM complied with agreement terms and applicable laws and regulations except as described in the accompanying findings Nos. 1 to 4. With respect to items not reviewed or tested, nothing came to our attention to indicate that CAEM had not complied with Agreement terms and applicable laws and regulations.

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March 23, 1988

Guatemala

ENTERPRISE CHAMBER OF GUATEMALA
PRIVATE ENTERPRISE DEVELOPMENT PROJECT
USAID/GUATEMALA PROJECT NO. 520-0341

REPORT ON COMPLIANCE WITH AGREEMENT TERMS AND APPLICABLE
LAWS AND REGULATION

FINDINGS

1. As at March 15, 1988 the Project had not Officially Commenced.

Condition:

As of the date of this report, approximately seven months had elapsed since the Agreement was signed and Project activities had not officially started.

Criteria:

The Agreement was signed on August 31, 1987 and some project activities should have already been started.

Cause:

Compliance with certain legal aspects, budget changes, discussions with and specific requirements by USAID/Guatemala officials have caused delays in starting the project.

Effect:

Delays in commencement of project activities are likely to result in delays in attaining the project objectives and goals.

Recommendation.

USAID/Guatemala and CAEM should meet, discuss and identify all aspects pending and expedite approval so that the Private Enterprise Development Project can start its activities and attain its goals.

2. CAEM Temporarily Used A.I.D. Advances to Defray Expenses of its Own Activities

Condition:

As at December 31, 1987 salaries and Christmas bonuses for CAEM's own activities amounting to Q1,975, which were paid with A.I.D. advances, were pending reimbursement to A.I.D.

ENTERPRISE CHAMBER OF GUATEMALA
PRIVATE ENTERPRISE DEVELOPMENT PROJECT
USAID/GUATEMALA PROJECT NO. 520-0341

REPORT ON COMPLIANCE WITH AGREEMENT TERMS AND APPLICABLE
LAWS AND REGULATION

FINDINGS

Criteria:

Cash advances from A.I.D. must be used exclusively for A.I.D. Project activities. Disbursements for CAEM's own expenses should be made separately from those of A.I.D.

Cause:

The above procedure was used for easing salary payments and reducing clerical cost by using fewer voucher-checks.

Effect:

Temporary use of A.I.D. funds for financing CAEM's own activities is at variance with specific procedures established by A.I.D.

Recommendation:

USAID/Guatemala should require CAEM to immediately reimburse A.I.D. for Q1,975 used for its own operating expenses and to disburse A.I.D. funds for agreement purposes only.

3. Taxes were Included in Reimbursement Requests Submitted to A.I.D.

Condition:

Some expense reimbursements requests submitted to A.I.D. for airplane tickets and electricity costs included tourism and municipal taxes. The documentation tested by us disclosed tax payments of Q562.

Criteria:

Taxes are not allowable costs pursuant to the standard provisions for Non U.S. and Non - Governmental Grantees established by A.I.D.

ENTERPRISE CHAMBER OF GUATEMALA
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USAID/GUATEMALA PROJECT NO. 520-0341

REPORT ON COMPLIANCE WITH AGREEMENT TERMS AND APPLICABLE
LAWS AND REGULATION

FINDINGS

Cause:

Taxes have been included in the totals of expenses for which reimbursement has been requested.

Effect:

CAEM received payment of unallowable costs from A.I.D.

Recommendation:

USAID/Guatemala should require CAEM to ensure that all expenses requested for reimbursement from A.I.D. are allowable under A.I.D. Agreements and O.M.B. Circular A-122 and to reimburse A.I.D. for those unallowable costs that were claimed.

4. CAEM has not Submitted a five-year Project Implementation Plan to USAID/Guatemala.

Condition:

CAEM has not submitted to USAID/Guatemala an implementation plan for the five-year duration of the Project.

Criteria:

Pursuant to the agreement terms, CAEM was required to submit within three months following funds commitment the five-year implementation plan.

Cause:

Compliance with several legal aspects, budget changes and discussions with and specific requirements by A.I.D. officials have delayed preparation of the five-year implementation plan.

ENTERPRISE CHAMBER OF GUATEMALA
PRIVATE ENTERPRISE DEVELOPMENT PROJECT
USAID/GUATEMALA PROJECT NO. 520-0341

REPORT ON COMPLIANCE WITH AGREEMENT TERMS AND APPLICABLE
LAWS AND REGULATION

FINDINGS

Effect:

The delay in submitting the five-year implementation plan may hinder the process of the first advance.

Recommendation:

USAID/Guatemala should require CAEM to prepare and submit the five-year implementation plan which is required for processing disbursements.

ENTERPRISE CHAMBER OF GUATEMALA
PRIVATE ENTERPRISE DEVELOPMENT PROJECT
USAID/GUATEMALA PROJECT NO. 520-0341

LIST OF REPORT RECOMMENDATIONS

Proposed Costs

Recommendation No. 1:

USAID/Guatemala should require CAEM to revise its cost proposal based on the most current, complete and accurate pricing data available, which should be adequately supported and in sufficient detail in accordance with the guidelines in OMB circular A-122.

Recommendation No. 2:

USAID/Guatemala should require CAEM to prepare a revised cost proposal considering the total amount provided for in the Cooperative Agreement.

Recommendation No. 3:

USAID/Guatemala should require CAEM to establish the manner in which its counterpart contributions will be paid in order to preclude delays that could arise in the budget execution.

Financial Capability

Recommendation No. 1:

USAID/Guatemala should require CAEM to prepare a projected cash flow statement for determining its financial capability for paying counterpart sums, and for evaluating and anticipating any impact concerning implementation activities.

Management Capability

Recommendation No. 1:

USAID/Guatemala should require CAEM's Board of Directors to expedite approvals for the organization and position profiles for the PMU, in order that CAEM may be able to hire the required human resources in accordance with the requirements and specific procedures determined by A.I.D.

ENTERPRISE CHAMBER OF GUATEMALA
PRIVATE ENTERPRISE DEVELOPMENT PROJECT
USAID/GUATEMALA PROJECT NO. 520-0341

LIST OF REPORT RECOMMENDATIONS

Recommendation No. 2:

USAID/Guatemala should require CAEM's Board of Directors to expedite approvals for the organization and position profiles for the Project, so that the necessary personnel according to the specific requirements established by A.I.D. can be hired in order for CAEM to have the management capability to undertake the Project.

Internal Controls

Recommendation No. 1:

USAID/Guatemala should require CAEM to establish adequate internal control procedures for minimizing the effects of the risks to which the data stored in the computer is subjected and to document and implement these procedures as part of the computer equipment installation.

Recommendation No. 2:

USAID/Guatemala should require CAEM to establish adequate formal control procedures over computer applications to ensure that all transactions are processed completely, accurately, and on a timely basis.

Compliance with Agreement Terms and Applicable Laws and Regulations

Recommendation No. 1:

USAID/Guatemala and CAEM should meet, discuss and identify all aspects pending and expedite approval so that the Private Enterprise Development Project can start its activities and attain its goals.

Recommendation No. 2:

USAID/Guatemala should require CAEM to immediately reimburse A.I.D. for Q1,975 used for its own operating expenses and to disburse A.I.D. funds for agreement purposes only.

ENTERPRISE CHAMBER OF GUATEMALA
PRIVATE ENTERPRISE DEVELOPMENT PROJECT
USAID/GUATEMALA PROJECT NO. 520-0341

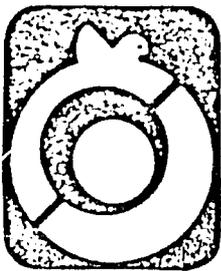
LIST OF REPORT RECOMMENDATIONS

Recommendation No. 3:

USAID/Guatemala should require CAEM to ensure that all expenses requested for reimbursement from A.I.D. are allowable under A.I.D. Agreements and O.M.B. Circular A-122 and to reimburse A.I.D. for those unallowable costs that were claimed.

Recommendation No. 4:

USAID/Guatemala should require CAEM to prepare and submit the five-year implementation plan which is required for processing disbursements.



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Guatemala, 8 de junio de 1988
227-88/CAEM

PSP w/6.1.	
I N F O	
PDSO	
DUE DATE	
6/21/88	
ACTION TAKEN	
(F. A. M. S. S.)	

Señor
Brendan Gannon
Oficial de Comercio y Desarrollo
Oficina de Programa del Sector Privado
Agencia para el Desarrollo
Internacional - AID -
Ciudad de Guatemala

ASUNTO: Convenio Cooperativo No.
520-0341-A-00-7041-00

REFERENCIA: Evaluación de Price
Waterhouse.

Estimado Señor Gannon:

Con fecha 29 de abril retro próximo se le proporcionó a Cámara Empresarial de Guatemala una copia del borrador del informe sobre la Revisión del Proyecto de Desarrollo de la Empresa Privada previo a su Adjudicación a Cámara Empresarial de Guatemala: USAID/Guatemala PROYECTO No. 520-0341. Hemos procedido al análisis del informe aludido y habiéndolo encontrado algunas excepciones formuladas por la firma auditora, a continuación exponemos a usted la forma en la cual se resolverá o se han resuelto las mismas:

I. Reporte Sobre Costos Propuestos

- 1) Algunos Componentes no tienen suficiente detalle de todos los bienes y servicios que lo integran

A este respecto se presentó inicialmente algunos rubros en forma estimada, considerando que tratándose de componentes que deberán ser fijados o definidos por ejecutivos del UAP y del PDEP que aún no han sido contratados, quedaban sujetos a un desglose posterior. Sin embargo, con base en experiencias anteriores y consultas efectuadas, informamos a usted que estos montos han sido desglosados y fundamentados, según el detalle presupuestal que nos permitimos adjuntarle (Ver anexo 1).

MAIL ROOM
USAID/GUATEMALA

JUN 10 10 54 AM '88

"Unidos Impulsando El Desarrollo"

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En cuanto a los gastos de viaje y viáticos, hemos procedido igualmente a detallar los eventos previstos para el primer año, con lo cual hemos llegado a integrar los montos de pasajes en US\$5,300.00 y los viáticos en US\$4,450.00, para todos estos rubros aparece la contrapartida de CAEM en moneda extranjera y moneda local.

El porcentaje del 32% de prestaciones considerado inicialmente en el rubro de sueldos y salarios ha sido corregido, bajándose el 4% que se había contemplado inicialmente, para suplir personal necesario que saldrá de vacaciones.

En el presupuesto revisado se procedió a establecer los activos que se piensa adquirir en el transcurso del proyecto.

2) Los gastos presupuestados no cubren la Asignación del Convenio

Como puede observarse en presupuesto revisado, se ha corregido la diferencia de US\$189,006 y Q.863,264 que aparecían entre el Plan Financiero contenido en el Convenio y el presupuesto mostrado en la distribución de costos del plan de ejecución, con lo cual se justifican los montos asignados a CAEM de US\$1,136,000.00 y Q.4,290.660.00.

3) El aporte de contrapartida de Q.500,000.00 de CAEM no está contemplado en el presupuesto

El monto de Q.500,000.00 de contrapartida que le corresponde a CAEM dentro de este convenio, está constituido por el pago de impuestos en la adquisición de bienes y servicios, en el aporte de tiempo dedicado por los directivos y funcionarios de CAEM a los aspectos pertinentes o las actividades bajo el convenio y a los gastos de viaje incurridos por empresarios que asistan a eventos promovidos bajo el convenio PED.

En el presupuesto revisado aparecen los montos de contrapartida desglosados en las diferentes actividades, tanto en moneda local como en US\$ dólares (Ver anexo 1).

...3...

II. Reporte sobre Capacidad Financiera

- 1) CAEM no cuenta con flujo de fondos proyectado para que considere el efecto de las actividades del PDEP sobre sus operaciones normales

Desde un principio, cuando se inició con las pláticas tendientes a suscribir un convenio de cooperación entre la Cámara Empresarial y la Agencia para el Desarrollo Internacional, cuyo objetivo principal fuera el fortalecimiento del Sector Privado, no se habló en el sentido de trabajar el proyecto por medio de reembolsos de gastos financiados por CAEM, sino que el sistema de trabajo sería por medio de anticipos desembolsados por AID y liquidaciones trimestrales que debería hacer CAEM.

Atendiendo la solicitud de la firma de auditoría Price Waterhouse, Cámara Empresarial ha procedido a elaborar un flujo de fondos proyectado, el cual permite conocer la forma en la cual se perfilan las actividades del PED sobre las operaciones normales de CAEM. El flujo demuestra las diversas fuentes de ingreso y la aplicación de los fondos correspondientes (Ver anexo 2).

...4...

I. Reporte de Capacidad Administrativa

1) La Unidad de Administración del Proyecto (UAP) no ha sido dotado de los Recursos Humanos Proyectados

Cuando se ha discutido en toda oportunidad el Convenio de Cooperación PED, se ha tomado por objetivo principal el fortalecer a la cúpula del Sector Privado en actividades de desarrollo. Consecuentemente, para poder CAEM administrar y controlar con eficiencia la ejecución del convenio, se provee dentro del mismo la contratación del personal adicional necesario.

A la fecha, Cámara Empresarial con el Plan de Ejecución sometido a la aprobación de AID y con los documentos conteniendo los términos de referencia y la descripción de puestos para cada una de las personas que deberán ser contratadas y que también se encuentran bajo consideración de AID, considera hallarse en posibilidad de iniciar las contrataciones correspondientes.

En pláticas sostenidas con funcionarios de la AID y habiéndose cumplido con los requisitos previos, se espera contar con el primer desembolso a finales del mes de junio de 1988, por lo que CAEM iniciará la contratación de los recursos humanos que formarán la Unidad de Administración del Proyecto a partir del 1 de julio de 1988. Adjunto se incluye la descripción de los puestos (Ver anexo 3).

2) Los Funcionarios Clave del Proyecto de Desarrollo de la Empresa Privada no han sido contratados

Al igual que se explicó en el numeral anterior, para la Unidad de Administración del Proyecto, también para los funcionarios clave del proyecto se ha sometido a la aprobación de la Agencia para el Desarrollo Internacional el perfil de los puestos y la organización del proyecto que funcionará dentro del esquema de organización de CAEM.

La contratación de estos funcionarios se programa iniciarla a partir del primero de julio de 1988, una vez se cuente con el primer desembolso correspondiente del proyecto, por parte de AID.

3) La Estructura de Organización Actual de CAEM no soporta las actividades adicionales del Proyecto PED

Previendo la pronta iniciación del proyecto contemplado bajo el convenio de cooperación No. 520-0341 y bajo la premisa que se requiere ampliar la organización administrativa de la Cámara Empresarial, ésta desde el mes de marzo de 1988 procedió a contratar el espacio de oficina

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más amplio, a fin de darle cabida al personal adicional que ofrezca la capacidad administrativa adecuada que requieren las actividades del PED.

A partir del primero de julio de 1988 se iniciará la adecuación de las oficinas y la contratación de los servicios, para dar cumplimiento a los requerimientos del PED.

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IV. Reporte sobre los Controles Internos

Cámara Empresarial cuenta con un sistema de control interno contable y administrativo, el cual ha venido funcionando durante el desarrollo del convenio de donación número 520-0337. El sistema cuenta con la aprobación por parte de AID desde la iniciación del proyecto arriba mencionado y se considera que, podrá seguir siendo aplicado eficientemente para el proyecto PED. Si se hallare necesario en el transcurso de la ejecución del proyecto 520-0341 hacerle algunas modificaciones o ajustes, se procederá gustosamente a hacerlos. Adjunto se envía copia del documento que contiene los controles internos (Ver anexo 4).

Excepciones

1) Los activos adquiridos con fondos de AID, no se registran adecuadamente

La afirmación hecha por la firma Price Waterhouse ocurrió solamente en un caso que fue la adquisición de un equipo de televisión y de video el cual fue adquirido a base que el pago de alquiler que se canceló por el uso de dichos equipos equivalía a la compra del mismo, ya que se usaba durante la duración de las Conferencias Anuales sobre el C.B.I. en Miami.

Aunque desde un principio este activo recibió adecuado registro en el libro de inventario de activos, no así en el registro contable donde aparecía como gasto, lo cual fue debidamente corregido, como se muestra en la copia de la póliza correspondiente que se adjunta como Anexo 5.

2) Al menos en una oportunidad CAEM utilizó temporalmente fondos de AID para sufragar sus gastos

Por tratar de simplificar un procedimiento puramente mecánico, como lo es el de sacarle a cada empleado administrativo dos cheques, uno de fondos de AID y uno de fondos de CAEM para complementar los sueldos, se emitió un solo cheque por el total del sueldo a cada empleado administrativo y luego un sólo cheque de CAEM que reintegra al fondo de AID el total del complemento del sueldo que le correspondía a CAEM.

Este procedimiento está corregido y se ha girado instrucciones precisas a la contabilidad de no volver a reincidir en el mismo.

3) Inclusión de Impuestos dentro de las Liquidaciones de Anticipos Recibidos de AID

Dentro de los registros contables se ha procedido a hacer la corrección correspondiente, en el sentido de revisar los impuestos de turismo sobre algunos boletos aéreos reportados como peaje y a revisar igualmente la tasa municipal que se encontraba cubierta con las cuotas de consumo de energía eléctrica.

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4) Ausencia de Controles Generales del área de procesamiento electrónico de datos (EDP)

Los equipos para el procesamiento electrónico de datos son de muy reciente adquisición y en los programas que ha desarrollado hasta la fecha CAEM, no se había requerido de este procesamiento.

Para la ejecución del Proyecto de Desarrollo del Sector Privado - PED es para lo cual se adquirió este equipo y está contemplado utilizar el mismo "software" que utiliza la Cámara de Industria actualmente y que es vendido por la compañía "COMPASA". Este material se utilizará para el control contable-financiero.

La reglamentación en cuanto al acceso al equipo de cómputo y operación del mismo está en proceso de preparación.

5) Los controles de aplicación no están definidos como parte de los procedimientos computarizados de CAEM

Aquí vale la misma explicación del numeral anterior, en el sentido que siendo el equipo de computación de muy reciente adquisición, no ha tenido hasta la fecha ningún sistema de aplicación en el computador.

Se procederá a establecer los controles de aplicación a manera de contar con ellos al inicio del funcionamiento del proyecto.

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Reporte sobre el Cumplimiento con los Términos del Convenio y las leyes y Regulaciones Aplicables

- 1) CAEM no ha efectuado retenciones del impuesto sobre la renta cuando paga sueldos, honorarios y alquileres

Cámara Empresarial ha cumplido con la inscripción como Agente Retenedor ante la Dirección General de Rentas Internas con fecha 5 de abril de 1988. Quedó definitivamente registrada bajo el número 14306-5 y ha comenzado a hacer las retenciones en los pagos de sueldos, honorarios y alquileres.

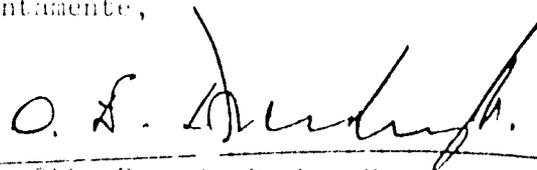
En cuanto a la sanción posible de un 30% del impuesto no retenido mencionado en el informe de la auditoría de evaluación, cabe mencionar que no se considera, debido a la exoneración de multas y recargos promulgada por el Ministerio de Finanzas Públicas actualmente; por el cambio de legislación con el Impuesto Sobre la Renta; y en la inscripción de Cámara Empresarial como Agente Retenedor, en cuyo 2o. párrafo se expresa que: "...se le exonera la multa como Agente Retenedor, conforme el artículo 118, del Decreto del Congreso No. 59-87, Ley del Impuesto sobre la Renta". (Ver anexo b).

- 2) Al 16 de marzo de 1988, el Proyecto no se había iniciado oficialmente

Debido a una serie de aspectos del Proyecto que no se había podido definir entre las unidades ejecutoras y la misión AID, el Proyecto no podía iniciarse. No fue sino hasta el día 15 de marzo que se logró suscribir los subconvenios entre la Cámara Empresarial y las Unidades Ejecutoras de la Asociación de Gerentes de Guatemala y la Gremial de Exportadores de Productos No Tradicionales.

Actualmente se ha procurado cubrir todos los aspectos previos al primer desembolso que se requieren, a fin de dar inicio al funcionamiento del Proyecto en el mes de julio de 1988.

Atentamente,



Ing. Otto Ernesto Becker M.
Gerente General

OEBM/aps

Adjunto: Anexos

c.c.

APPENDIX 2

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