

**Regional Inspector General for Audit
Tegucigalpa, Honduras**

**Audit of USAID/Dominican Republic's
Graduate Management Training Project
Managed by the
Catholic University
June 23, 1986 to June 30, 1990**

**Audit Report No. 1-517-92-31-N
June 12, 1992**



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**INSPECTOR
GENERAL**

U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

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AGENCY FOR INTERNATIONAL DEVELOPMENT

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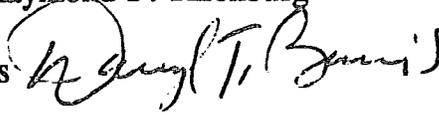
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June 12, 1992

MEMORANDUM

TO: D/USAID/Dominican Republic, Raymond F. Rifenburg

FROM: RIG/A/T Acting, Darryl T. Burris 

SUBJECT: Audit of USAID/Dominican Republic's Graduate Management Training Project, Managed by the Catholic University, June 23, 1983 to June 30, 1991

This report presents the results of a financial audit of the Graduate Management Training Project (Project), USAID/Dominican Republic Project No. 517-0157, managed by the Catholic University (University) for the period June 23, 1983 to June 30, 1991. The audit firm of Horwath International prepared the report dated March 26, 1992.

The purpose of the Project was to establish a quality program of graduate management education, training, and research and to improve and expand hotel management and tourism training in the Dominican Republic. The Project budget provided for a total of \$6.5 million in grant funds, and the audit coverage included USAID/Dominican Republic funds of \$1.3 million provided to the University during the audit period.

The objectives of the audit were to determine whether: (1) the University's fund accountability statement presents fairly, in all material respects, the financial activities of the Project for the period audited, (2) the University's internal control structure was adequate to manage Project operations, and (3) the University had complied with Project agreement terms and applicable laws and regulations. The scope of the audit included an examination of the University's activities and transactions to the extent considered necessary to issue a report thereon for the period under audit.

The auditors concluded that the fund accountability statement presents fairly, in all material respects, the financial position of the Project during the period of the audit. Also the auditors identified no material weaknesses in the University's internal control structure for Project activities and, with respect to the University's compliance with agreement terms and applicable laws and regulations, found no material instances of noncompliance.

The report was discussed with management officials of the University who expressed general agreement with the content of the audit report.

The report contains no recommendations for inclusion in the Office of the Inspector General's audit recommendation follow-up system.

AUDIT OF THE USAID/DOMINICAN
REPUBLIC'S GRADUATE MANAGEMENT
TRAINING PROJECT, ACTIVITIES MANAGED
BY THE CATHOLIC UNIVERSITY

FOR THE PERIOD JUNE 23, 1983
TO JUNE 30, 1991

AUDIT OF THE
USAID/DOMINICAN REPUBLIC'S GRADUATE MANAGEMENT
TRAINING PROJECT, ACTIVITIES MANAGED BY THE
CATHOLIC UNIVERSITY

FOR THE PERIOD JUNE 23, 1983
TO JUNE 30, 1991

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**SOTERO PERALTA Y
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TRANSMITTAL LETTER AND SUMMARY

March 26, 1992

Mr. Reginald Howard
Regional Inspector General for Audit
U.S. Agency for International Development
Tegucigalpa, Honduras, C. A.



Dear Mr. Howard:

This report presents the results of our financial audit of the Graduate Management Training Project, USAID/Dominican Republic Project No. 517-0157, activities managed by the Catholic University (Pontificia Universidad Católica Madre y Maestra -the University), for the period June 23, 1983 to June 30, 1991.

BACKGROUND

On June 23, 1983, the U.S. Agency for International Development, Mission to the Dominican Republic (USAID/Dominican Republic) entered into a grant agreement with the Dominican Republic's Catholic University (Pontificia Universidad Católica Madre y Maestra -the University), to provide support for developing the Graduate Management Training Project, USAID/Dominican Republic Project No. 517-0157. Through this agreement, USAID/Dominican Republic provided the University a total of US\$ 6.5 million in grant funds to cover expenses for the period June 23, 1983 to June 30, 1991.

The objective of the project was to establish a quality program of graduate management education, training and research and to improve and expand hotel management and tourism training in Dominican Republic.

March 26, 1992

Mr. Reginald Howard
Regional Inspector General for Audit
U.S. Agency for International Development

AUDIT OBJECTIVES AND SCOPE

The objective of our engagement was to conduct a financial audit of the Dominican Republic's Catholic University (Pontificia Universidad Católica Madre y Maestra -the University), in regards to the funds supplied to it by USAID/Dominican Republic under the Graduate Management Training Project, USAID/Dominican Republic Project No. 517-0157. The audit period covered from the beginning of the project on June 23, 1983 through June 30, 1991. However, our audit scope did not include the costs of the technical assistance provided by the Universities of South Carolina and Nevada, nor the procurement made directly by USAID/Dominican Republic.

The audit objectives were to determine whether:

- A. The fund accountability statement of the University's activities under the project presents fairly its accumulated income and expenditures for the period from June 23, 1983 to June 30, 1991; and costs reported as incurred were allowable, allocable, and reasonable in accordance with agreement terms, and applicable laws and regulations.
- B. The University's internal control structure, including its control environment, accounting system, and control procedures, was adequate for project purposes.
- C. The University complied with agreement terms and applicable laws and regulations.

Except for not conducting an external quality control review by an unaffiliated audit organization as required by the government auditing standards, we conducted our audit in accordance with generally accepted auditing standards and the U.S. Comptroller General's "Government Auditing Standards" and accordingly included such tests of the accounting records as deemed necessary under the circumstances. Consequently, our audit plan and program was designed to detect, and be alert to, situations or transactions that could be indicative of fraud, abuse, or illegal expenditures and acts.

March 26, 1992

Mr. Reginald Howard
Regional Inspector General for Audit
U.S. Agency for International Development

Among others, the following audit procedures were performed to meet the objectives of our engagement:

1. We reviewed all project related documentation to become familiar with the project.
2. We examined the fund accountability statement including the budgeted amounts by category and major items; the costs reported by the University as incurred during the period covered by the audit and the funding provided by USAID/Dominican Republic for that period. The revenue received less the cost incurred were reconciled with the balance in bank accounts at the end of period.
3. We reviewed the procedures used to control the funds, including their channelization to contract financial institutions or other implementing units. We also considered positive confirmation of balances, reviewed the bank accounts and the controls on those bank accounts, and reviewed the differences between bank account balances and the net of revenues and expenses.
4. We reviewed direct payments/purchases made by USAID/Dominican Republic on behalf of the project to evaluate procedures used by the University, as applicable, to properly record and control the assets, commodities and technical assistance received.
5. We planned our work and assessed control risk by means of obtaining sufficient understanding of the three elements of the internal control structure: the control environment, the accounting system, and control procedures.
6. We conducted compliance and substantive tests to determine the extent to which established procedures and controls were functioning as intended. The major internal controls evaluated included but not necessarily were limited to the adequacy of the accounting and information systems, procurement procedures and practices, fixed assets controls, bank accounts controls, and controls to assure that charges to the project were proper and supported.

March 26, 1992

Mr. Reginald Howard
Regional Inspector General for Audit
U.S. Agency for International Development

7. We determined whether the University had complied with agreement terms, project implementation letters, and applicable laws and regulations. In planning and conducting the tests of compliance; we identified the agreement terms, project implementation letters and pertinent laws and regulations, and determined which of those not observed could have a direct and material effect on the project's fund accountability statement.

RESULTS OF AUDIT

We have issued a clean opinion on the fund accountability statement of USAID/Dominican Republic's Graduate Management Training Project, Activities Managed by the Catholic University (Pontificia Universidad Católica Madre y Maestra) for the period June 23, 1983 to June 30, 1991. We noted no matters involving the internal control structure and its operations that we consider to be material weaknesses.

We also performed tests of Project compliance with certain provisions of agreement terms and laws and regulations which indicate that, with respect to the items tested the University complied, in all material respect, with the provisions of agreement terms and applicable laws and regulations.

MANAGEMENT COMMENTS

The draft audit report was discussed with authorized management and financial officers of the Catholic University on March 26, 1992, who expressed their complete conformity with the contents of the report. A copy of the draft report was also provided to USAID/Dominican Republic for its comments.

Sotero Peralta & Asociados

USAID/DOMINICAN REPUBLIC'S GRADUATE MANAGEMENT
TRAINING PROJECT, ACTIVITIES MANAGED BY THE
CATHOLIC UNIVERSITY
FUND ACCOUNTABILITY STATEMENT

FOR THE PERIOD JUNE 23, 1983
TO JUNE 30, 1991

INDEPENDENT AUDITOR'S REPORT

We have audited the fund accountability statement of USAID/Dominican Republic's Graduate Management Training Project, activities Managed by the Catholic University (Pontificia Universidad Católica Madre y Maestra) for the period June 23, 1983 to June 30, 1991. The fund accountability statement is the responsibility of the management of the University. Our responsibility is to express an opinion on the fund accountability statement based on our audit.

Except as mentioned in the following paragraph, we conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. 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. 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 statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The government auditing standards require that audit organization performing audits for the U.S. government have completed a external quality control review performed by an unaffiliated audit organization during the three years period preceding the audit, and we have not complied with such requirement.

As described in note 1 (a), the fund accountability statement was prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of cash receipt and disbursements, which is a comprehensive basis of accounting other than generally accepted accounting principles.

USAID/DOMINICAN REPUBLIC'S GRADUATE MANAGEMENT
TRAINING PROJECT, ACTIVITIES MANAGED BY THE
CATHOLIC UNIVERSITY
FUND ACCOUNTABILITY STATEMENT

FOR THE PERIOD JUNE 23, 1983
TO JUNE 30, 1991

INDEPENDENT AUDITOR'S REPORT (continued)

In our opinion, the fund accountability statement referred to above presents fairly, in all material respects, project revenues and costs incurred and reimbursed for the period June 23, 1983 to June 30, 1991 on the basis of accounting described in Note 1 (a).

December 15, 1991

Except for Note 8 which is dated January 10, 1992.

Sotero Peralta & Asociados

**USAID/DOMINICAN REPUBLIC'S GRADUATE MANAGEMENT
TRAINING PROJECT, ACTIVITIES MANAGED BY THE
CATHOLIC UNIVERSITY**

FUND ACCOUNTABILITY STATEMENT

**FOR THE PERIOD JUNE 23, 1983
TO JUNE 30, 1991**

(Expressed in US\$)

<u>Categories</u>	<u>Unaudited Budget</u>	<u>Actual</u>	<u>Reference to notes</u>
Revenue	\$ -	<u>\$1,345,979</u>	7
Technical Assistance:			
Universities of:			
Southern Carolina	\$2,129,194	-	
Nevada	<u>863,061</u>	-	
	<u>2,992,275</u>	<u>-</u>	
Pontificia Univer- sidad Católica Madre y Maestra:			
a) Business			
Administration:			
Technical			
assistance	549,548	458,441	2
Training	711,051	143,987	3
Travel	46,642	41,650	4
Equipment	<u>1,489,993</u>	<u>524,168</u>	5
	<u>2,797,234</u>	<u>1,168,246</u>	
b) Hotel Mgmt & Tourism:			
Training	225,599	20,465	3
Equipment	474,892	128,909	5
Audit	<u>10,000</u>	-	-
	<u>710,491</u>	<u>149,374</u>	
	<u>\$6,500,000</u>	<u>\$1,317,620</u>	-
	=====		
Outstanding balance		\$ 28,359	8
		=====	

See notes to the fund accountability statement.

USAID/DOMINICAN REPUBLIC'S GRADUATE MANAGEMENT
TRAINING PROJECT, ACTIVITIES MANAGED BY THE
CATHOLIC UNIVERSITY

NOTES TO THE FUND ACCOUNTABILITY STATEMENT
FOR THE PERIOD JUNE 23, 1983
TO JUNE 30, 1991

1. Organization and activities of the University's significant
accountability policies for project purposes:

a) The fund accountability statement has been prepared on the cash basis of accounting. Consequently, funding provided is recognized when received rather than when earned and expenditures are recognized when paid rather than when the obligations are incurred.

b) Currency used:

The University's accounting records and the fund accountability statement are expressed in US\$ dollars. Consequently, any disbursement made in Dominican Pesos have been translated to US\$ by the University using the average official exchange rate prevailing at the transaction date.

c) Grant agreement:

On June 23, 1983, the U.S. Agency for International Development, Mission to the Dominican Republic (USAID/Dominican Republic) entered into a grant agreement with the Dominican Republic's Catholic University (Pontificia Universidad Católica Madre y Maestra -the University), to provide support for developing the Graduate Management Training Project, USAID/Dominican Republic Project No.517-0157. Through this agreement, USAID/Dominican Republic provided the University a total of US\$ 6.5 million in grant funds to cover expenses for the period June 23, 1983 to June 30, 1991.

The objective of the project was to establish a quality program of graduate management education, training and research and to improve and expand hotel management and tourism training in the Dominican Republic.

2. Technical assistance:

Expenses related to technical assistance incurred by the University for project purposes were as follow:

Simultaneous translation	US\$ 83,519
Administrative assistant	9,290
Clerical personnel	19,252
High management center	28,779
Public Administration Faculty	304,212
Financial Director	13,389
	<u>US\$458,441</u>
	<u>=====</u>

3. Training:

Expenses related to training were conformed by payments made to foreign professors participating with the University, which represented an aggregated amount of US\$143,987, for the Business Administration Program and US\$20,465 for Hotel Management Program.

4. Travel:

Travel expenses related to the project incurred by the Business Administration Program consisted of:

	<u>Business Administration Program</u>
Administrative personnel	US\$15,575
Academic personnel	7,676
Investigation center	2,326
Library	1,220
High Management Institute	4,522
Data Processing Center	10,331
	<u>US\$41,650</u>
	<u>=====</u>

5. Equipment:

During the audit period, the University acquired the following equipment and supplies for the project:

	<u>Business Administration Program</u>	<u>Hotel Management & Tourism Program</u>
Communication equipment	US\$ 9,514	
Computer	291	
Equipment & physical plant	38,292	
Microchips	15,898	
Library, publications and equipment	239,179	19,978
Lecture equipment	3,096	
Writing machine	7,205	
Subscriptions	58,947	
Photocopier	21,755	
Calculator	596	
Simultaneous translation equipment	5,431	
Logistic support	-	108,931
Equipment and materials for classrooms	19,440	
Supplies	68,985	
Miscellaneous	35,539	
	<u>US\$524,168</u>	<u>US\$128,909</u>
	=====	=====

6. The University's counterpart contribution:

The University as the institution responsible for total project implementation was responsible to provide the necessary space, administrative and logistical support, including normal financial operations and housekeeping functions. The University was also responsible for:

- 1) faculty appointments and remuneration;
- 2) student admissions;
- 3) commodity procurement;
- 4) selection of participants for training; and
- 5) other matters including the coordination of supporting university functions.

According to the revised financial plan and costs estimates, the University contributed with the total amount agreed as counterpart contribution, which was estimated in RD\$24,042,632 equivalent to US\$4,597,062. These values were not covered by our audit.

7. Budget execution:

The project was executed by the University with funding provided by USAID/Dominican Republic in the amount of US\$1,345,979. In addition USAID/Dominican Republic contracted and paid directly for equipment and technical services. The total project execution, including direct payments, but excluding counterpart contributions, was as follows:

	<u>Fudget</u>	<u>Managed by USAID</u>	<u>Managed by the University</u>	<u>Total</u>
Revenue	\$ - =====		\$1,345,979 =====	
Expenses:				
Equipment & technical assistance	-	\$2,064,304	-	\$2,064,304
Technical assistance:				
University of Southern Carolina:	\$2,129,194	2,116,675	-	2,116,675
Nevada Uni- versity:	863,081	835,316	-	835,316
Business Ad- ministration	2,797,234	-	1,168,246	1,168,246
Hotel Manage- ment & Tourism	<u>710,491</u>	<u>-</u>	<u>149,374</u>	<u>149,374</u>
Total	\$6,500,000 =====	\$5,016,295 =====	<u>1,317,620</u>	\$6,333,915 =====
Balance			\$ 28,359 =====	

8. Subsequent event:

On January 10, 1992 the University reimbursed to USAID/Dominican Republic the unused outstanding balance as of June 30, 1991, as follows:

Funds returned to USAID/Dominican Republic on January 10, 1992 from the Chase Manhattan Bank Account No. 703-8-004177	US\$ 29,433
Funds transferred to USAID/Dominican Republic from Banco Popular Dominicano RD\$1,412, converted to US\$ dollar at RD\$12.67 = US\$ 1.	111
Cancelled checks, interest earned, and others.	<u>(1,185)</u>
Balance as per fund accountability statement as of June 30, 1991.	US\$ 28,359 =====

USAID/DOMINICAN REPUBLIC'S GRADUATE MANAGEMENT
TRAINING PROJECT, ACTIVITIES MANAGED BY THE
CATHOLIC UNIVERSITY

INTERNAL CONTROL STRUCTURE
INDEPENDENT AUDITOR'S REPORT

We have audited the fund accountability statement of USAID/Dominican Republic's Graduate Management Training Project, Activities Managed by the Catholic University (Pontificia Universidad Católica Madre y Maestra -the University) for the period June 23, 1983 to June 30, 1991, and have issued our report thereon dated December 15, 1991.

Except for not conducting an external quality control review by an unaffiliated audit organization as described further in our opinion on the fund accountability statement, we conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards issued by the Comptroller General of the United States. 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 USAID/Dominican Republic's Graduate Management Training Project Activities Managed by the University, we have 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 University 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 the 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 the fund accountability statement in accordance with the basis of accounting described in Note 1(a) to the fund accountability statement. 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 may 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:

- . The accounting system and the internal control environment.
- . The University's procurement system for equipment and supplies.
- . The procedures to handle the bank accounts and cash received.
- . Disbursement procedures related to payroll, travel expenses and personnel in training in the United States.
- . Policies and procedures established by the University for planning and evaluating project activities and accomplishments.

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 to the management of the University in a separate letter dated January 3, 1992.

This report is intended for the information of the University and the U.S. Agency for International Development. This restriction is not intended to limit the distribution of this report which, is a matter of public record.

December 15, 1991

Except for Note 8 which is dated January 10, 1992.

Sotero Peralta & Asociados

USAID/DOMINICAN REPUBLIC'S GRADUATE MANAGEMENT
TRAINING PROJECT, ACTIVITIES MANAGED BY THE
CATHOLIC UNIVERSITY

COMPLIANCE WITH AGREEMENT TERMS AND APPLICABLE
LAWS AND REGULATIONS
INDEPENDENT AUDITOR'S REPORT

We have audited the fund accountability statement of USAID/Dominican Republic's Graduate Management Training Project, Activities Managed by the Catholic University (Pontificia Universidad Católica Madre y Maestra -the University) for the period June 23, 1983 to June 30, 1991, and have issued our report thereon dated December 15, 1991.

Except for not conducting an external quality control review by an unaffiliated audit organization as described further in our opinion on the fund accountability statement, we conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards issued by the Comptroller General of the United States. 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 agreement terms and laws and regulations applicable to the project is the responsibility of the University's management. As part of obtaining reasonable assurance about whether the fund accountability statement is free of material misstatement, we performed tests of compliance with certain provisions of agreement terms and laws and regulations. However, our objective was not to provide an opinion on overall compliance with such provisions.

The result of our tests indicate that, with respect to the items tested, the University complied, in all material respects, with agreement terms and applicable laws and regulations. With respect to items not tested, nothing came to our attention that caused us to believe that the University had not complied, in all material respects, with those provisions.

We noted certain minor instances of noncompliance that we have reported to the management of the University in a separate letter dated January 3, 1992.

This report is intended for the information of the University and the U.S. Agency for International Development. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

December 15, 1991

Except for Note 8 which is dated January 10, 1992.

Setero Peralta & Asociados

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