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AWARD SURVEY OF THE
NON-CREDIT COMPONENT OF
THE EARTHQUAKE RECONSTRUCTION PROJECT
WITH THE MUNICIPAL ADMINISTRATION
OF MARKETS
USAID/EL SALVADOR PROJECT NO. 519-0333

AUDIT REPORT NO. 1-519-89-47-N
August 31, 1989

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AGENCY FOR INTERNATIONAL DEVELOPMENT

OFFICE OF THE REGIONAL INSPECTOR GENERAL

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August 31, 1989

MEMORANDUM

TO: USAID/El Salvador Director, Henry H. Bassford
FROM: RIG/A/T, *George N. Gothard*
Coinage N. Gothard, Jr.
SUBJECT: Audit Report No. 1-519-89-47-N, "Award Survey of the Non-Credit Component of the Earthquake Reconstruction Project with the Municipal Administration of Markets"

This report presents the results of a non-Federal award survey requested by your Mission of the Non-Credit Component of the Earthquake Reconstruction Project, USAID/El Salvador Project No. 519-0333, with the Municipal Administration of Markets (AMM). The accounting firm of Peat Marwick, Mitchell and Co. in El Salvador prepared the report which is dated August 17, 1989.

The Earthquake Reconstruction Project provides US\$75 million in funds over a 36-month period through September 30, 1990 to assist the Government and private sector of El Salvador in restoring the standard of living for individuals affected by the earthquake of October 10, 1986. US\$23.6 million is to be provided under the non-credit component of the project to repair and reconstruct public schools, health facilities, municipal markets and highways, to develop relocation sites for families, and to provide housing assistance to low income families that have not been able to repair or replace their homes. Out of the funding allocated for the non-credit component, US\$1.4 million has been assigned to AMM as the implementing institution for the municipal markets reconstruction subcomponent of the project.

The purpose of the award survey was to determine whether AMM: (1) has the management capability and control necessary to administer the project, (2) is financially capable of executing the project, and (3) has internal accounting and administrative control systems which accurately capture and record the accounting data required for administering the project and are adequate for USAID/El Salvador's purposes.

In the opinion of Peat Marwick, AMM did not have the management capability to sufficiently administer the activities assigned to it, did not have the financial capability to administer the activities assigned

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to it under the project unless it receives cash advances from A.I.D., and did not have an internal control system adequate for USAID/El Salvador's purposes.

The Peat Marwick report contains 11 recommendations concerning AMM's management and financial capability and internal controls. However, its recommendations are addressed to conditions noted during the early stages of the project, some of which have since been corrected. USAID/El Salvador personnel responsible for managing the project presented information and evidence to show that reported weaknesses in AMM's management capability have been addressed or compensated for within the multi-organization structure of the project. Regarding the excess budget reported by the auditors in the financial capability section of the report, these personnel pointed out that the project budget was considered a rough estimate, and that, because of changes that have been made to the construction projects under this subcomponent, they now project a shortage of funds to complete the activities. These personnel pointed out that the reported internal control weaknesses were largely addressed as project implementation activities progressed. Additionally, the continuing project implementation activities of the institution are currently being monitored as part of a concurrent audit of the project by the accounting firm Price Waterhouse in El Salvador.

Considering the actions already taken by the Mission to address the Peat Marwick recommendations and the on-going concurrent audit, we are not making any recommendations.

AWARD SURVEY OF THE
NON - CREDIT COMPONENT OF THE
EARTHQUAKE RECONSTRUCTION PROJECT
WITH THE MUNICIPAL ADMINISTRATION OF MARKETS
USAID/EL SALVADOR PROJECT, No. 519 - 0333

**AWARD SURVEY OF THE
NON-CREDIT COMPONENT OF THE
EARTHQUAKE RECONSTRUCTION PROJECT
WITH THE MUNICIPAL ADMINISTRATION OF MARKETS
USAID/EL SALVADOR PROJECT No. 519-0333**

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KPMG Peat Marwick

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August 17, 1989

Mr. Coinage N. Gothard, Jr.
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 award survey of the Municipal Administration of Markets (Administración Municipal de Mercados - AMM) in relation to the non-credit component of the Earthquake Reconstruction Project, USAID/El Salvador Project No. 519-0333.

BACKGROUND

On September 24, 1987, the Government of El Salvador and the Agency for International Development in El Salvador (USAID/El Salvador) signed the grant agreement for the Earthquake Reconstruction Project, USAID/El Salvador Project No. 519 - 0333. The project provides US\$75 million in funds over a 36-month period through September 30, 1990 to assist El Salvador in restoring the standard of living for individuals affected by the earthquake of October 10, 1986. The project will immediately follow the US\$50 million Earthquake Recovery Program, USAID/El Salvador Project No. 519-0331, and will strive to provide a long-term solution to the destruction caused by the earthquake. The initial project provided immediate and intermediate solutions over an approximate one-year period.

The project purpose is to assist the Government of El Salvador and the private sector to repair and reconstruct homes, businesses, basic services, and infrastructure in the metropolitan zones most seriously affected by the earthquake. The project includes two components - credit activities and non-credit activities.

The credit activities component provided housing loans for repair and reconstruction of individual houses; reconstruction and rehabilitation of housing for rental; and construction on new, low cost, condominium type apartments. The credit component also provides business credit for private health services, private schools, and small business establishments.

The non-credit activities component is to provide direct financing for construction of public schools, repair of municipal markets, highway reconstruction, repair of the National Water and Wastewater Authority water system, repair and reconstruction of health facilities, and development of relocation sites for families. Also, Private Voluntary Organization activities will be directly funded by USAID/El Salvador to provide housing assistance to low income families who have not been able to obtain the resources necessary to repair or replace their homes.



USAID/El Salvador will provide US\$23.6 million in funding for the non-credit activities component of the project. The funds will be provided to the Technical Secretariat for External Financing which will distribute the funds to the implementing institutions. General supervision and coordination responsibilities over all the reconstruction activities have been assigned to the General Directorate for Reconstruction of the Ministry of Planning and Coordination for Economic and Social Development.

US\$1.4 million has been assigned to the Municipal Administration of Markets (AMM) as the implementing institution for the municipal market reconstruction subcomponent of the project. With these funds AMM plans to reconstruct the San Miguelito Market; building No.8 of the Central Market; and the wholesaler market "La Tiendona". The organizational structure within the AMM that will manage the project will consist of a project director, a manager, and a project technician.

AUDIT OBJECTIVES AND SCOPE

The objectives of our evaluation were to determine whether the Municipal Administration of Markets (AMM):

- 1) has the management capability and control to administer the project,
- 2) is financially capable of executing the project, and
- 3) has internal accounting and administrative control systems which accurately capture and record the accounting data required for administering the project and adequate for USAID/El Salvador purposes.

Our audit was performed in accordance with generally accepted auditing standards and with the United States Comptroller General's "Standards for Audit of Governmental Organizations, Programs, Activities, and Functions" (1981 Revision).

The scope of our evaluation consisted of:

- reviewing the organizational structure of the Municipal Administration of Markets by taking into consideration the current and projected workload, the experience level of the assigned personnel, the level of effort required for the project, and AMM's previous performance in technical and administrative control of similar projects,
- reviewing AMM's financial and administrative capacity to manage and control the budgets of similar projects,
- reviewing the basis used to prepare financial plans to determine their feasibility,
- evaluating procedures that will be adopted to control the execution of the financial activities approved in the plan of action for this project,

- reviewing and evaluating the accounting system that will be adopted to control the operations related to the project, and
- evaluating payment procedures including requests, approvals, and liquidations.

RESULTS OF AUDIT

Management Capability

The Municipal Administration of Markets does not appear to have the management capability to administer the project, due to a lack of segregation of duties and the fact that some key officers for the project were not included in the action plan. Also, the level of effort that will be provided by key executives to the development of the project seems insufficient. Furthermore, this implementing institution has not yet documented in writing the technical and administrative procedures to be used for the control of the project.

Financial Capability

The Municipal Administration of Markets does not have the financial capability to administer the project unless it receives cash advances from A.I.D. Also, the project budget was overestimated.

Internal Control System

In our opinion, the internal accounting and administrative control systems of AMM are inadequate for USAID/El Salvador's purposes because of the deficiencies detailed below:

- There was no accounting manual for the project,
- There were no accounting records for the project,
- There was a lack of segregation of activities relating to the review and approval of accounting vouchers,
- Procurement procedures were inadequate,
- Supporting documentation for payments was not cancelled with a stamp, and
- Bank reconciliations did not specify the names of beneficiaries on outstanding checks.

MANAGEMENT COMMENTS

On April 6, 1989, we discussed the draft of this audit report with the management of the Municipal Administration of Markets. They provided additional documentation and information which we considered in modifying the report.

Peat Marwick Mitchell & Co

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AWARD SURVEY OF THE
NON - CREDIT COMPONENT OF THE
EARTHQUAKE RECONSTRUCTION PROJECT
WITH THE MUNICIPAL ADMINISTRATION OF MARKETS
USAID/EL SALVADOR PROJECT No. 519 - 0333

REPORT ON MANAGEMENT CAPABILITY

AUDITOR'S OPINION

We have performed an award survey of the management capability of the Municipal Administration of Markets to administer the activities assigned to it under the non-credit component of the Earthquake Reconstruction Project, USAID/El Salvador Project No. 519-0333. Our evaluation included those areas that we considered relevant to the criteria established in the statement of work for the award survey. Our evaluation 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).

Based on our study and understanding of the criteria included in the terms of reference mentioned in the paragraph above, we consider that at the present time, the Municipal Administration of Markets does not have the management capability to sufficiently administer the activities assigned to it under the non-credit component of the Earthquake Reconstruction Project. Our opinion is based on the accompanying findings No.1 to 4 described in the following pages.

This report is intended solely for the use of Municipal Administration of Markets and A.I.D. 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.

Peat Marwick Mitchell & Co

July 30, 1988



**AWARD SURVEY OF THE
NON - CREDIT COMPONENT OF THE
EARTHQUAKE RECONSTRUCTION PROJECT
WITH THE MUNICIPAL ADMINISTRATION OF MARKETS
USAID/EL SALVADOR PROJECT No. 519 - 0333
REPORT ON MANAGEMENT CAPABILITY**

FINDINGS

1) **Accounting Responsibilities Were Not Segregated**

Condition:

Through our evaluation we determined that the person that will be responsible for the revolving fund for this subcomponent of the project will supervise the person that will be in charge of the preparation of the accounting documentation (such as purchase orders, checks, journal entries, etc.) and the recording of transactions in the accounting records. As a result, the revolving fund manager will be in a position to unduly influence the preparation and recording of accounting transactions.

Criteria:

A segregation of duties is necessary to maintain strong internal control. All functions related to accounting records must be segregated from those related to the disbursement and control of the funds assigned to the project .

Cause:

AMM had not recognized that the revolving funding manager might be able to use his supervisory position to overcome the separation of duties between himself and his subordinate.

Effect:

The lack of segregation of responsibilities could result in errors and/or irregularities which might not be identified opportunely.

Recommendation:

The Municipal Administration of Markets should assign the responsibilities for supervision of the person that will be in charge of the preparation of the accounting documentation and the recording of transactions to someone other than the person in charge of the revolving fund.

2) Personnel Required for the Project were not Included in the Action Plan

Condition:

The action plan approved by AMM does not include the project technician position originally envisioned as being required to supervise and coordinate the construction project activities.

Criteria:

Action plans should consider all aspects in order to ensure that project objectives and activities can be successfully accomplished.

Cause:

We were informed that instead of creating a separate position to supervise construction and consulting work under the project, AMM plans to assign these responsibilities to one of its existing executives as an additional duty.

Effect:

The lack of key personnel for the successful execution of the project could result in the nonfulfillment of objectives and activities as well as inefficient use of project funds.

Recommendation:

The Municipal Administration of Markets should revise the action plan to ensure that all the personnel required to effectively complete the project are included, including a project technician.

3) The Level of Effort from Key Executives Appeared Insufficient

Condition:

During our examination, we detected that the level of effort that will be provided by the project director, the project manager, and the project technician to the development of the project seems to be insufficient.

Criteria:

It is important to have a sufficient level of effort on the part of the assigned executives so that effective financial and administrative control can be maintained.

Cause:

The insufficient level of effort that is expected to be provided by the assigned executives is due to the fact that they will perform other activities that will not be directly related to the execution of the project.

Effect:

This could result in ineffective supervision and control over the technical and administrative aspects of the project as well as in the mismanagement of the funds.

Recommendation:

The Municipal Administration of Markets should assign a full-time project director, manager, and technician as originally envisioned for the project.

4) There was a Lack of Written Procedures Related to the Technical and Administrative Activities of the Project

Condition

During our evaluation we determined that AMM has considered some procedures that will ensure effective technical and management control. However, these procedures, which include the use of some forms, are not backed up in writing. We consider that it is necessary to have procedures in writing, especially because of the lack of experience of this entity in the development of similar projects.

Criteria

Procedures should be formally defined and documented for each administrative and technical activity to ensure the fulfillment of previously determined controls.

Cause

The General Directorate for Reconstruction of the Ministry of Planning and Coordination for Economic and Social Development, as the institution in charge of the general supervision and coordination of the non-credit activities, was responsible for preparing the manual of administrative procedures. However, a manual has not been prepared.

Effect

The lack of written procedures could affect the adequate execution and control of the project, because duplication of activities could occur or there could be inconsistencies in application of control measures over activities.

Recommendation

USAID/El Salvador should require the General Directorate for Reconstruction of the Ministry of Planning and Coordination for Economic and Social Development to prepare an administrative procedures manual for the project. As part of this effort, the Municipal Administration of Markets should provide documentation of the administrative and technical procedures and forms that it uses to control the project activities.

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AWARD SURVEY OF THE
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EARTHQUAKE RECONSTRUCTION PROJECT
WITH THE MUNICIPAL ADMINISTRATION OF MARKETS
USAID/EL SALVADOR PROJECT No. 519-0333

REPORT ON FINANCIAL CAPABILITY

AUDITOR'S OPINION

We have performed an award survey of the financial capability of the Municipal Administration of Markets to manage the activities assigned to it under the non-credit component of the Earthquake Reconstruction Project, USAID/El Salvador Project No. 519-0333. Our evaluation was performed pursuant to the statement of work for the award survey and 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). Our study included, to the extent that we considered necessary, an evaluation of the Municipal Administration of Markets' experience in the management of budgets of similar projects, its assets on hand and line of credit until A.I.D. makes periodic reimbursements, the basis used to prepare financial plans, and the procedures that the Municipal Administration of Markets planned to adopt in order to have an adequate budget control of the project.

Based on our study, as described in the paragraph above, we consider that the Municipal Administration of Markets does not have the financial capability necessary to administer the activities assigned to it under the project unless it receives cash advances from USAID/El Salvador. Also, as described in finding No. 1, we found that the project budget was overestimated.

This report is intended solely for the use of the Municipal Administration of Markets and A.I.D. 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.

Peat Marwick Mitchell & Co

July 30, 1988



**AWARD SURVEY OF THE
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EARTHQUAKE RECONSTRUCTION PROJECT
WITH THE MUNICIPAL ADMINISTRATION OF MARKETS
USAID/EL SALVADOR PROJECT No. 519-0333**

REPORT ON FINANCIAL CAPABILITY

FINDING

1) **The Project Budget Was Overestimated**

Condition:

The budget approved in the action plan for the reconstruction of San Miguelito Market was overestimated by approximately 2 million Salvadorean colones.

Criteria:

In order to exert adequate control over the execution of the projects, the information included in action plans should be based upon realistic cost estimates.

Cause:

The budget for the reconstruction of the San Miguelito Market approved in the action plan was based in an estimation presented by a consulting firm. However, another firm was hired to redo the design. The second firm presented a design with a budget that was 2 million salvadorean colones less than the approved in the action plan.

Effect:

An overestimated budget does not allow adequate control over the funds of the project. In addition, disbursements exceeding the financial necessities of the projects could be made, and construction and consulting firms billings could be overestimated.

Recommendation:

USAID/El Salvador should require the Municipal Administration of Markets to revise the budget approved in the action plan for this project based on the most current, complete, and accurate pricing data available.

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USAID/EL SALVADOR PROJECT No. 519-0333**

REPORT ON INTERNAL CONTROL SYSTEM

AUDITOR'S OPINION

We have performed an award survey of the internal accounting and administrative control systems of the Municipal Administration of Markets (AMM) in connection with the activities assigned to it under the non-credit component of the Earthquake Reconstruction Project, USAID/El Salvador Project No. 519-0333. The purpose of our evaluation was to determine the adequacy of the internal accounting and administrative control system to record transactions required under the project. Our evaluation was performed in accordance with the generally accepted auditing standards and the United States Comptroller General's "Standards for Audit of Governmental Organizations, Programs, Activities, and Functions " (1981 Revision).

The management of the Municipal Administration of Markets is responsible for establishing and maintaining an adequate internal control system for the activities assigned to it under the project . In fulfillment of that responsibility, estimates and judgments by management are required to assess the expected benefits and related cost of control procedures. The objectives of an internal control system are to provide management with a reasonable, but not absolute, assurance that resources are safeguarded against waste, loss and misuse; resources are properly used in compliance with established policies and procedures, and applicable laws, regulations and agreement terms; and reliable information is obtained, maintained, and fairly disclosed in reports.

Because of inherent limitations in any internal accounting and administrative control system, some errors or irregularities may occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that the procedures may become inadequate because of changes in prevailing conditions or that the degree of compliance with the procedures may deteriorate.



Based on our study and the criteria mentioned in the first paragraph of this report, we believe that the internal control system of the Municipal Administration of Markets is not adequate for USAID/El Salvador's purposes. Our opinion is based on the conditions described in the accompanying findings No. 1 to 6, 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 AMM and A.I.D. 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.

Peat Marwick Mitchell & Co

July 30, 1988

**AWARD SURVEY OF THE
NON - CREDIT COMPONENT OF THE
EARTHQUAKE RECONSTRUCTION PROJECT
WITH THE MUNICIPAL ADMINISTRATION OF MARKETS
USAID/EL SALVADOR PROJECT No. 512-0333**

REPORT ON INTERNAL CONTROL SYSTEM

FINDINGS

1) **There Was No Accounting Manual for the Project**

Condition

At the time of our evaluation, the Municipal Administration of Markets lacked an accounting manual to provide guidance for the recording of project transactions.

Criteria

All accounting systems must be backed up by an accounting manual, which must fully detail and explain all the transactions to be recorded.

Cause

The institution has had no previous experience with similar projects and was not aware of the necessity to adequately record and report project financial information.

Effect

The lack of an accounting manual could result in the operations of the project not being recorded on a consistent basis and, as a consequence, unreliable accounting information could be generated.

Recommendation

The Municipal Administration of Markets should prepare an accounting manual according to the project's needs that will provide guidance for recording project transactions and result in the generation of reliable financial information for A.I.D. purposes.

2) **There Were No Accounting Records for the Project**

Condition

The Municipal Administration of Markets (AMM) neither has a general ledger nor subsidiary records in which project operations can be recorded.

Criteria

For the purpose of ensuring the adequate recording of all project operations, this implementing unit should have accounting books approved by the Technical Secretariat of External Financing (SETEFE) as well as any other records necessary to generate the information required by USAID/El Salvador.

Cause

The lack of accounting books is due to the fact that the AMM has not defined the accounting system that will be used to record the transactions of the project.

Effect

The lack of accounting records, approved by SETEFE, results in a situation where there is little assurance that the funds will be properly recorded and used for project purposes only. In addition, the financial information generated would not be reliable.

Recommendation

USAID/El Salvador should require the Municipal Administration of Markets to develop the accounting books necessary to record all operations concerning the project according to USAID/El Salvador requirements. The accounting books should be approved by the Technical Secretariat of External Financing.

3) There Was a Lack of Segregation of Activities Relating to the Review and Approval of Accounting Vouchers

Condition

During our evaluation we found that all journal entries and documentation supporting expenses were reviewed and authorized by the head of the accounting department.

Criteria

An adequate internal control system requires segregation of those activities that if controlled by one person would leave open the possibility that the person could manipulate the accounting records to hide the fact that irregularities had occurred. In this regard, issuing of checks, review and approval of the documentation supporting expenses and recording of transactions should be performed by different persons.

Cause

AMM's management assigned the functions of reviewing and recording the accounting transactions to various persons within the accounting department. However, these personnel have not been performing their review functions as assigned. The accounting department head continues to perform these functions as before.

Effect

The lack of segregation of activities could result in errors and/or irregularities which could go undetected.

Recommendation

The Municipal Administration of Markets should ensure that the functions relating to the review and approval of accounting transactions are performed by different persons .

4) Some Purchases Were Not Supported with a Purchase Order

Condition

Through the examination, we detected some purchases that were not supported with purchase orders. The purchases detected are as follows:

<u>Check No.</u>	<u>Date</u>	<u>Beneficiary</u>	<u>Concept</u>	<u>Amount</u>
76108	April 29, 1988	ADOC	Purchase of shoes	¢ 7,455.50
75649	April 20, 1988	Librería 2001	Purchase of stationery	5,639.00
76090	April 29, 1988	RAUSA	Purchase of parts	829.00
78010	October 5, 1988	Papelería La Plaza, S.A. de C.V.	Purchase of stationery	876.00

Criteria

Acquisition of goods and services should be supported by a purchase order approved by responsible officials.

Cause

AMM's procurement officer did not follow established procedure.

Effect

Unauthorized goods and services could be acquired.

Recommendation

The Municipal Administration of Markets should support the acquisition of goods and services with a purchase order approved by authorized officials.

5) Supporting Documentation for Payments Was Not Cancelled with a Stamp

Condition

The procedure of cancelling all documentation supporting payments with a "paid" stamp was performed. However, it was done after the checks were delivered to the beneficiaries rather than before.

Criteria

Adequate procedures should be included in the internal control system to ensure that all documentation supporting payments are stamped "paid" before the check is signed.

Cause

Management was not aware of the importance of this procedure.

Effect

This situation could lead to the undetected duplication of payments being made by the institution.

Recommendation

The Municipal Administration of Markets should ensure that all documentation supporting payments made by the institution is cancelled with a stamp indicating the bill has been paid, the check number, and the date of payment. The supporting documentation should be cancelled before the check is signed.

6) Bank Reconciliations Did Not Specify the Names of Beneficiaries on Outstanding Checks

Condition

Through the examination of the bank reconciliations of bank account number 10-110-99-2 of Mortgage Bank, for the period from January to May, 1988, we found that the names of recipients of outstanding checks were not listed.

Criteria

The in-transit items shown on the bank reconciliations should identify the check number, date, payee, and amount.

Cause

The administration did not require this procedure.

Effect

The omission of the names of payees of the pending checks from the bank reconciliations makes it difficult to exert effective control over the project's funds.

Recommendation

The Municipal Administration of Markets should ensure that reconciliations are prepared adequately and include the names of payees of pending checks.

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WITH THE MUNICIPAL ADMINISTRATION OF MARKETS
USAID/EL SALVADOR PROJECT No. 519-0333**

List of Report Recommendations

Management Capability

Recommendation No. 1

The Municipal Administration of Markets should assign the responsibilities for supervision of the person that will be in charge of the preparation of the accounting documentation and the recording of transactions to someone other than the person in charge of the revolving fund.

Recommendation No. 2

The Municipal Administration of Markets should revise the action plan to ensure that all the personnel required to effectively complete the project are included, including a project technician.

Recommendation No. 3

The Municipal Administration of Markets should assign a full-time project director, manager, and technician as originally envisioned for the project.

Recommendation No. 4

USAID/El Salvador should require the General Directorate for Reconstruction of the Ministry of Planning and Coordination for Economic and Social Development to prepare an administrative procedures manual for the project. As part of this effort, the Municipal Administration of Markets should provide documentation of the administrative and technical procedures and forms that it uses to control the project activities.

Financial Capability

Recommendation No. 1

USAID/El Salvador should require the Municipal Administration of Markets to revise the budget approved in the action plan for this project based on the most current, complete, and accurate pricing data available.

Internal Control System

Recommendation No. 1

The Municipal Administration of Markets should prepare an accounting manual according to the project's needs that will provide guidance for recording project transactions and result in the generation of reliable financial information for A.I.D. purposes.

Recommendation No. 2

USAID/El Salvador should require the Municipal Administration of Markets to develop the accounting books necessary to record all operations concerning the project according to USAID/El Salvador requirements. The accounting books should be approved by the Technical Secretariat of External Financing.

Recommendation No. 3

The Municipal Administration of Markets should ensure that the functions relating to the review and approval of accounting transactions are performed by different persons .

Recommendation No. 4

The Municipal Administration of Markets should support the acquisition of goods and services with a purchase order approved by authorized officials.

Recommendation No. 5

The Municipal Administration of Markets should ensure that all documentation supporting payments made by the institution is cancelled with a stamp indicating the bill has been paid, the check number, and the date of payment. The supporting documentation should be cancelled before the check is signed.

Recommendation No. 6

The Municipal Administration of Markets should ensure that reconciliations are prepared adequately and include the names of payees of pending checks.

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