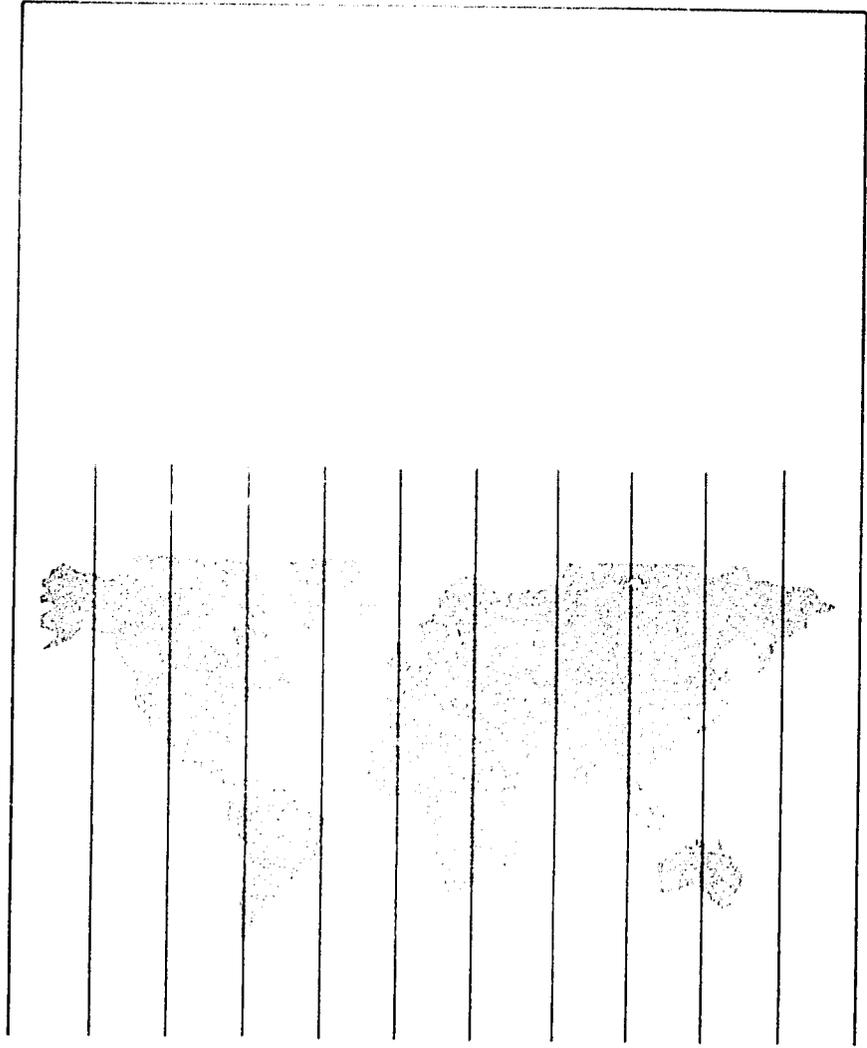


10-10-00

UNITED STATES
AGENCY FOR INTERNATIONAL DEVELOPMENT

THE
INSPECTOR
GENERAL



Regional Inspector General for Audit
TEGUCIGALPA

PD-AAZ-997

**AUDIT OF THE HUMAN RIGHTS TRAINING
PROGRAM OF THE NICARAGUAN RESISTANCE
MANAGED BY THE NICARAGUAN RESISTANCE**

**Audit Report No. 1-522-89-59-N
September 29, 1989**

U. S. MAILING ADDRESS:
RIG/T
APO MIAMI 34022

AGENCY FOR INTERNATIONAL DEVELOPMENT
OFFICE OF THE REGIONAL INSPECTOR GENERAL
AMERICAN EMBASSY
TEGUCIGALPA - HONDURAS

TELEPHONES:
32-9987
also 32-3120 EXT. 2701-2703

September 29, 1989

MEMORANDUM

TO: Director, TFHA/Washington, Ted Morse

FROM: RIG/A/T, Coinage N. Gothard, Jr. *Coinage Gothard*

SUBJECT: Audit of the Human Rights Training Program of the Nicaraguan Resistance Managed by the Nicaraguan Resistance, Audit Report No. 1-522-89-59-N

This report presents the results of a non-Federal, concurrent financial audit of the Human Rights Training Program (the Program) managed by the Nicaraguan Resistance. The audit was requested by the Task Force on Humanitarian Assistance (TFHA). The certified public accounting firm of Price Waterhouse prepared the report, which was transmitted to RIG/A/T on September 27, 1989.

The overall objective of Price Waterhouse's audit work was to perform a concurrent financial audit of the Program. The purpose of this audit was to report on (1) the fairness of the fund accountability statement of the Human Rights Training Program for the period from January 1 to April 30, 1989, (2) the Program's internal control structure, and (3) compliance by the Nicaraguan Resistance with agreement terms and applicable laws and regulations.

In the opinion of Price Waterhouse, the fund accountability statement of the Human Rights Training Program presents fairly, in all material respects, the Program's receipts and expenditures for the period from January 1 through April 30, 1989 in accordance with the corresponding agreement.

Price Waterhouse evaluated the internal control structure of the Program. Price Waterhouse did not note any matters involving

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the internal control structure and its operations that the auditors considered to be material weaknesses. However, certain matters involving the internal control structure were observed and reported to TFHA and RIG/A/T.

In the opinion of Price Waterhouse, the Program complied with agreement terms and applicable laws and regulations for the items tested. Nothing came to the auditors' attention that caused them to believe that untested items were not in compliance with agreement terms and applicable laws and regulations.

The Nicaraguan Resistance and TFHA discussed the draft report with Price Waterhouse and RIG/A/T stating that they were generally in agreement with the Price Waterhouse report. Management did not provide written comments. The Price Waterhouse report contains no recommendations.

AGENCY FOR INTERNATIONAL DEVELOPMENT

AUDIT OF THE HUMAN RIGHTS TRAINING PROGRAM
OF THE NICARAGUAN RESISTENCE

A.I.D. AGREEMENT No.594-0000-A-00-9006-00
MANAGED BY THE NICARAGUAN RESISTENCE

AGENCY FOR INTERNATIONAL DEVELOPMENT
AUDIT OF THE HUMAN RIGHTS TRAINING PROGRAM
OF THE NICARAGUAN RESISTANCE
A.I.D. AGREEMENT NO.594-0000-A-00-9006-00
MANAGED BY THE NICARAGUAN RESISTANCE

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Price Waterhouse



September 27, 1989

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

Dear Mr. Gothard:

This report presents the results of our concurrent financial audit of the Human Rights Training Program of the Nicaraguan Resistance (the Program) managed by the Nicaraguan Resistance (NR) during the period from January 1, through April 30, 1989, under the agreement No. 594-0000-A-00-9006-00 between the NR and the U.S. Agency for International Development (A.I.D.).

BACKGROUND

On January 31, 1989, the U.S. Agency for International Development granted to the Nicaraguan Resistance (NR) \$178,020 to fund training of NR members in that organization's Code of Conduct and System of Military Justice, consistent with the statutory authority (Public Law 100-463) to provide training "with respect to the treatment of civilians and other armed forces personnel, in accordance with internationally accepted standards of human rights". Funds provided under this grant were to support instructor salaries, procurement of teaching materials and equipment, and related management costs.

The person responsible for the project was the NR Director in charge of military affairs and the manager of the project was the NR Legal Advisor and Prosecutor. The project included the training of Northern and Atlantic Fronts military personnel. Project activities covered the period from January 1 through April 30, 1989. On April 28, 1989 the agreement was amended to increase the amount of the grant by \$102,000 and to extend the activities funded to July 31, 1989.

AUDIT OBJECTIVES AND SCOPE

The overall objective of our audit work was to perform a concurrent financial audit of the Human Rights Training Program of the Nicaraguan Resistance managed by the NR from January 1 through April 30, 1989.

Our audit was performed in accordance with generally accepted auditing standards and the U.S. Comptroller General's "Government Auditing Standards" (1988 Revision), and accordingly included the review of documentation, accounting records, internal control structure and such other auditing procedures as we considered necessary to determine whether:

1. The fund accountability statement of the Human Rights Training Program of the Nicaraguan Resistance presents fairly the Program's receipts and expenditures from January 1 through April 30, 1989 in accordance with the terms of the agreement,
2. The internal control structure of the Program is adequate and functioning as intended, and
3. The NR complied with applicable laws, regulations, and agreement terms.

The following major audit procedures were performed as necessary in order to meet the stated audit objectives:

1. We reviewed the following documents to become familiar with the Program:
 - a) the agreement between the TFHA and the NR regarding the Program,
 - b) the budgets approved by the TFHA to manage the Program, and
 - c) all financial and Program reports, accounting system descriptions, and procurement policies and procedures.
2. We determined whether costs incurred in carrying out the purpose of the Program were reasonable, allocable, and allowable in accordance with the agreement and negotiated advance understanding on a particular cost or item, as applicable.
3. We reviewed monthly disbursements made by the NR during the period from January 1, 1989 through April 30, 1989 for a total of US\$80,810 and made 3 on-site inspections to 9 locations where the Resistance conducted training courses.
4. We reviewed the procedures used to control the funds, including bank account controls, monthly bank account reconciliations, and confirmed the final balance with the custodian bank.

5. We physically inspected office furniture and equipment purchased with Program funds.
6. We reviewed the procurement procedures and practices used to determine that sound commercial practices were used.
7. We determined whether advances of funds were justified with documentation, including reconciliations of funds advanced, disbursed, and available.
8. On a limited basis we reviewed and evaluated the systems of accounting controls by conducting compliance tests to determine the extent to which established procedures and controls were functioning as intended.
9. We reviewed the NR's compliance with applicable laws, regulations, and agreement terms.

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

RESULTS OF THE AUDIT

Fund Accountability Statement

In our opinion the fund accountability statement of the Human Rights Training Program of the Nicaraguan Resistance presents fairly, in all material respects, the Program's receipts and expenditures for the period from January 1 through April 30, 1989, in accordance with agreement No. 594-0000-A-00-9006-00.

Internal Control Structure

In planning and performing our audit of the fund accountability statement of the Program for the period from January 1, 1989 through April 30, 1989, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the fund accountability statement and not to provide assurance on the internal control structure. We noted no matters involving the internal control structure and its operation that we consider to be material weaknesses. However, we noted certain matters involving the internal control structure and its operation that we have reported in writing upon identification to the Regional Inspector General for Audit in Tegucigalpa and the Task Force for Humanitarian Assistance in Honduras.

Compliance with Applicable Laws, Regulations, and Agreement Terms

We tested transactions and records for the period from January 1 through April 30, 1989, which included receipts,

disbursements and reporting to determine the Nicaraguan Resistance's compliance with applicable laws, regulations, and agreement terms. The results of our study indicated that for the items tested, the Nicaraguan Resistance complied, in all material respects, with applicable laws, regulations, and agreement terms. With respect to items not tested, nothing came to our attention that caused us to believe that the Nicaraguan Resistance had not complied, in all material respects, with applicable laws, regulations, and agreement terms.

SUMMARY OF MANAGEMENT COMMENTS

The TFHA reviewed the draft of this report and is generally in agreement with the contents of this report. The TFHA discussed their comments with Price Waterhouse and the Regional Inspector General for Audit, and did not suggest any changes to the final report. TFHA also expressed its appreciation for the assistance it has received from RIG/AT and Price Waterhouse auditors in the implementation of this program.



Price Waterhouse

Price Waterhouse



AGENCY FOR INTERNATIONAL DEVELOPMENT

AUDIT OF THE HUMAN RIGHTS TRAINING PROGRAM
OF THE NICARAGUAN RESISTANCE

A.I.D. AGREEMENT NO.594-0000-A-00-9006-00
MANAGED BY THE NICARAGUAN RESISTANCE

FUND ACCOUNTABILITY STATEMENT
FROM JANUARY 1 THROUGH APRIL 30, 1989

REPORT OF INDEPENDENT ACCOUNTANTS

We have audited the accompanying fund accountability statement of the Human Rights Training Program of the Nicaraguan Resistance (the Program), managed by the Nicaraguan Resistance under the agreement No. 594-0000-A-00-9006-00 for the period from January 1, through April 30, 1989. The fund accountability statement is the responsibility of the Nicaraguan Resistance management. Our responsibility is to express an opinion on the fund accountability statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the U.S. Comptroller General's "Government Auditing Standards" (1988 Revision). Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the fund accountability statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the fund accountability statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the fund accountability statement of the Human Rights Training Program of the Nicaraguan Resistance presents fairly, in all material respects, the Program's receipts and expenditures for the period from January 1 through April 30, 1989, in accordance with agreement No.594-0000-A-00-9006-00.

This report is intended solely for the use of the Nicaraguan Resistance and the 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

July 24, 1989.

AGENCY FOR INTERNATIONAL DEVELOPMENT

AUDIT OF THE HUMAN RIGHTS TRAINING PROGRAM (Note 2)

OF THE NICARAGUAN RESISTANCE

A.I.D. AGREEMENT NO.594-0000-A-00-9006-00

MANAGED BY THE NICARAGUAN RESISTANCE

FUND ACCOUNTABILITY STATEMENT

FROM JANUARY 1, THROUGH APRIL 30, 1989

(Expressed in U.S. Dollars - Note 1)

	<u>Budgeted amounts</u>	<u>Receipts and expen- ditures</u>	<u>Balances (over) under budget</u>
<u>Program Receipts:</u>			
Grant	<u>\$178,020</u>	<u>\$100,206</u>	<u>\$77,814</u>
<u>Program Expenditures:</u>			
<u>Recurring costs:</u>			
Salaries	64,000	29,854	34,146
Rent	3,600	1,400	2,200
Travel and per diem	12,000	1,686	10,314
Utilities	1,400	275	1,125
Courier services	1,800		1,800
Telephone	13,200	3,010	10,190
Photocopier rental	3,600		3,600
Vehicle rental	15,000	8,591	6,409
Boat rental	5,000	730	4,270
Vehicle fuel and maintenance	5,600	2,645	2,955
Office supplies	3,000	6,509	(3,509)
Miscellaneous	8,000	1,460	6,540
Subtotal	<u>136,200</u>	<u>56,160</u>	<u>80,040</u>
Commodities	<u>41,820</u>	<u>24,650</u>	<u>17,170</u>
Total Program Expenditures	<u>\$178,020</u>	<u>\$ 80,810</u>	<u>\$97,210</u>
Excess of receipts over expenditures (Note 3)		<u>\$ 19,396</u>	

AGENCY FOR INTERNATIONAL DEVELOPMENT

AUDIT OF THE HUMAN RIGHTS TRAINING PROGRAM
OF THE NICARAGUAN RESISTANCE

A.I.D. AGREEMENT NO.594-0000-A-00-9006-00
MANAGED BY THE NICARAGUAN RESISTANCE

NOTES TO THE FUND ACCOUNTABILITY STATEMENT
FROM JANUARY 1 THROUGH APRIL 30, 1989

NOTE 1 - SUMMARY OF ACCOUNTING POLICIES

The significant accounting policies adopted by the Nicaraguan Resistance to manage the Program are summarized as follows:

Basis of accounting

The accrual basis of accounting was used in recording the expenditures of the Program.

Accounting period

Costs reimbursed included in the Fund Accountability Statement as of April 30, 1989 cover the period from January 1 through April 30, 1989 for the Northern Front and from January 1 through April 15, 1989 for the Atlantic Front. Costs corresponding to the period from April 16 to April 30, 1989 for the Atlantic Front will be reported at the end of the Program.

Exchange rate

The accounting records of the Program are maintained in Honduran lempiras. The official rate of exchange of L2 for one U.S. dollar has remained constant for many years. The accompanying fund accountability statement was converted at this rate.

NOTE 2 - HISTORY AND OPERATIONS OF THE PROGRAM

On January 31, 1989, U.S. Agency for International Development granted to the Nicaraguan Resistance (NR) \$178,020 to fund training of NR members in that organization's Code of Conduct and System of Military Justice, consistent with the statutory authority (Public Law 100-463) to provide training "with respect to the treatment of civilians and other armed forces personnel, in accordance with internationally accepted standards of human rights." Funds provided under this grant were to support instructor salaries, procurement of teaching materials and equipment, and related management costs.

The person responsible for the project was the NR Director in

training of Northern and Atlantic Fronts military personnel. Project activities covered the period from January 1 through April 30, 1989. On April 28, 1989 the agreement was amended to increase the amount of the grant by \$102,000 and to extend the activities funded to July 31, 1989.

The following courses objectives were implemented by the Program:

1. Basic course: This course was an introduction to the basic principles of the judicial system, rules of war, Code of Conduct and the functions of the NR's Military Prosecutor's Office.
2. Course for members of the Military Courts: This course covered procedures used in prosecuting alleged violations of the Code of Conduct and human rights violations.
3. Course for field instructors: To train a group of combatants in teaching techniques and relations with the civilian population.

NOTE 3 - EXCESS OF RECEIPTS OVER EXPENDITURES

The excess of receipts over expenditures is represented by the following assets:

	<u>U.S. Dollars</u>
Cash on hand	\$ 110
Cash in bank	19,286
	<hr/>
Total excess of receipts over expenditures	\$19,396
	<hr/>

Price Waterhouse



AGENCY FOR INTERNATIONAL DEVELOPMENT

AUDIT OF THE HUMAN RIGHTS TRAINING PROGRAM
OF THE NICARAGUAN RESISTANCE

A.I.D. AGREEMENT NO.594-0000-A-00-9006-00
MANAGED BY THE NICARAGUAN RESISTANCE

INTERNAL CONTROL STRUCTURE

REPORT OF INDEPENDENT ACCOUNTANTS

We have audited the accompanying fund accountability statement of the Human Rights Training Program of the Nicaraguan Resistance (the Program), managed by the Nicaraguan Resistance under the agreement No. 594-0000-A-00-9006-00 for the period from January 1 through April 30, 1989, and have issued our report thereon dated July 24, 1989.

We conducted our audit in accordance with generally accepted auditing standards and the U.S. Comptroller General's "Government Auditing Standards" (1988 Revision). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the fund accountability statement is free of material misstatement.

In planning and performing our audit of the fund accountability statement of the Program for the period from January 1 through April 30, 1989, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the fund accountability statement and not to provide assurance on the internal control structure.

The management of the Nicaraguan Resistance is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures might become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the purpose of this report, we have classified the significant internal control structure policies and procedures in the following categories:

- Accounting process
- Budgetary control process
- Payroll procedures
- Procurement procedures
- Receipts and disbursements

For all of the internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the fund accountability statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operation that we consider to be material weaknesses as defined above.

However, we noted certain matters involving the internal control structure and its operation that we have reported in writing upon identification to the Regional Inspector General for Audit and the Task Force for Humanitarian Assistance.

This report is intended solely for the use of the Nicaraguan Resistance and the 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

July 24, 1989

Price Waterhouse



AGENCY FOR INTERNATIONAL DEVELOPMENT

AUDIT OF THE HUMAN RIGHTS TRAINING PROGRAM
OF THE NICARAGUAN RESISTANCE
A.I.D. AGREEMENT NO. 594-0000-A-00-9006-00
MANAGED BY THE NICARAGUAN RESISTANCE

COMPLIANCE WITH APPLICABLE LAWS, REGULATIONS, AND AGREEMENT TERMS

REPORT OF INDEPENDENT ACCOUNTANTS

We have audited the fund accountability statement of the Human Rights Training Program of the Nicaraguan Resistance (the Program), managed by the Nicaraguan Resistance under the agreement No. 594-0000-A-00-9006-00 for the period from January 1 through April 30, 1989, and have issued our report thereon dated July 24, 1989.

We conducted our audit in accordance with generally accepted auditing standards and the U.S. Comptroller General's "Government Auditing Standards" (1988 Revision). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the fund accountability statement is free of material misstatement.

Compliance with applicable laws, regulations, and agreement terms is the responsibility of the Nicaraguan Resistance's management. As part of obtaining reasonable assurance about whether the fund accountability statement is free of material misstatement, we performed tests of the Program's compliance with provisions of applicable laws, regulations, and agreement terms. However, our objective was not to provide an opinion on overall compliance with such provisions.

The results of our tests indicate that, with respect to the items tested, the Nicaraguan Resistance complied, in all material respects, with the provisions referred to in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that the Nicaraguan Resistance had not complied, in all material respects, with those provisions.

This report is intended solely for the use of the Nicaraguan Resistance and the 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

July 24, 1989

APPENDIX 1

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