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AUDIT OF THE RESTORATION OF PUBLIC
SERVICES COMPONENT OF THE
EL SALVADOR EARTHQUAKE RECOVERY PROGRAM
USAID/EL SALVADOR PROJECT NO. 519-0331

AUDIT REPORT NO. 1-519-89-26-N
February 2, 1989

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AGENCY FOR INTERNATIONAL DEVELOPMENT

OFFICE OF THE REGIONAL INSPECTOR GENERAL

AMERICAN EMBASSY
TEGUCIGALPA - HONDURAS

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February 2, 1989

MEMORANDUM

TO : D/USAID/El Salvador, Henry H. Bassford
FROM : RIG/A/T, *Wynne N. Gothard* Coinage N. Gothard, Jr.
SUBJECT: Audit Report No. 1-519-89-26-N, "Audit of the Restoration of Public Services Component of the El Salvador Earthquake Recovery Program"

This report presents the results of a non-Federal financial and compliance audit of the Restoration of Public Services Component of the El Salvador Earthquake Recovery Program, USAID/El Salvador Project No. 519-0331, administered by the Ministry of Planning's (MIPLAN) Technical Secretariat for Foreign Financing (SETEFE) and supervised and coordinated by the Metropolitan Emergency Reconstruction Committee (CREM) in conjunction with fourteen government agencies. This is part of the Office of the Inspector General's requirement to provide to the Congressional Committees on Appropriations a detailed financial audit of the Earthquake Recovery Program, in accordance with the omnibus Continuing Resolution for fiscal year 1988. The certified public accounting firm of Price Waterhouse prepared the report, which is dated January 12, 1989.

The purpose of this audit was to report on (1) the fairness of the fund accountability statement of the Program for the period November 24, 1986 to January 20, 1988; (2) the system of internal control, including procurement practices; and (3) compliance with applicable laws, regulations, and agreement terms.

In the opinion of Price Waterhouse, the fund accountability statement presents fairly the costs incurred, subject to a limitation of not being able to examine \$3,846,000 in cancelled checks. Price Waterhouse's study and evaluation of internal accounting control revealed the following weaknesses: (1) inadequate supervision of the accounting process, and (2) lack of separate bank accounts for proper control of Program funds. In the opinion of Price Waterhouse, there was compliance with applicable laws, regulations, and agreement terms, except for any non-compliance that may have been determined had they been able to examine the cancelled checks mentioned above. Nothing came to their attention to indicate non-compliance with items not tested.

The Price Waterhouse report contains two recommendations to improve internal controls. Since the Metropolitan Emergency Reconstruction Committee (CREM) is no longer in existence, the recommendations cannot be applied specifically to that organization. However, we believe that the recommendations are applicable to MIPLAN and SETEFE in regard to their relationships with the implementing institutions involved in the follow-on non-credit activities of the Earthquake Reconstruction Project. 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/El Salvador assure that the recommendations on internal control contained in the Price Waterhouse report dated January 12, 1989 are implemented in relation to the non-credit activities of the follow-on Earthquake Reconstruction Project.

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

FINANCIAL AND COMPLIANCE AUDIT OF THE RESTORATION
OF PUBLIC SERVICES COMPONENT OF THE EL SALVADOR
EARTHQUAKE RECOVERY PROGRAM

USAID/EL SALVADOR PROJECT No. 519-0331

* * *

JANUARY 12, 1989

AUDIT OF THE RESTORATION OF PUBLIC SERVICES COMPONENT
OF THE EL SALVADOR EARTHQUAKE RECOVERY PROGRAM
USAID/EL SALVADOR PROJECT No. 519-0331

AUDITOR'S REPORT

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Price Waterhouse



January 12, 1989

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

Dear Mr. Gothard:

This report presents the results of our financial and compliance audit of the fund accountability statement for the period November 24, 1986 to January 20, 1988, of the Restoration of Public Services component of the El Salvador Earthquake Recovery Program, USAID/El Salvador Project No. 519-0331, signed on November 21, 1986 by the Government of El Salvador (GOES) and the United States Agency for International Development in El Salvador (USAID/El Salvador).

BACKGROUND

Restoration of Public Services is a component of the US\$50,000,000 El Salvador Earthquake Recovery Program, USAID/El Salvador Project No. 519-0331, administered by the Ministry of Planning and Coordination of Economic and Social Development (Ministerio de Planificación y Coordinación del Desarrollo Económico y Social - MIPLAN) through its Technical Secretariat for External Financing (Secretaría Técnica del Financiamiento Externo - SETEFE). This component had a budgeted amount of US\$11,280,123 (Q56,400,615), and was supervised and coordinated by the Metropolitan Emergency Reconstruction Committee (Comité de Reconstrucción de Emergencia Metropolitana - CREM) and implemented by fourteen Government agencies benefited by the program. (See Exhibit I).

The funds for the activities of the program were provided by USAID/El Salvador to SETEFE and from SETEFE to the CREM, which was the entity responsible for administering all financial resources and inventories. MIPLAN, including SETEFE and CREM are legally entitled to conduct the program's operations.

The specific objectives of this component were to provide high priority repairs, equipment, supplies and spare parts for public buildings, utilities and installations heavily damaged by the earthquake of October 10, 1986.

AUDIT OBJECTIVES AND SCOPE

We were engaged to perform a financial and compliance audit of the fund accountability statement of the Restoration of Public Services component of the El Salvador Earthquake Recovery Program, USAID/El Salvador Project No. 519-0331, conducted by the Government of El Salvador (GOES) through the CREM for the period from November 24, 1986 to January 20, 1988.

Before our appointment as auditors, we were engaged by USAID/El Salvador to supervise and monitor the program's implementation activities during the period from December 15, 1986 to January 20, 1988. In this monitoring period we performed the following procedures:

1. reviewed the documentation and procurement procedures for purchases of building materials;
2. performed physical counts of inventories of materials in warehouses;
3. performed physical inspections of work in process; and
4. reviewed documentary support for expenses related with the component's activities, such as salaries, equipment rentals, transportation of materials and other costs incurred.

The findings and recommendations resulting from the monitoring work were timely reported to USAID/El Salvador.

Except for the scope limitation of not being able to examine endorsements of checks amounting to approximately US\$3,846,000, and based on a subsequent review performed on documentation presented by the National Water Agency (ANDA) for US\$1,200,000, liquidated by USAID/El Salvador on October 14, 1988 based on project implementation letter No. 16 dated April 3, 1987, our work was performed in accordance with generally accepted auditing standards and the United States Comptroller General's "Standards for Audit of Governmental Organizations, Programs, Activities, and Functions" (1981 Revision) and accordingly included such tests as deemed necessary to determine whether:

1. the supporting documentation for costs incurred was adequate;
2. the accounting records and procedures used by each involved institution to manage the USAID/El Salvador funding were adequate;
3. funding distribution among institutions was made in accordance with the agreement;

4. the costs reported as incurred were allowable, allocable and reasonable in accordance with the program purposes and agreement terms;
5. the procurement procedures and practices used by the recipient to determine whether sound commercial practices were used, including competition, reasonable prices and adequate qualities and quantities, were appropriate;
6. in purchasing equipment and supplies: a) discounts offered by vendors were taken; and b) they are supported by adequate documentation (purchase orders, invoices, receiving reports, bids, etc.); and
7. the recipient's control over USAID/El Salvador-furnished equipment was adequate to determine whether: (a) a subsidiary record was maintained on each piece of equipment showing the identification, number, location, date of purchase and cost; (b) equipment subsidiary records were periodically reconciled to the general ledger; (c) periodic physical inventories were taken; and (d) items were identified as USAID/El Salvador-furnished. Depreciation on USAID/El Salvador and other government-furnished equipment should not be charged to USAID/El Salvador directly or indirectly; therefore, separate controls should be established.

We were also alert to situations of transactions that could be indicative of fraud, abuse and illegal expenditures or acts.

The following categories of significant controls were reviewed during our work in order to meet the stated audit objectives:

1. Procurement of services - Our work included the evaluation of the significant procedures established for the procurement of services, such as construction activities. The documentation supporting evaluation of bids and awarding of contracts was examined by us on a selective basis.
2. Allocability of costs for services - costs incidental to construction activities were selectively examined to ascertain if costs incurred were properly allocable to the component.
3. Control of materials and supplies - Our tests were to verify that appropriate inventory records were maintained and that stocks of materials and supplies remaining at the end of component activities were adequately controlled and safeguarded.

RESULTS OF AUDIT

Fund Accountability Statement

Based on the work performed as explained in the preceding section of this report, and except for the scope limitation of not being able to examine endorsements on checks amounting to approximately US\$3,846,000, we are of the opinion that costs incurred for the Restoration of Public Services component are allowable, allocable and reasonable for USAID/El Salvador purposes.

As of June 13, 1988, the date of our report, the following matters were pending liquidation:

1. The US\$1,200,000 in costs for the National Water Agency (ANDA) project to restore the water and sewage services in San Salvador, this project was liquidated by SETEFE/AID-El Salvador on October 14, 1988.
2. An indemnization for earthquake damages in the Soyapango Complex and San Antonio Abad Substation, for US\$160,346 which were paid with program funds and also claimed by the Electricity Company (Comisión Ejecutiva Hidroeléctrica del Río Lempa - CEL) from its insurance company. As of June 13, 1988 the claim for damages had not yet been recovered from the insurance company nor had the eventual use of such claim proceeds been defined.
3. Total costs incurred by the component were still pending liquidation; SETEFE had presented requests for liquidations to USAID/El Salvador for only US\$60,000 of which USAID/El Salvador had not issued final acceptance, except for item a) mentioned above.

Internal Accounting Control and Procurement Practices

During the monitoring phase of our work we reviewed and evaluated the internal accounting control system for administering the operations and the procurement practices of the Restoration of Public Services component, established by MIPLAN through SETEFE and supervised by CREM. CREM's significant internal accounting controls related to the program were as follows:

1. Accounting system.
2. Procurement practices.
3. Control on inventories.
4. Control on bank accounts.

Because the control structure prevailing during the component activities was no longer in effect at the date of our work, our study and evaluation of CREM's significant internal accounting control and procurement systems during the audit was limited to a preliminary review to obtain an understanding of the control environment and the flow of transactions through the accounting system. Accordingly, we do not express an opinion on the system of internal accounting control and procurement practices taken as a whole with respect to the Restoration Public Services component. However, our evaluation revealed the following internal accounting control weaknesses:

1. Lack of adequate supervision of the accounting process.
2. Lack of separate controls over program funds.

Compliance with Agreement Terms and
Applicable Laws and Regulations

During our review we performed specific tests to evaluate SETEFE and CREM's compliance with agreement terms and applicable laws and regulations. Except for non-compliances that might have been determined, had we been able to examine the endorsements of cancelled checks to validate the appropriateness of such disbursements charged to the program as cost incurred, the results of our work indicate that items tested were in compliance with agreement terms and applicable laws and regulations. Nothing came to our attention that caused us to believe that untested items were not in compliance with agreement terms and applicable laws and regulations.

U. S. AGENCY FOR INTERNATIONAL DEVELOPMENT
MISSION TO EL SALVADOR COMMENTS

A draft of this report was submitted to the USAID mission to El Salvador for its written comments thereon, if any. At the date of this report the mission did not offer any comment on the draft.

Price Waterhouse

* * *

Price Waterhouse



RESTORATION OF PUBLIC SERVICES COMPONENT OF THE
EL SALVADOR EARTHQUAKE RECOVERY PROGRAM
USAID/EL SALVADOR PROJECT No. 519-0331
FUND ACCOUNTABILITY STATEMENT
AUDITOR'S OPINION

We have performed a financial and compliance audit of the fund accountability statement of the Restoration of Public Services component of the El Salvador Earthquake Recovery Program, USAID/El Salvador Project No. 519-0331, for the period from November 24, 1986 to January 20, 1988. Except as mentioned in the following paragraph, our examination was performed in accordance with generally accepted auditing standards and the United States 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.

We were not provided with cancelled checks by the government entities responsible for the program execution, thus, we were unable to examine the endorsements on checks amounting to approximately US\$3,846,000 to validate the appropriateness of such disbursements charged to the program as cost incurred.

In our opinion, except for the effects of questionable costs that might have been determined, had we been able to examine the endorsement of cancelled checks, as explained in the preceding paragraph, the fund accountability statement examined by us presents fairly the cost incurred in performing the activities of the Restoration of Public Services component of the El Salvador Earthquake Recovery Program, USAID/El Salvador Project No. 519-033 in accordance the agreement terms and applicable laws and regulations for the period from November 24, 1986 to January 20, 1988.

Price Waterhouse
June 13, 1988,
(except for Note 3,
as to which the date
is October 14, 1988)

RESTORATION OF PUBLIC SERVICES COMPONENT OF THE
EL SALVADOR EARTHQUAKE RECOVERY PROGRAM
USAID/EL SALVADOR PROJECT No. 519-0331
FUND ACCOUNTABILITY STATEMENT
FOR THE PERIOD NOVEMBER 24, 1986 TO JANUARY 20, 1988
 (expressed in U.S. dollars - Note 2)

	<u>Costs incurred</u>
Personal services - Construction contracts and direct salaries	\$ 3,871,802
Non-personal services - Indirect costs	155,347
Materials and supplies	2,842,440
Furniture and equipment	<u>17,110</u>
Costs incurred	6,886,699
Funds held by SETEFE	<u>3,632,356</u>
Total received by SETEFE	10,519,055
Direct purchases made by USAID/El Salvador	617,406
Funds not disbursed by USAID/El Salvador	<u>143,662</u>
Total component's fund	<u>\$11,280,123</u>

RESTORATION OF PUBLIC SERVICES COMPONENT OF THE EL SALVADOR EARTHQUAKE RECOVERY PROGRAM

USAID/EL SALVADOR PROJECT No. 519-0331

STATEMENT OF COSTS INCURRED BY EXECUTING AGENCY

FOR THE PERIOD NOVEMBER 24, 1986 TO JANUARY 20, 1988

(EXPRESSED IN U. S. DOLLARS - NOTE 2)

	Personal service construction contracts and direct salaries	Non- personal services indirect costs	Materials and supplies	Furniture and equipment	Costs incurred (Note 3)	Funds not disbursed	Total received by "SETEFE"	"USAID/ES" direct purchases	Sub-total	Funds not disbursed by "USAID/ES"	Total
Ministry of Health National Water Agency (ANDA) (Note 3)	US\$ 870,667		US\$ 4,566		US\$ 875,233	US\$ 5,865	US\$ 881,098		US\$ 881,098		US\$ 881,098
Ministry of Education	1,367,476	US\$ 88,198	1,200,000		1,200,000		1,200,000	1,200,000			1,200,000
Ministry of Public Works (MOP)	277,822	33,184	891,213		2,346,887	10,550	2,357,437	US\$498,129	2,855,566	US\$ 9,406	2,864,972
Electricity Company (CEL)	294,307	25,629	177,668		488,674	11,326	500,000		500,000		500,000
Municipalities/CEL	95,475	1,250	263,459	US\$17,110	600,505	218	600,723	119,277	720,000		720,000
Social Security Institute (ISSS)			95		96,820		96,820		96,820		96,820
Ministry of Agriculture and Livestock (MAG)	131,175		142,774		273,949		273,949		273,949		273,949
Municipality of San Sal- vador (Markets/CEL)	9,419		5,581		15,000		15,000		15,000		15,000
Justice Department (Registry)	463,275				463,275	1,159	464,434		464,434		464,434
National Assembly	92,189	5,215	21,907		119,311	689	120,000		120,000		120,000
Postal System/CEL	40,138		19,862		60,000		60,000		60,000		60,000
Ministry of Finance	35,616	560	20,324		56,500		56,500		56,500		56,500
Attorney General Office/CEL	103,903	191	15,903		119,997	3	120,000		120,000		120,000
Balance Available	90,340	1,120	79,088		170,548		170,548		170,548		170,548
						3,602,546	3,602,546		3,602,546	134,256	3,736,802
Total	<u>US\$3,871,802</u>	<u>US\$155,347</u>	<u>US\$2,842,440</u>	<u>US\$17,110</u>	<u>US\$6,886,699</u>	<u>US\$3,632,356</u>	<u>US\$10,519,055</u>	<u>US\$617,406</u>	<u>US\$11,136,461</u>	<u>US\$143,662</u>	<u>US\$11,280,123</u>

RESTORATION OF PUBLIC SERVICES COMPONENT OF THE
EL SALVADOR EARTHQUAKE RECOVERY PROGRAM
USAID/EL SALVADOR PROJECT No. 519-0331
NOTES TO THE FUND ACCOUNTABILITY STATEMENT
FOR THE PERIOD NOVEMBER 24, 1986 TO JANUARY 20, 1988

NOTE 1 - NATURE OF OPERATIONS AND SUMMARY
OF ACCOUNTING POLICIES

The purpose of the Restoration of Public Services component, was to provide equipment and supplies and spare parts for high priority repairs of public buildings, utilities and installations heavily damaged by the earthquake of October 10, 1986.

The accounting practices and policies adopted by MIPLAN and SETEFE to comply with the component's purpose do not necessarily reflect the application of accounting principles generally accepted in the United States of America. Expenditures are recognized when paid, rather than when the obligation is incurred.

NOTE 2 - EXCHANGE

The Restoration of Public Services component's records are maintained in Salvadoran Colones, the legal currency of El Salvador. Since January 22, 1986, the official rate of exchange has been ¢5.00 to US\$1.00. The accompanying fund accountability statement has been translated into U.S. Dollars using this rate of exchange.

NOTE 3 - LIQUIDATION OF COMPONENT'S EXPENDITURES

As of June 13, 1988 the following matters were pending liquidation:

- a) The US\$1,200,000 National Water Agency (ANDA) project to restore the Water and Sewage in San Salvador, for which documentation was presented for final liquidation to SETEFE/USAID El Salvador on October 14, 1988 based on the Project Implementation Letter No. 16 dated April 3, 1987.
- b) An indemnization for earthquake damages in the Soyapango Complex and San Antonio Abad Substation, for US\$160,346 which were paid with program funds and also claimed by the Electricity Company (Comisión Ejecutiva Hidroeléctrica del Río Lempa - CEL) from its insurance company. The claim for damages had not yet been recovered from the insurance company nor had the eventual use of such claim proceeds been defined.

- c) Total costs incurred by the component were still pending liquidation; SETEFE had presented requests for liquidation to USAID/El Salvador for only US\$60,000 of which USAID/El Salvador had not issued final acceptance, except for item a) mentioned above.

Price Waterhouse



RESTORATION OF PUBLIC SERVICES COMPONENT OF THE
EL SALVADOR EARTHQUAKE RECOVERY PROGRAM
USAID/EL SALVADOR PROJECT No. 519-0331
REPORT ON INTERNAL ACCOUNTING CONTROL
AND PROCUREMENT PRACTICES
AUDITOR'S OPINION

We have performed a financial and compliance audit of the fund accountability statement of the Restoration of Public Services component of the El Salvador Earthquake Recovery Program, USAID/El Salvador Project No. 519-0331, for the period from November 24, 1986 to January 20, 1988, and have issued our report thereon dated June 13, 1988, in which we qualified our opinion for the effects of questionable costs that might have been determined had we been able to examine the endorsement of cancelled checks amounting to approximately US\$3,846,000 to validate the appropriateness of such disbursements charged to the program as cost incurred.

Except for the above limitation, our examination was made in accordance with generally accepted auditing standards and the standards for financial and compliance audits contained in the United States Comptroller General's "Standards for Audit of Governmental Organizations, Programs, Activities, and Functions" (1981 Revision). Solely to assist us in planning and performing our examination, we made a study and evaluation of the internal accounting control and procurement practices adopted by Ministerio de Planificación y Coordinación del Desarrollo Económico y Social (MIPLAN) and Comité de Reconstrucción de Emergencia Metropolitana (CREM) for the component. That study and evaluation was limited to a preliminary review of the systems to obtain an understanding of the control environment and the flow of transactions through the accounting system. Because the control structure prevailing during the component activities was no longer in effect at the date of our work and due to the fact that we were engaged in the monitoring work phase of the component, our study and evaluation of the internal accounting control and procurement practices during the financial and compliance audit did not extend beyond this preliminary review phase. Accordingly, we do not express an opinion on the system of internal accounting control and procurement practices taken as a whole. Also, our examination, made in accordance with the standards mentioned above, would not necessarily disclose all material weaknesses in the systems. However, our work revealed the weaknesses discussed under findings 1 and 2 in the following pages.

This report is intended solely for the use of Comité de Reconstrucción de Emergencia Metropolitana (CREM), Secretaría Técnica del Financiamiento Externo (SETEFE), Ministerio de Planificación y Coordinación del Desarrollo Económico y Social (MIPLAN) and the U.S. Agency for International Development. This restriction is not intended to limit the distribution of this report which, upon acceptance by the Office of the Inspector General, is a matter of public record.

Price Waterhouse
June 13, 1988

RESTORATION OF PUBLIC SERVICES COMPONENT OF THE
EL SALVADOR EARTHQUAKE RECOVERY PROGRAM
USAID/EL SALVADOR PROJECT No. 519-0331
REPORT ON INTERNAL ACCOUNTING CONTROL
AND PROCUREMENT PRACTICES

FINDINGS

1. Lack of adequate supervision of the
accounting process

Condition:

Some transactions, such as the transfer of funds between components, had not been recorded in CREM'S accounting records.

Criteria:

Section B.5.b of Annex II (Standard Provisions), establishes the recipient's obligation to maintain or cause to be maintained books and records relating to the program and to the agreement in accordance with generally accepted accounting principles. In addition, the accounting procedures and reporting arrangements adopted by MIPLAN and approved by USAID/El Salvador specifically require establishing and maintaining adequate accounting records to control advances and disbursements of funds, by activity and by component.

Cause:

There was a lack of continuous supervision over the recording of transactions.

Effect:

The lack of adequate and continuous supervision over the accounting function permitted the transfer of funds between component's of the program which were not opportunely recorded.

Recommendation:

USAID/El Salvador should require both MIPLAN and SETEFE to provide assurance of adequate supervision of the accounting process in order to obtain reliable, accurate and timely accounting information.

2. Lack of separate controls over project funds

Condition:

Program funds provided by SETEFE to the implementing institutions, which were Instituto Salvadoreño de Seguridad Social (ISSS), Ministerio de Hacienda, Ministerio de Salud, Asamblea Legislativa, and Ministerio de Agricultura y Ganadería, were commingled by such implementing institutions with their own funds deposited in the Central Bank. Therefore, bank reconciliation procedures and other administrative controls over USAID/El Salvador funds were lacking.

Criteria:

The control procedures adopted by MIPLAN for CREM and other implementing institutions with the approval of USAID/El Salvador, require separate bank accounts to be maintained for each program component in order to provide proper accountability over USAID/El Salvador funds.

Cause:

Because the funds necessary to conduct the activities of the component were provided by MIPLAN in a lump sum, the implementing institutions did not consider it necessary to maintain separate bank accounts.

Effect:

Monthly bank reconciliations were not prepared and fund balances for the component were not periodically obtained during the life of the program. Control over USAID/El Salvador funds was lost.

Recommendation:

USAID/El Salvador should require MIPLAN to provide assurance that implementing institutions establish separate bank accounts for each component to properly manage and control the use of USAID/El Salvador funds.

Price Waterhouse



RESTORATION OF PUBLIC SERVICES COMPONENT OF THE
EL SALVADOR EARTHQUAKE RECOVERY PROGRAM
USAID/EL SALVADOR PROJECT No. 519-0331
REPORT ON COMPLIANCE WITH AGREEMENT TERMS AND
APPLICABLE LAWS AND REGULATIONS
AUDITOR'S OPINION

We have performed a financial and compliance audit of the fund accountability statement of the Restoration of Public Services component of the El Salvador Earthquake Recovery Program, USAID/El Salvador Project No. 519-0331, for the period November 24, 1986 to January 20, 1988, and have issued our report thereon dated June 13, 1988, in which we qualified our opinion due to a limitation in our audit scope. Except for this limitation, our examination was made in accordance with generally accepted auditing standards and the standards for financial and compliance audits contained in the United States Comptroller General's "Standards for Audit of Governmental Organizations, Programs, Activities, and Functions" (1981 Revision). The management of MIPLAN is responsible for compliance with agreement terms and laws and regulations applicable to the above mentioned component. Except for non-compliances that might have been determined, had we been able to examine the endorsements of cancelled checks to validate the appropriateness of such disbursements charged to the program as cost incurred, the results of our work indicate that for items tested, MIPLAN and the component's implementing institutions were in compliance with agreement terms and applicable laws and regulations. Nothing came to our attention that caused us to believe that untested items were not in compliance with agreement terms and applicable laws and regulations.

This report is intended solely for the use of Comité de Reconstrucción de Emergencia Metropolitana (CREM), Secretaría Técnica del Financiamiento Externo (SETEFE), Ministerio de Planificación y Coordinación del Desarrollo Económico y Social (MIPLAN) and the U.S. Agency for International Development. This restriction is not intended to limit the distribution of this report which, upon acceptance of the Office of the inspector General, is a matter of public record.

Price Waterhouse

June 13, 1980

AUDIT OF THE RESTORATION OF PUBLIC SERVICES COMPONENT
OF THE EL SALVADOR EARTHQUAKE RECOVERY PROGRAM
USAID/EL SALVADOR PROJECT No. 519-0331
LIST OF REPORT RECOMMENDATIONS

INTERNAL ACCOUNTING CONTROL AND
PROCUREMENT PRACTICES

Recommendation No. 1

USAID/El Salvador should require both MIPLAN and SETEFE to provide assurance of adequate supervision of the accounting process in order to obtain reliable, accurate and timely accounting information.

Recommendation No. 2

USAID/El Salvador should require MIPLAN to provide assurance that implementing institutions establish separate bank accounts for each component to properly manage and control the use of USAID/El Salvador funds.

APPENDIX I

REPORT DISTRIBUTION

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