

**Regional Inspector General for Audit  
San José, Costa Rica**

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**Audit of USAID Office/Colombia Activities  
Managed by the Foundation for Higher Education  
as of June 30, 1990, and Pre-Award Survey of the  
Foundation's Capability To Manage  
Future USAID Activities**

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**Audit Report No. 1-514-94-02-N  
February 25, 1994**



**Financial information contained in  
this report may be privileged. The  
restrictions of 18 USC 1905 should be  
considered before any information is  
released to the public.**

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February 25, 1994

MEMORANDUM

TO: USAID Representative/Colombia, Edward L. Kadunc, Jr.

FROM: RIG/A/San José, *Coinage N. Gothard*  
Coinage N. Gothard

SUBJECT: Audit of USAID Office/Colombia Activities Managed by the Foundation for Higher Education as of June 30, 1990, and Pre-Award Survey of the Foundation's Capability To Manage Future USAID Activities

This report presents the results of a financial audit, as of June 30, 1990, of the activities managed by the Foundation for Higher Education (Foundation) and funded by USAID Office/Colombia through the Inter-country Technology Transfer Project, the Regional Administration of Justice Project, and the Andean Peace Scholarship Program (Project Nos. 598-0616, 598-0642, and 598-0647 respectively). Also presented are the results of an award survey of the Foundation's proposed costs and management and financial capability regarding the expansion of activities under the Regional Administration of Justice Project. The audit firm of Price Waterhouse prepared the report dated July 16, 1993.

The audit firm experienced substantial delays in completing this audit due to chronic political strife in Colombia. This situation precluded us from applying our normal controls to ensure completion of the audit in a timely manner. However, the audit report does contain information that continues to be useful to USAID management in assessing the Foundation's internal controls and suitability for receiving further USAID funding.

The financial audit covered five grant agreements and one contract under the above three projects with activities involving: (1) the promotion of modern management practices in social development organizations, (2) the modernization of Colombia's judicial system including its investigative systems and administrative processes, (3) administrative support in Colombia for implementation of the Andean Peace Scholarship Program, and (4) support to child survival and health related activities. Except for the grant under the Regional Administration of Justice Project, whose audit

*a*

period started January 1, 1988, the audit period for each agreement was from the agreement's inception through June 30, 1990. The total amount audited was \$2,165,257.

The objectives of the audit were to determine whether: (1) Foundation fund accountability statements for each of the six agreements present fairly, in all material respects, the financial position of the agreement for the period audited, (2) the Foundation's internal control structure relating to each agreement was adequate to manage its activities, and (3) the Foundation complied with the terms of the agreements and applicable laws and regulations.

The objectives of the award survey were to: (1) evaluate the Foundation's statement of proposed costs to increase activities under the Regional Administration of Justice Project for the period July 1, 1990 to June 30, 1991, and (2) assess whether the Foundation had sufficient managerial and financial capability to administer the proposed increase in activities.

For the financial audit, Price Waterhouse concluded that the fund accountability statements for the six agreements present fairly, in all material respects, the receipts and expenditures for the audit period. However, while not affecting their opinion on the related fund accountability statements, the auditors did identify questionable costs of \$3,100 and \$1,300 against agreement Nos. 598-0616-G-00-6004 and 598-0616-G-00-9001, respectively, consisting of travel and entertainment costs which the auditors considered were not related to agreement activities.

Under three agreements Price Waterhouse identified the same material weakness in the Foundation's internal control structure. In each case the weakness related to the Foundation's internal audit department which had not established control and verification procedures over the utilization of agreement funds and reasonableness of expenses incurred. The lack of procedures extended both to funds spent within the Foundation and funds given to subsidiaries and subdonees. No material instances of noncompliance with agreement terms or applicable laws and regulations were identified.

As regards the award survey, Price Waterhouse concluded that the Foundation's statement of proposed costs for the increased activities was supported and reasonable and that the Foundation had the managerial and financial capability to administer the expanded program.

Although most of the audited grant and contract agreements have ended, we note that USAID Office/Colombia continues to fund certain Foundation activities. Therefore, we are including the following recommendations in

the Office of the Inspector General's audit recommendation follow-up system:

**Recommendation No. 1**

We recommend that USAID Office/Colombia resolve the questionable costs of \$4,400 (questioned) identified in the Price Waterhouse report dated July 16, 1993, and recover from the Foundation for Higher Education the amounts determined to be unallowable.

**Recommendation No. 2**

We recommend that USAID Office/Colombia obtain evidence that the Foundation for Higher Education has established controls and verification procedures for its internal audit department over the utilization of A.I.D. funds and reasonableness of expenses incurred, both for those funds used within the Foundation and funds provided to suborganizations or subdonees.

Recommendation No. 1 will be considered resolved upon USAID Office/Colombia's determination of the amount of recovery and will be considered closed upon the recovery of funds, offset of funds, or issuance of a Bill for Collection. Recommendation No. 2 can be resolved when USAID Office/Colombia presents an acceptable firm plan of action to correct the reported deficiencies and can be closed when it presents acceptable evidence that the required procedures have been established.

The Foundation's management generally agreed with the findings and recommendations. Their comments are summarized in Annex 1 to the Price Waterhouse report.

This final report is being transmitted to you for your action. Please advise this office within 30 days of actions planned or taken to resolve and close the recommendations.

**Regional Inspector General for Audit  
San José, Costa Rica**

**Audit of USAID Office/Colombia Activities  
Managed by the Foundation for Higher Education  
as of June 30, 1990, and Pre-Award Survey of the  
Foundation's Capability To Manage  
Future USAID Activities**

**Audit Report No. 1-514-94-02-N  
February 25, 1994**





AUDIT OF THE ACTIVITIES  
MANAGED BY THE FOUNDATION FOR HIGHER EDUCATION (FES)  
UNDER THE INTERCOUNTRY TECHNOLOGY TRANSFER PROJECT,  
THE REGIONAL ADMINISTRATION OF JUSTICE PROJECT,  
AND THE ANDEAN PEACE SCHOLARSHIP PROGRAM,  
LAC BUREAU PROJECT NOS. 598-0616; 598-0642; 598-0647

AS OF JUNE 30, 1990

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AUDIT OF USAID OFFICE/COLOMBIA'S  
INTERCOUNTRY TECHNOLOGY TRANSFER AND  
REGIONAL ADMINISTRATION OF JUSTICE PROJECTS,  
AND THE ANDEAN PEACE SCHOLARSHIP PROGRAM  
ACTIVITIES MANAGED BY  
THE FOUNDATION FOR HIGHER EDUCATION  
AS OF JUNE 30, 1990  
AND PRE-AWARD SURVEY OF THE FOUNDATION'S MANAGEMENT  
AND FINANCIAL CAPABILITY TO MANAGE PROJECT ACTIVITIES

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## *Price Waterhouse*



July 16, 1993

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

Dear Mr. Mundy:

This report presents the results of our financial audits and our award survey covering the components and activities managed by the Foundation for Higher Education (FES) under Projects Nos. 598-0616, 598-0642 and 598-0647 for the period July 1, 1986 to June 30, 1990. Our report is based upon the information obtained by us during our audit visits which concluded on October 25, 1991.

### BACKGROUND

FES was established in 1964 as a private non-profit organization incorporated in Cali, Colombia with regional offices in Bogotá, Bucaramanga, Barranquilla and Medellín. Additionally, FES is an authorized commercial finance company, which supports its social development projects.

The projects under review are managed principally by the regional office of FES in Bogotá and the Cali office. All the accounting records and documentation regarding such projects are kept in those offices.

Under an authorization from the Banking Superintendency, FES acts as a commercial finance company, and receives and places resources in the money market, using the instruments which are usual for this type of intermediary business.

Thus, FES performs the functions of a promoter of a social development and of a financial entity in order to meet its own expenses and carry out its social service programs with its surplus income and with donations received from national and/or international bodies.

In recent years the Foundation has reached a level of internal capability which has enabled it to strengthen its financial position as a commercial finance company, and to emerge in a significant way as a national foundation engaged in a vast range of projects related with Colombia's social development.



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For its administration, the Foundation relies on the following administrative bodies: the Board of Directors, the National Social Committee, the National Finance Committee, the National Administrative Committee and the General Directorship.

The USAID Office/Colombia Projects are:

1. Project No. 598-0616

- a) Agreement No. 598-0616-G-00-6004-00. The purpose of this grant was to assist FES in providing support for a program to develop and carry out a series of seminars on modern management of socio-economic development foundations. The period of the grant, which was amended several times, was July 10, 1986 through June 30, 1989.

The objective of this program is to share the know-how and the experiences which FES has gained during the course of its activities with the representatives of similar but less effective organizations in Colombia and in other Latin American countries.

Initially, this program was scheduled for the period from July 10 to December 31, 1986; but subsequently the duration of the agreement was extended until June 30, 1989.

The initially approved budget was as follows:

<u>Cost element</u>	<u>Amount - US\$</u>
Preparation and training material	10,000
International Seminar	25,000
National Seminar	<u>10,000</u>
	<u>45,000</u>

On August 27, 1987 the initial budget was increased by US\$15,000, leaving an approved total



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of US\$60,000. The composition of budgeted expenditures was modified on three occasions and the final budget is as follows:

<u>Cost element</u>	<u>Amount US\$</u>
Preparation and training material	12,900
International Seminar	20,600
National Seminar	13,500
Travel and transportation	2,800
Regional meetings	5,000
Purchases	1,000
Consultations	<u>4,200</u>
	<u>60,000</u>

- b) Agreement No. 598-0616-G-00-6005-00. The purpose of this grant was to support FES in the establishment of a fund to support research and service projects on child survival and health-related subjects. The period of the grant was August 21, 1986 through June 30, 1990. This agreement was subsequently extended to June 30, 1992.

The objective of this Program is to help FES to establish a fund to finance small but critical projects for health in general and for the survival of children in Colombia. This fund is administered by FES, which since its creation in 1964 has administered donations from international institutions in the health area.

The funds available are employed in granting sub-donations to other entities: for that purpose there has been created a committee whose task it is to define the criteria for selection of the beneficiary entities. The selection criteria are identified with the USAID Office/Colombia objectives concerning the survival of children, with an emphasis on technology for oral rehydration, immunization, family planning, nutrition and other health-related activities.



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This Program was initially scheduled for the period from August 21, 1986 to July 31, 1989, and the initial approved budget was as follows:

<u>Cost element</u>	<u>Amount - US\$</u>
Sub-donations (up to a maximum of US\$10,000 each)	59,000
Fund disbursement follow-up and evaluation	<u>8,000</u>
	<u>67,000</u>

Subsequently, modifications were made to the agreement, including the change of the coverage period, which was extended up to June 30, 1992, and the final composition and amount of budgeted costs was set as follows:

<u>Cost element</u>	<u>Amount - US\$</u>
Sub-donations (up to a maximum of US\$10,000 each)	264,000
Fund disbursement follow-up and evaluation	10,000
Administrative support to Management (microcomputers)	11,000
Domestic travel	1,000
International Seminar	<u>6,000</u>
	<u>292,000</u>

c) Agreement No. 598-0616-G-00-7004-00. The purpose of this grant was to provide support for a program for oral rehydration assistance. The period of the grant, we audited, was August 27, 1987 through June 30, 1990. The project was ended on June 30, 1991 and the approved budget was as follows:

	<u>Amount - US\$</u>
Training	3,000
Travel and transportation	11,000
Personnel	5,000
Equipment	20,000
Materials	11,000
Salts for oral rehydration	<u>50,000</u>
	<u>100,000</u>



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- d) Agreement No. 519-0616-G-00-9001-00. The purpose of this grant was to support FES in the creation and operation of a program on Modern Social Management. This three-year-long program was to have a total cost of \$1.2 million and was to be financed by four institutions, of which USAID Office/Colombia is one. The period of the grant was August 30, 1989 through June 30, 1991.

This program arose as complement to the USAID Office/Colombia financial program named Program to Develop and Carry Out Seminars on Modern Management for Development Foundations, and seeks to promote the organizations of special areas of investigation, teaching and service for social economy institutions from the universities.

The general objectives of this Program are:

- a) To contribute to the systematization, generation, consolidation and diffusion of knowledge and experiences in the management of social development entities, programs and projects, public and private.
- b) To support projects and activities aiming to instruct present leaders and administrators of the "Social Economy" and to form future leaders.
- c) To strengthen FES's capability to lead the social development of this country.

The specific objectives of this Program are, among others:

- a) To prepare and validate learning strategies on themes relating to the management of social development entities, programs and projects for the sector's leaders and administrators.
- b) To produce educational means and aids to support their learning strategies.



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- c) To exert an influence on the professional formation of future Colombian leaders in the "Social Economy".
- d) To contribute to the formation of networks of institutions, programs and projects working in adjacent fields of social development, so that they may give each other technical and administrative support.

The program was initially started by FES; but the Foundation subsequently considered that in view of the importance of the Program this task should be carried out by an independent institution, and the FES Leadership Institute (Instituto FES de Liderazgo - IFL) was created for this purpose.

#### Features of the FES Leadership Institute

The FES Leadership Institute was legally constituted on February 26, 1990, the date from which it has taken over all of the activities relating to the Program for the Modernization of Social Management. For the purpose of fulfilling its objectives it receives financial aid not only from USAID Office/Colombia but also from the American Foundations Ford and WK Kellogg.

The IFL is a non-profit private foundation whose mission is to identify, develop and promote creative leadership in all sectors of Colombian society, to contribute to the formation and consolidation of its values and to encourage innovative change actions toward a fairer and more productive society. It carries out its work through teaching, investigation, dissemination and through the promotion of its leaders. At present IFL is working on the programs of Social Management, Youth Leadership, Municipal, Moral and Creative Leadership in Public Administration, Democratic and Entrepreneurial Leadership in Communications, and Religious Leadership.



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### Financial aspects of the Program

The initial agreement with A.I.D. to develop the Program for the Modernization of Social Management covered an original period from August 30, 1989 to December 31, 1989. It was subsequently extended to June 30, 1991 under the following approved expense budgets:

#### Financing of the project

<u>Cost elements</u>	<u>From 8/31/89 to 12/31/89</u>	<u>From 1/1/90 to 6/30/91</u>	<u>Total costs</u>
	<u>US\$</u>	<u>US\$</u>	<u>US\$</u>
Personnel costs	23,300	107,500	130,800
Operating ex- penses	12,300	29,000	41,300
Furniture and fixtures	8,600	4,100	12,700
Programs	<u>63,800</u>	<u>126,400</u>	<u>190,200</u>
	<u>108,000</u>	<u>267,000</u>	<u>375,000</u>

## 2. Project No. 598-0642

On September 12, 1986, A.I.D., approved a grant under Project 598-0642 with FES (agreement No. 598-0642-G-00-6006-00). The purpose of this grant is to assist FES in providing support for a program to improve the Administration of Justice in Colombia. The initial period of the grant was September 12, 1986 through June 30, 1990. This date was extended to June 30, 1991, but at this point it is planned that the project will be supported by A.I.D. for several years more.

The specific objective of the program is to improve the administration of justice in Colombia by furnishing support to modernize judicial, investigative and management processes. Program activities would support rational utilization of the justice system's human and financial resources in order to enable it to deal more effectively with judicial administration, processing of criminal (and to some extent civil) cases, management of



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information, protection of judiciary personnel, and special problems relating to narcotics and terrorist cases. The agreement requires FES to submit to the USAID Office/Colombia representative in Bogotá semi-annual progress reports, and a final report on the results of the program. The approved budget was as follows:

Direct costs:

Analysis of Judicial Administration	210,000
Extension of Automatic Data Processing Case Distribution Systems (14 cities)	508,000
Provision of Basic Legal Libraries	255,000
Court Personnel Training	156,000
Administrative Costs	125,000
Improvement for Criminal Instruction Courts	100,000
Training of Investigative Personnel	<u>250,000</u>
Total direct costs	1,604,000

Indirect costs:

Administrative costs	<u>50,000</u>
Total program expenditures	<u>\$1,654,000</u>

3. Project No. 598-0647

The purpose of this contract is to provide administrative support in Colombia for implementation of A.I.D.'s Andean Peace Scholarship Program (APSP). The period of performance under this contract is June 1, 1988 through December 31, 1990. The approved budget was as follows:

Operational costs	566,866
Administrative costs	287,411
Consultants	2,918
Furniture and equipment	28,110
Asst	<u>20,000</u>
	<u>905,305</u>



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#### AUDIT OBJECTIVES AND SCOPE

The overall objective of our audit work was to carry out: (a) a financial audit of the Foundation for Higher Education (FES) with regard to the funds supplied by USAID Office/Colombia under LAC Bureau Project Nos. 598-0616, 598-0642 and 598-0647; and (b) an award survey of the Foundation for Higher Education with regard to the planned increase in funding and activities under Project No. 598-0642, specifically the agreement associated with the \$1.2 million funding level planned for 1990.

#### FINANCIAL AUDIT OBJECTIVES

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 such tests as deemed necessary to determine whether:

1. The fund accountability statements for the program activities funded by USAID Office/Colombia present fairly, in all material respects, their financial situation during the period from the inception of each agreement to June 30, 1990 (except for grant agreement No. 598-0642-G-006006, for which the period to be audited will be January 1, 1988 to June 30, 1990); and costs reported as incurred and reimbursed by USAID Office/Colombia during the period are allocable, allowable and reasonable in accordance with agreement terms, and applicable laws and regulations.
2. The internal control structure of FES is adequate for USAID Office/Colombia purposes.
3. FES complied with the applicable laws, regulations and agreement terms.



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#### AWARD SURVEY OBJECTIVES

The award survey was made in order to determine whether:

1. The statement of FES's proposed costs for implementing its activities under the fiscal year 1990 funded agreement and the follow-on agreement under the Regional Administration of Justice Project, LAC Bureau Grant No. 598-0642-G-00-6006 is based on the most current, complete and accurate data available, and reflects only allocable, allowable and reasonable costs which are considered necessary to accomplish the project activities.
2. FES currently has sufficient management and financial capabilities and span of control to administer the proposed project, considering FES's current and future financial obligations, and its current and future workload and staffing and its past performance.

#### FINANCIAL AUDIT SCOPE

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 A.I.D. and FES and the related modifications and amendments.
    - b) Where applicable, subagreements between FES and other implementing institutions.
    - c) The budgets and written procedures approved by A.I.D. to manage the Program.
- All financial and Program reports, charts of accounts, organization charts, accounting system descriptions, and procurement policies and procedures.



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2. We reviewed the Program ledgers to determine whether costs incurred were proper. We reconciled direct costs billed and reimbursed to the Program ledger.
3. We reviewed the procedures to control the funds, including the bank account controls.
4. We determined whether advances of funds were justified with documentation, including reconciliations of funds advanced, disbursed, and available.
5. For all of the internal control structure categories listed below, we obtained an understanding of the design of relevant policies and procedures and of whether they have been placed in operation, and we assessed control risk.

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

6. We determined whether Program income and where applicable reimbursements of direct and indirect costs are recorded as income or as credits to the programs' cost accounts.
7. We reviewed direct and indirect costs billed to FES to identify questionable costs.
8. We reviewed salary charges to determine whether salary rates were in accordance with those approved by USAID Office/Colombia and salaries paid were supported by appropriate payroll records.
9. We reviewed the procurement procedures and practices used to determine that sound commercial practices were used.
10. On a limited basis we reviewed and evaluated the internal control structure, conducting compliance tests to determine the extent to which established procedures and controls were functioning as intended.



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11. We reviewed FES'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.

#### AWARD SURVEY SCOPE

The survey included the following procedures:

1. We reviewed the basis used to estimate the proposed costs including the present and projected staffing levels with regard to the proposed nature and volume of Project activities.
2. We reviewed the documentation supporting the proposed costs and/or value assigned to each line item.
3. We determined whether FES has obtained updated competitive data from different potential suppliers in arriving at the estimated value of the Project's materials and supplies.
4. We determined whether taxes or other non-eligible expenditures are included within proposed costs.
5. We evaluated the exchange rates used by FES to translate its financial figures to U.S. dollar values, as applicable.
6. We determined whether proposed costs are allocable and necessary for the project, and evaluated the possibility of using more economic alternatives to develop the same Project activities.
7. We evaluated FES's current organization chart and determined the proposed allocation of responsibilities Project activities.



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8. We evaluated staffing levels in terms of expertise and experience managing similar projects for USAID Office/Colombia and other donors. We also evaluated whether the expansion in the level of Project activities justifies the formation of a separate administrative unit within FES to manage the Project.
9. We determined the current and proposed workload of key personnel to be in charge of Project activities. In this connection we assessed whether the degree of delegation of authority and responsibility by FES top management is appropriate or whether it has a disruptive effect on the execution of USAID Office/Colombia funded activities.
10. We evaluated FES's policies regarding administration of personnel, funds and assets, and other related policies such as segregation of duties, conflict of interests, etc.
11. We determined the accuracy and timeliness of submission of reports and other Project documentation, and past performance in terms of attainment of Project goals.
12. We determined whether current assets on hand and lines of credit, as applicable, are sufficient to pay proposed Project expenditures during at least a two-month period, until USAID Office/Colombia makes advances or periodic reimbursements.
13. We determined whether FES has realistically projected expenses with respect to its planned staffing levels and present and planned activities, and whether the funds programmed for Project activities are sufficient to meet the Project's operating costs.



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RESULTS OF AUDIT

FUND ACCOUNTABILITY STATEMENTS

In our opinion the fund accountability statements present fairly, in all material respects the projects and program receipts and expenditures for the audit period, in accordance with the terms of the agreements. Our audit covered the following agreements and periods:

<u>Number</u>	<u>Project name</u>	<u>Audit period</u>
598-0616	Intercountry Technology Transfer Project	
598-0616-G-00-6004-00	Seminars on Modern Management Program	Jul 10/86 to Jun 30/89
598-0616-G-00-6005-00	Child Survival Program	Aug 21/86 to Jun 30/90
598-0616-G-00-7004-00	Oral Rehydration Assistance Program	Aug 27/87 to Jun 30/90
598-0616-G-00-9001-00	Modernization of Social Management	Aug 30/89 to Jun 30/90
598-0642	Support for the Program to Improve the Administration of justice	Jan 01/88 to Jun 30/90
598-0647	Andean Peace Scholarship Program	Jun 01/88 to Jun 30/90

As explained in Notes to the fund accountability statements of grant agreements No. 598-0616-G-00-6004-00, and 598-0616-G-00-9001-00 the statements include costs totaling Colombian Pesos \$909,564 (approximately US\$3,100), and Colombian Pesos \$662,044 (approximately US\$1,300) respectively, not related to program activities, that we considered questionable. The amounts were considered immaterial to the fund accountability statements and did not affect our opinion on them.

As further explained in notes to the fund accountability statements for grant agreement No. 598-0616-G-00-6005-00, our engagement did not include the examination of the final supporting documentation of the expenditures incurred by other entities participating as program sub-grantees. We examined

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the receipts signed by the sub-grantees and since the terms of the agreement include those sub-grants and we had access to all FES' accounting records for project and program purposes, we rendered unqualified opinions on those programs.

Except for not complying with the CPE requirements for government audits as required by U.S. government auditing standards, we conducted our audit in accordance with generally accepted auditing standards and the government auditing standards of the U.S. Controller General. These 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 presentation of the fund accountability statement.

#### INTERNAL CONTROL STRUCTURE

In planning and performing our audit of the fund accountability statements of the projects and programs for the periods mentioned at the beginning of this section, we considered FES' internal control structure for project and program purposes in order to determine our auditing procedures for the purpose of expressing an opinion on the fund accountability statements and not to provide assurance on the FES' internal control structure taken as a whole.

Our study and evaluation of the internal control structure revealed the following reportable condition that we consider a material weakness to the fund accountability statements.

- The internal audit department of FES had not established procedures to determine the reasonableness of the expenditures incurred by sub-grantees.
- The internal audit department of the Foundation for Higher Education (Fundación para la Educación Superior - FES) has not established independent verification procedures concerning the utilization of funds and the reasonableness



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of expenses incurred, in order to enable the department to form opinions, conclusions and impartial assessments as to compliance with the terms and conditions of the project.

#### COMPLIANCE WITH THE TERMS OF THE AGREEMENTS AND APPLICABLE LAWS AND REGULATIONS

As part of obtaining reasonable assurance about whether the fund accountability statement is free of material misstatement, we performed tests on compliance of the Foundation for Higher Education with the terms of the agreements and applicable laws and regulations. However, our objective was not to provide assurance on overall compliance with such provisions.

The results of our tests of compliance indicate that, with respect to items tested FES complied, in all material respects, with the terms of the agreements and applicable laws and regulations. With respect to items not tested, nothing came to our attention that caused us to believe that FES had not complied, in all material respects, with such provisions.

#### RESULTS OF AWARD SURVEY

##### Proposed costs

We reviewed the proposed direct and indirect costs for the expansion of FES activities under Project No. 598-0642 and we determined that they were based on the most current, complete and accurate data available and reflect only allocable, allowable and reasonable costs which were necessary to accomplish the project's activities.

##### Management and financial capabilities

Based on our study, we believe that the management and financial capabilities of FES are adequate in order to comply with the agreement terms.

Management comments: The management of FES generally agreed with the findings and recommendations contained in this report. Management comments are reproduced in Annex 1.



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#### AUDITOR'S REPORTS

On the following pages we present our reports for all six grants and contracts.

We have expressed separate opinions for each one due to the following:

- a) Different people in FES are in charge of each project and agreement.
- b) Each one of the projects and programs are very different.
- c) FES maintains fund statements separately for each project and/or agreement.
- d) Budgeted line items are very different for each project and/or agreement.

*Price Waterhouse*

INTERCOUNTRY TECHNOLOGY TRANSFER PROJECT  
GRANT AGREEMENT No. 598-0616-G-00-6004-00  
PROGRAM TO DEVELOP AND CARRY OUT SEMINARS  
ON MODERN MANAGEMENT FOR DEVELOPMENT FOUNDATIONS  
FUND ACCOUNTABILITY STATEMENT  
INDEPENDENT AUDITOR'S REPORT

We have audited the fund accountability statement of the Program to Develop and Carry Out Seminars on Modern Management and Development Foundations, grant agreement No. 598-0616-G-00-6004-00, part of USAID Office/Colombia's Intercountry Technology Transfer Project, activities managed by the Foundation for Higher Education (Fundación para la Educación Superior - FES), for the period July 10, 1986 to June 30, 1989. The fund accountability statement is the responsibility of the management of the Foundation. Our responsibility is to express an opinion on the fund accountability statement based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with generally accepted auditing standards and the government auditing standards of the U.S. Controller General. These 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 presentation of the fund accountability statement. We believe that our audit provides a reasonable basis for our opinion.

U.S. government auditing standards require that audit organizations performing audits for the U.S. Government have completed an external quality control review performed by an unaffiliated audit organization during the three-year period preceding the audit. We have not complied with such requirement.

As described in Note 2, the fund accountability statement was prepared on the basis of cash receipts and disbursements which is a comprehensive basis of accounting other than generally accepted accounting principles.

As explained in Note 3, the fund accountability statement includes expenditures not related to the program totaling Colombian Pesos \$909,564 (approximately US\$3,100), that we consider questionable costs. This amount is not material to and does not affect our opinion on the fund accountability statement.

In our opinion, the accompanying fund accountability statement of the Program to Develop and Carry Out Seminars on Modern Management for Development Foundations, under agreement No. 598-0616-G-00-6004, presents fairly, in all material respects, the accumulative receipts and disbursements for the period from July 10, 1986 to June 30, 1989, on the basis of accounting described in Note 2.

This report is intended solely for the use of the Foundation for Higher Education 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.

October 25, 1991

*Price Waterhouse*

INTERCOUNTRY TECHNOLOGY TRANSFER PROJECT  
GRANT AGREEMENT No. 598-0616-G-00-6004-00  
PROGRAM TO DEVELOP AND CARRY OUT SEMINARS  
ON MODERN MANAGEMENT FOR DEVELOPMENT FOUNDATIONS

FUND ACCOUNTABILITY STATEMENT  
PERIOD FROM JULY 10, 1986 TO JUNE 30, 1989  
(Expressed in Colombian Pesos)

			(Note 3)
	<u>Amounts budgeted</u>	<u>Receipts and disbursements</u>	<u>Questionable costs Unsupported Questioned</u>
<b>RECEIPTS</b>			
Funds provided by USAID	<u>\$14,823,334</u>	<u>\$12,354,000</u>	
<b>DISBURSEMENTS</b>			
Preparation and training material	3,170,500	3,170,500	
International Seminar	3,646,186	3,646,186	
National Seminar	3,727,000	3,727,000	
Consultor	1,950,000	1,950,000	
Travel and transportation	569,155	569,155	338,266
Regional meetings	1,610,121	1,610,454	571,298
Suppliers	<u>150,372</u>	<u>150,372</u>	
	<u>\$14,823,334</u>	<u>\$14,823,667</u>	<u>909,564</u>
<b>EXCESS OF DISBURSEMENTS OVER RECEIPTS</b>		<u>\$ 2,469,667</u>	(Note 5)

The accompanying notes and exhibits are an integral part of the fund accountability statement.

INTERCOUNTRY TECHNOLOGY TRANSFER PROJECT  
GRANT AGREEMENT No. 598-0616-G-00-6004-00  
PROGRAM TO DEVELOP AND CARRY OUT SEMINARS  
ON MODERN MANAGEMENT FOR DEVELOPMENT FOUNDATIONS

NOTES TO THE FUND ACCOUNTABILITY STATEMENT  
FOR THE PERIOD FROM JULY 10, 1986 TO JUNE 30, 1989

NOTE 1 - GRANT AGREEMENT

The objective of this Program, which is a part of USAID Office/Colombia's Intercountry Technology Transfer Project No. 598-0616, is to share the knowledge and the actual experiences gained by FES during its activities to the representatives of similar but less effective organizations in Colombia and other Latin American countries.

Initially this Program was scheduled for the period from July 10 to December 31, 1986, but several modifications were made to this term, which was finally extended to June 30, 1989.

On August 27, 1987 the initial budget was increased by US\$15,000 to an approved total of US\$60,000.

The shortfall of fund receipts received through June 30, 1989 was subsequently reimbursed by USAID Office/Colombia.

NOTE 2 - SUMMARY OF ACCOUNTING POLICIES

The principal accounting policy adopted by the Foundation for Higher Education (FES) for the preparation of the fund accountability statement is the following:

Basis of accounting

This fund accountability statement was prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than generally accepted accounting principles:

- Revenues and expenditures are recorded at the time they take place, that is, when they are received or disbursed.
- Since there are no estimations or provisions made, there are no liabilities recorded.

NOTE 3 - QUESTIONABLE COSTS (QUESTIONED)

The fund accountability statement includes expenditures not related to the Program for \$909,564 Colombian Pesos (approximately US\$3,100) that we considered questioned and are detailed on Page 23.

Such costs have been deemed to be questionable because they are not directly related to the objective of the Program.

NOTE 4 - CURRENCY EXCHANGE RATES

USAID Office/Colombia provided Colombian Pesos to FES at the exchange rate prevailing at the date of the reimbursement or advance. The Colombian Pesos reflected in the fund accountability statement as of June 30, 1989 were equivalent to the following amounts in US Dollars:

<u>Colombian Pesos</u>	<u>US\$ Dollars</u>
12,354,000	24,700
14,823,667	29,600
2,469,667	4,900

Exchange rates in existence during the period being audited:

Exchange rates

	<u>Average</u>	<u>Official at December 31</u>
1986	194.23	219.00
1987	242.58	263.70
1988	299.17	335.86
1989	382.56	433.92

NOTE 5 - STATUS OF EXCESS OF EXPENDITURES OVER RECEIPTS

The excess of expenditures over funds received from USAID was subsequently reimbursed to the Foundation for Higher Education (FES).

INTERCOUNTRY TECHNOLOGY TRANSFER PROJECT  
GRANT AGREEMENT No. 598-0616-G-00-6004-00  
PROGRAM TO DEVELOP AND CARRY OUT SEMINARS  
ON MODERN MANAGEMENT FOR DEVELOPMENT FOUNDATIONS

DETAILS OF QUESTIONABLE COSTS (QUESTIONED)

<u>Document</u>	<u>Date</u>	<u>Beneficiary and particulars</u>	<u>Amount</u> <u>(Colombian Pesos)</u>
2010- 1412	3/13/ 87	Aura Leticia Calero Dining invitation to partici- pants Dinner at Club Colombia Souvenirs to participants Lunch at Club Campestre Ride in bus	   \$101,123 249,845 77,000 70,730 72,600
2010- 7432	3/21/ 89	Panturismo Tour Cali-Bogotá-Lima for the participation in the seminar Development on a Human Scale by Mr. Hernán Ortiz (Approximately US\$3,100)	     <u>338,266</u> <u>\$909,564</u>

INTERCOUNTRY TECHNOLOGY TRANSFER PROJECT  
GRANT AGREEMENT No. 598-0616-G-00-6004-00  
PROGRAM TO DEVELOP AND CARRY OUT SEMINARS  
ON MODERN MANAGEMENT FOR DEVELOPMENT FOUNDATIONS

INTERNAL CONTROL STRUCTURE

INDEPENDENT AUDITOR'S REPORT

We have audited the fund accountability statement of the Program to Develop and Carry Out Seminars on Modern Management and Development Foundations, grant agreement No. 598-0616-G-00-6004-00, part of USAID Office/Colombia's Intercountry Technology Transfer Project, activities managed by the Foundation for Higher Education (Fundación para la Educación Superior - FES), for the period July 10, 1986 to June 30, 1989, and have issued our report thereon dated October 25, 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 the 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 the fund accountability statement for the period July 10, 1986 to June 30, 1989 we considered the internal control structure of the Foundation for Higher Education (FES) to manage the activities of the Program in order to determine our auditing procedures for the purpose of expressing our opinion on the fund accountability statement but not to provide assurance on the internal control structure. The management of the Foundation for Higher Education 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 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: accounting process, budgetary control process, payroll procedures, procurement procedures, receipt 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.

We noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the entity's ability to record, process, summarize and report financial data consistent with the assertions of management in the fund accountability statement.

Our audit disclosed the following reportable condition which we consider to be a material weakness in the internal control structure affecting the program:

The Internal Audit Department of FES has not established a procedure to verify the reasonableness of expenditures incurred on behalf of the Project: its work is limited to the examination of the documents supporting program disbursements.

A material weakness is a reportable condition in which the design or operation 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. Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. We believe the reportable condition described above is a material weakness.

This report is intended solely for the information of the Foundation for Higher Education (FES) and the U.S. Agency for International Development (AID). This restriction is not intended to limit the distribution of this report, which upon the approval of the office of the Inspector General is a matter of public record.

October 25, 1991

*Price Waterhouse*

INTERCOUNTRY TECHNOLOGY TRANSFER PROJECT  
GRANT AGREEMENT No. 598-0616-G-00-6004-00  
PROGRAM TO DEVELOP AND CARRY OUT SEMINARS  
ON MODERN MANAGEMENT FOR DEVELOPMENT FOUNDATIONS

INTERNAL CONTROL STRUCTURE

AUDIT FINDING

WEAKNESS IN THE REVIEW OF PROJECT EXPENSES

Condition No. 1

The internal audit department of the Foundation for Higher Education (Fundación para la Educación Superior - FES) has not established independent verification procedures concerning the utilization of funds and the reasonableness of expenses incurred, in order to enable the department to form opinions, conclusions and impartial assessments as to compliance with the terms and conditions of the project.

Criteria

OMB Circular A-110 Annex F.h provides guidance that entities which receive donations from the USAID Office/Colombia must carry out certain audit tasks which enable them to issue opinions, conclusions and impartial judgments as to compliance with terms and conditions of the donations or agreements.

Cause

Weakness in the internal control system. The review and approval procedures are carried out at the time of the signature of the checks by the project director; but the Foundation's internal audit department does not perform independent verification procedures in order to determine the reasonableness of the expenses incurred.

Effect

An independent control does not exist in order to obtain a reasonable assurance as to the adequate utilization of the Program resources or as to the exclusion of disbursements which are not related to the object of the Program. An amount of Colombian Pesos totaling \$909,564 (approximately US\$3,100) was considered to be questionable costs in our audit report as of June 30, 1989.

### Recommendation

We recommend that the Foundation's internal audit department set up independent audit procedures intended to judge the adequacy of fund utilizations and the reasonableness of the expenses incurred in the execution of the project.

INTERCOUNTRY TECHNOLOGY TRANSFER PROJECT  
GRANT AGREEMENT No. 598-0616-G-00-6004-00  
PROGRAM TO DEVELOP AND CARRY OUT SEMINARS  
ON MODERN MANAGEMENT FOR DEVELOPMENT FOUNDATIONS

COMPLIANCE WITH AGREEMENT TERMS AND  
APPLICABLE LAWS AND REGULATIONS

INDEPENDENT AUDITOR'S REPORT

We have audited the fund accountability statement of the Program to Develop and Carry Out Seminars on Modern Management and Development Foundations, grant agreement No. 598-0616-G-00-6004-00, part of USAID Office/Colombia's Intercountry Technology Transfer Project, activities managed by the Foundation for Higher Education (Fundación para la Educación Superior - FES), for the period July 10, 1986 to June 30, 1989, and have issued our report thereon dated October 25, 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 the 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 laws, regulations, contracts and agreements applicable to the Foundation for Higher Education (FES) is the responsibility of the management of the Foundation. As part of obtaining reasonable assurance about whether the fund accountability statement is free of material misstatement, we performed tests on the compliance of the Foundation of Higher Education (FES) with the terms of the agreement and with the applicable laws and regulations. However, our objective was not to issue an opinion on overall compliance with such provisions.

The results of our tests indicate that, with respect to the items tested, the Foundation for Higher Education (FES) complied, in all material respects, with the provisions referred to in the preceding paragraph. With respect to the items not tested, nothing came to our attention that caused us to believe that the Foundation for Higher Education (FES) had not complied, in all material respects, with those provisions.

This report is intended solely for the use of the Foundation for Higher Education (FES) 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.

October 25, 1991

*Price Waterhouse*

INTERCOUNTRY TECHNOLOGY TRANSFER PROJECT  
GRANT AGREEMENT No. 598-0616-G-00-6005-00  
CHILD SURVIVAL PROGRAM

FUND ACCOUNTABILITY STATEMENT

INDEPENDENT AUDITOR'S REPORT

We have audited the fund accountability statement of the Child Survival Program, grant agreement No.598-0616-G-00-6005-00, part of USAID Office/Colombia's Intercountry Technology Transfer Project, activities managed by the Foundation for Higher Education (Fundación para la Educación Superior - FES), for the period August 21, 1986 to June 30, 1990. The fund accountability statement is the responsibility of the management of the Foundation. Our responsibility is to express an opinion on the fund accountability statement based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with generally accepted auditing standards and the government auditing standards of the U.S. Controller General. These 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 presentation of the fund accountability statement. We believe that our audit provides a reasonable basis for our opinion.

U.S. government auditing standards require that audit organizations performing audits for the U.S. Government have completed an external quality control review performed by an unaffiliated audit organization during the three-year period preceding the audit. We have not complied with such requirement.

As described in Note 2, the fund accountability statement was prepared on the basis of cash receipts and disbursements which is a comprehensive basis of accounting other than generally accepted accounting principles.

Our engagement did not include the examination of the final supporting documentation for Colombian Pesos totaling \$39,124,484 included in the fund accountability statement as funds provided to grantees. This amount corresponds to sub-grants given by FES to other program implementing entities, in accordance with the grant agreement.

In our opinion the accompanying fund accountability statement of the Child Survival Program presents fairly, in all material respects, the program activities managed by the Foundation for Higher Education during the period August 21, 1986 to June 30, 1990, in accordance with grant agreement No. 598-0616-G-00-6005-00, and in conformity with the basis of accounting described in Note 2.

This report is intended solely for the use of the Foundation for Higher Education 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*

October 25, 1991

INTERCOUNTRY TECHNOLOGY TRANSFER PROJECT  
GRANT AGREEMENT No. 598-0616-G-00-6005-00  
CHILD SURVIVAL PROGRAM

FUND ACCOUNTABILITY STATEMENT  
FOR THE PERIOD FROM AUGUST 21, 1986 TO JUNE 30, 1990  
 (Amounts expressed in Colombian Pesos)

		Actual	
		Amounts receipts and	
		<u>budgeted disbursements</u>	<u>Available</u>
<b>RECEIPTS</b>			
Funds received from USAID	<u>\$102,399,705</u>	<u>\$49,727,178</u>	<u>\$52,672,527</u>
<b>DISBURSEMENTS</b>			
Funds provided to grantees	93,265,258	39,124,484	54,140,774
Monitoring and evaluation of fund disbursements	4,146,897	1,013,960	3,132,937
Administrative support to management (microcomputers)	3,085,596	1,650,000	1,435,596
Domestic travel	302,925	204,166	98,759
International Seminar	<u>1,599,029</u>	<u>1,000,728</u>	<u>598,301</u>
	<u>\$102,399,705</u>	<u>42,993,338</u>	<u>\$59,406,367</u>
<b>CASH BALANCE ON DEPOSIT</b>		<u>\$ 6,733,840</u>	

The accompanying notes and exhibits are an integral part of the fund accountability statement.

INTERCOUNTRY TECHNOLOGY TRANSFER PROJECT  
GRANT AGREEMENT No. 598-0616-G-00-6005-00  
CHILD SURVIVAL PROGRAM

NOTES TO THE FUND ACCOUNTABILITY STATEMENT  
FOR THE PERIOD FROM AUGUST 20, 1986 TO JUNE 30, 1990

NOTE 1 - GRANT AGREEMENT

The objective of this Program is to help FES to maintain funds to finance small but critical projects on health and in general on the survival of children in Colombia. These funds are administered by FES, which since its creation in 1964 has managed donations from international institutions for the health area.

The funds available are utilized to grant sub-donations to other entities: in this connection, a committee has been created for the purpose of defining the selection criteria for beneficiary entities. The selection criteria are identified with the USAID Office/Colombia objectives concerning the survival of children, with emphasis on technology for oral rehydration, immunization, family planning, nutrition and other health-related activities.

NOTE 2 - SUMMARY OF ACCOUNTING POLICIES

The principal accounting policy adopted by the Foundation for Higher Education (FES) for the preparation of the funds accountability statement is the following:

Basis of accounting

This fund accountability statement was prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than generally accepted accounting principles:

- Revenues and expenditures are recorded at the time they take place, that is, when they are received or disbursed.
- Since there are no estimations or provisions made, there are no liabilities recorded.

NOTE 3 - STATUS OF EXCESS OF RECEIPTS OVER DISBURSEMENTS

The excess of funds received from USAID over disbursements made has been deposited in bank accounts of the Foundation for Higher Education (FES), for utilization in the execution of the Agreement, which is in force until June 30, 1992.

## NOTE 4 - CURRENCY EXCHANGE RATES

USAID Office/Colombia provided Colombian Pesos to FES at the exchange rate prevailing at the date of the reimbursement or advance. The Colombian Pesos reflected in the fund accountability statement as of June 30, 1990 were equivalent to the following amounts in US Dollars:

<u>Colombian Pesos</u>	<u>US\$ Dollars</u>
49,727,178	99,000
42,993,338	86,000
6,733,840	13,500

Exchange rates in existence during the period being audited:

Exchange rates

	<u>Average</u>	<u>Official at December 31</u>
1986	194.23	219.00
1987	242.58	263.70
1988	299.17	335.86
1989	382.56	433.92

## NOTE 5 - SUB-GRANTS

The fund accountability statement includes Colombian Pesos totaling \$39,124,484 (equivalent to US\$108,706) as funds provided to grantees. The amount corresponds to sub-grant, to other entities carrying out similar program activities, granted in accordance with the terms of the agreements with USAID Office/Colombia. Our work included an examination of the payment vouchers supporting the receipts of funds by other implementing entities and did not include the examination of the documentation supporting the expenses incurred by those sub-grantees.

INTERCOUNTRY TECHNOLOGY TRANSFER PROJECT  
GRANT AGREEMENT No. 598-0616-G-00-6005-00  
CHILD SURVIVAL PROGRAM  
INTERNAL CONTROL STRUCTURE  
INDEPENDENT AUDITOR'S REPORT

We have audited the fund accountability statement of the Child Survival Program, grant agreement No. 598-0616-G-00-6005-00, part of USAID Office/Colombia's Intercountry Technology Transfer Project, activities managed by the Foundation for Higher Education (Fundación para la Educación Superior - FES), for the period August 21, 1986 to June 30, 1990, and have issued our report thereon dated October 25, 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 the 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 the fund accountability statement for the period August 21, 1986 to June 30, 1990 we considered the internal control structure of the Foundation for Higher Education (FES) relating to the administration of the activities of the Program, in order to determine our audit procedures for the purpose of expressing an opinion on the fund accountability statement, but not for the purpose of providing an assurance on the internal control structure.

The management of the Foundation for Higher Education 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 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: 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.

We noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the entity's ability to record, process, summarize and report financial data consistent with the assertions of management in the fund accountability statement.

Our audit disclosed the following reportable condition which we consider to be a material weakness in the internal control structure affecting the Program:

The Foundation for Higher Education (FES) has not established control and verification procedures concerning the adequate utilization of funds delivered as sub-donations to other entities performing activities similar to those covered by this agreement.

A material weakness is a reportable condition in which the design or operation 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.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. We believe the reportable condition described in finding 1 is a material weakness.

This report is intended solely for the use of the Foundation for Higher Education (FES) and the U.S. Agency for International Development (AID). This restriction is not intended to limit the distribution of this report, which upon approval by the office of the Inspector General is a matter of public record.

October 25, 1991

*Price Waterhouse*

INTERCOUNTRY TECHNOLOGY TRANSFER PROJECT  
GRANT AGREEMENT No. 598-0616-G-00-6005-00  
CHILD SURVIVAL PROGRAM  
INTERNAL CONTROL STRUCTURE  
AUDIT FINDINGS

**INADEQUATE REVIEW PROCEDURES OF SUBGRANTEE EXPENDITURES**

**Condition**

The Foundation for Higher Education (FES) has not established control and verification procedures concerning the adequate utilization of funds delivered as sub-donations to other entities which carry out activities similar to those covered by this agreement.

**Criteria**

OMB Circular A-110, Annex F.h), provides guidance that entities which receive donations from the Agency for International Development must perform certain auditing activities to enable them to form impartial opinions, conclusions and judgments as to the compliance with the terms and conditions of the respective donation agreements.

**Cause**

The verification procedure performed by the officers entrusted with the tasks of preparing, authorizing and approving is limited to an examination of the documentation supporting each disbursement: there is no procedure to verify the reasonableness of disbursements, because normally the expenditures are approved by the Project Director, who occupies a key position within the organization.

**Effect**

There exists the possibility that the resources assigned by the Foundation for Higher Education (FES), derived from funds donated by the Agency for International Development (AID) and granted as donations to other entities, may be used for purposes other than those contemplated in the agreement or be otherwise improperly utilized.

**Recommendation**

We recommend that the Foundation for Higher Education (FES) design financial control and audit procedures for the sub-donations to other entities, which should include budget reviews and the audit of transactions and documents justifying the use of funds.

INTERCOUNTRY TECHNOLOGY TRANSFER PROJECTGRANT AGREEMENT No. 598-0616-G-00-6005-00CHILD SURVIVAL PROGRAMCOMPLIANCE WITH AGREEMENT TERMS  
AND APPLICABLE LAWS AND REGULATIONSINDEPENDENT AUDITOR'S REPORT

We have audited the fund accountability statement of the Child Survival Program, grant agreement No. 598-0616-G-00-6005-00, part of USAID Office/Colombia's Intercountry Technology Transfer Project, activities managed by the Foundation for Higher Education (Fundación para la Educación Superior - FES), for the period August 21, 1986 to June 30, 1990, and have issued our report thereon dated October 25, 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 the 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 laws, regulations, contracts and agreements affecting the Foundation for Higher Education (FES) is the responsibility of the Foundation's management. As a part of obtaining a reasonable assurance about whether the fund accountability statement is free of material misstatement, we performed tests of compliance by the Foundation for Higher Education (FES) with the terms of the agreement and with applicable laws and regulations. However, our objective was not to issue an opinion about overall compliance with such provisions.

The results of our tests indicate that, with respect to the items tested, the Foundation for Higher Education (FES) complied in all material respects with the provisions referred in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that the Foundation for Higher Education (FES) did not comply, in all material respects, with those provisions.

This report is intended solely for the information of the Foundation for Higher Education (FES) and the U.S. Agency for International Development (AID). This restriction is not intended to limit the distribution of this report, which upon approval by the office of the Inspector General is a matter of public record.

October 25, 1991

*Price Waterhouse*

INTERCOUNTRY TECHNOLOGY TRANSFER PROJECT  
GRANT AGREEMENT No. 598-0616-G-00-7004-00  
ORAL REHYDRATION ASSISTANCE PROGRAM

FUND ACCOUNTABILITY STATEMENT

INDEPENDENT AUDITOR'S REPORT

We have audited the fund accountability statement of the Oral Rehydration Assistance Program, grant agreement No. 598-0616-G-00-7004-00, part of USAID Office/Colombia's Intercountry Technology Transfer Project, activities managed by the Foundation for Higher Education (Fundación para la Educación Superior - FES), for the period August 27, 1987 to June 30, 1990. The fund accountability statement is the responsibility of the management of the Foundation. Our responsibility is to express an opinion on the fund accountability statement based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with generally accepted auditing standards and the government auditing standards of the U.S. Controller General. These 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 presentation of the fund accountability statement. We believe that our audit provides a reasonable basis for our opinion.

U. S. government auditing standards require that audit organizations performing audits for the U. S. Government have completed an external quality control review performed by an unaffiliated audit organization during the three-year period preceding the audit. We have not complied with such requirement.

As described in Note 2, the fund accountability statement was prepared on the basis of cash receipts and disbursements which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion the accompanying fund accountability statement of the Oral Rehydration Assistance Program presents fairly, in all material respects, the program activities managed by the Foundation for Higher Education during the period August 27, 1987 to June 30, 1990, in accordance with grant agreement No. 598-0616-G-00-7004-00, and in conformity with the basis of accounting described in Note 2.

This report is intended solely for the use of the Foundation for Higher Education 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*

October 25, 1991

INTERCOUNTRY TECHNOLOGY TRANSFER PROJECT  
GRANT AGREEMENT No. 598-0616-G-00-7004-00  
ORAL REHYDRATION ASSISTANCE PROGRAM

FUND ACCOUNTABILITY STATEMENT FROM  
AUGUST 27, 1987 TO JUNE 30, 1990  
 (Expressed in Colombian Pesos)

	<u>Actual(1)</u>
<u>Receipts:</u>	
Funds provided by USAID	<u>\$27,098,328</u>
<u>Expenditures:</u>	
Travel and transportation	3,665,725
Personnel	13,267,057
Training	2,896,800
Materials	5,879,786
Other	<u>28,763</u>
	<u>25,738,131</u>
Cash balance at June 30, 1990	<u>\$ 1,360,197</u>

(1) Budgeted amounts are not available in Colombian Pesos. See Note 3 for U.S. Dollar budgeted amounts.

The accompanying notes and exhibits are an integral part of the fund accountability statement.

INTERCOUNTRY TECHNOLOGY TRANSFER PROJECT  
GRANT AGREEMENT No. 598-0616-G-00-7004-00  
ORAL REHYDRATION ASSISTANCE PROGRAM

NOTES TO THE FUND ACCOUNTABILITY STATEMENT  
FROM AUGUST 27, 1987 TO JUNE 30, 1990

NOTE 1 - DESCRIPTION OF THE PROGRAM

Through this program the Foundation for Higher Education (FES) helped the Colombian Government to establish and operate community oral rehydration units in nine high-risk areas in the country, which is a part of USAID Office/Colombia's Intercountry Technology Transfer Project No. 598-0616.

The Foundation for Higher Education (Fundación de Educación Superior - FES) was established in 1964 for the purpose of providing support to investigations by the Valle University in Cali, Colombia. FES is a non-profit private organization which has offices in Cali, Bogotá, Medellín, Barranquilla, Bucaramanga and Pereira. FES operates as a commercial finance company under the surveillance of Colombia's Banking Superintendency, with the main object of fostering the country's social development by supporting activities and programs of an educational, scientific and cultural character which contribute to improve the quality of life of the whole population, and more especially of the most under-privileged groups.

NOTE 2 - ACCOUNTING POLICIES

This fund accountability statement was prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than generally accepted accounting principles:

- Revenues and expenditures are recorded at the time they take place, that is, when they are received or disbursed.
- Since there are no estimations or provisions made, there are no liabilities recorded.

NOTE 3 - APPROVED BUDGET

The following is the approved budget (in Dollars) for the execution of the Program:

<u>Category</u>	<u>US\$</u>
Training	3,000
Travel and transportation	11,000
Personnel	5,000
Equipment	20,000
Materials	11,000
Salts for oral rehydration	<u>50,000</u>
	<u>100,000</u>

NOTE 4 - STATUS OF EXCESS OF RECEIPTS OVER  
DISBURSEMENTS

The excess of funds received from USAID over disbursements made has been deposited in bank accounts of the Foundation for Higher Education (FES), for utilization in the execution of the agreement.

NOTE 5 - CURRENCY EXCHANGE RATES

USAID Office/Colombia provided Colombian Pesos to FES at the exchange rate prevailing at the date of the reimbursement or advance. The Colombian Pesos reflected in the fund accountability statement as of June 30, 1990 were equivalent to the following amounts in US Dollars:

<u>Colombian Pesos</u>	<u>US\$ Dollars</u>
27,098,328	54,200
25,738,131	51,500
1,360,197	2,700

Exchange rates in existence during the period being:

	<u>Average</u>	<u>Official at December 31</u>
1988	299.17	335.86
1989	382.56	433.92
1990	502.25	568.73

INTERCOUNTRY TECHNOLOGY TRANSFER PROJECT  
GRANT AGREEMENT No. 598-0616-G-00-7004-00  
ORAL REHYDRATION ASSISTANCE PROGRAM

INTERNAL CONTROL STRUCTURE

INDEPENDENT AUDITOR'S REPORT

We have audited the fund accountability statement of the Program for Oral Rehydration Assistance, grant agreement No. 598-0616-G-00-7004-00, part of USAID Office/Colombia's Intercountry Technology Transfer Project, activities managed by the Foundation for Higher Education (Fundación para la Educación Superior - FES), for the period August 27, 1987 to June 30, 1990, and have issued our report thereon dated October 25, 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 the 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 the fund accountability statement of the Program for the period from August 27, 1987 to June 30, 1990, 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 Foundation for Higher Education 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 of 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 to the management of Foundation for Higher Education in a separate letter dated October 25, 1991.

This report is intended solely for the use of the Foundation for Higher Education 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.

October 25, 1991

*Price Waterhouse*

INTERCOUNTRY TECHNOLOGY TRANSFER PROJECT  
GRANT AGREEMENT No. 598-0616-G-00-7004-00  
ORAL REHYDRATION ASSISTANCE PROGRAM

COMPLIANCE WITH AGREEMENT TERMS AND APPLICABLE LAWS AND  
REGULATIONS

INDEPENDENT AUDITOR'S REPORT

We have audited the fund accountability statement of the Program for Oral Rehydration Assistance, grant agreement No. 598-0616-G-00-7004-00, part of USAID Office/Colombia's Intercountry Technology Transfer Project, activities managed by the Foundation for Higher Education (Fundación para la Educación Superior - FES), for the period August 27, 1987 to June 30, 1990, and have issued our report thereon dated October 25, 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 the 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 applicable laws, regulations, and contract terms is the responsibility of the Foundation for Higher Education'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 certain provisions of applicable laws, regulations, and contract 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 Foundation for Higher Education complied, in all material respects, with the provisions referred to in the preceding paragraph. With respect to the items not tested, nothing came to our attention that caused us to believe that the Foundation for Higher Education had not complied, in all material respects, with those provisions.

This report is intended solely for the use of the Foundation for Higher Education 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*

October 25, 1991

INTERCOUNTRY TECHNOLOGY TRANSFER PROJECT  
GRANT AGREEMENT No. 598-0616-G-00-9001-00  
PROGRAM FOR THE MODERNIZATION OF SOCIAL MANAGEMENT

FUND ACCOUNTABILITY STATEMENT

INDEPENDENT AUDITOR'S REPORT

We have audited the fund accountability statement of the Program for the Modernization of Social Management, grant agreement No. 598-0616-G-00-9001-00, part of USAID Office/Colombia's Intercountry Technology Transfer Project, activities managed by the Foundation for Higher Education (Fundación para la Educación Superior - FES), for the period August 30, 1989 to June 30, 1990. The fund accountability statement is the responsibility of the management of the Foundation. Our responsibility is to express an opinion on the fund accountability statement based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with generally accepted auditing standards and the government auditing standards of the U.S. Controller General. These 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 presentation of the fund accountability statement. We believe that our audit provides a reasonable basis for our opinion.

U. S. government auditing standards require that audit organizations performing audits for the U. S. Government have completed an external quality control review performed by an unaffiliated audit organization during the three-year period preceding the audit. We have not complied with such requirement.

As described in Note 2, the fund accountability statement was prepared on the basis of cash receipts and disbursements which is a comprehensive basis of accounting other than generally accepted accounting principles.

As explained in Note 3, the fund accountability statement includes expenditures not related to the program for Colombian Pesos totaling \$662,044 (approximately US\$1,300) that we consider questionable costs. This amount is not material to and does not affect our opinion on the fund accountability statement.

In accordance with agreement terms FES coordinated this program but transferred the responsibility of cash management to the FES Leadership Institute (Instituto FES de Liderazgo - IFL). Our engagement did not include the examination of the final supporting documentation of the amounts provided to and expended by IFL.

In our opinion the accompanying fund accountability statement of the Program for the Modernization of Social Management presents, in all material respects, the program activities managed by the Foundation for Higher Education during the period August 30, 1989 to June 30, 1990, in accordance with grant agreement No. 598-0616-G-00-9001-00, and in conformity with the basis of accounting described in Note 2.

This report is intended solely for the use of the Foundation for Higher Education 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*

INTERCOUNTRY TECHNOLOGY TRANSFER PROJECT  
GRANT AGREEMENT No. 598-0616-G-00-9001-00  
PROGRAM FOR THE MODERNIZATION OF SOCIAL MANAGEMENT

FUND ACCOUNTABILITY STATEMENT  
 FOR THE PERIOD FROM AUGUST 30, 1989 TO JUNE 30, 1990  
 (Amounts expressed in Colombian Pesos)

	<u>Amounts budgeted</u>	<u>Actual receipts and disbursements</u>	<u>Available</u>	<u>Questionable costs</u> <u>Unsupported</u>	<u>Questioned</u>
Receipts					
Funds provided by USAID	<u>\$83,869,800</u>	<u>\$26,372,770</u>	<u>\$57,497,030</u>		
Disbursements					
Personnel costs	21,948,198	7,043,636	14,904,562		
Operating expenses	7,800,000	2,795,724	5,004,276		\$662,044
Furniture and equipment	4,121,602	3,928,645	192,957		
Programs	<u>50,000,000</u>	<u>5,232,153</u>	<u>44,767,847</u>		
	<u>\$83,869,800</u>	<u>\$19,000,158</u>	<u>\$64,869,642</u>		
Cash balance on deposit		<u>\$ 7,372,612</u>			

The accompanying notes and exhibits are an integral part of the fund accountability statement.

INTERCOUNTRY TECHNOLOGY TRANSFER PROJECT  
GRANT AGREEMENT No. 598-0616-G-00-9001-00  
PROGRAM FOR THE MODERNIZATION OF SOCIAL MANAGEMENT

NOTES TO THE FUND ACCOUNTABILITY STATEMENT FOR  
THE PERIOD FROM AUGUST 30, 1989 TO JUNE 30, 1990

NOTE 1 - GRANT AGREEMENT

This program arose as a complement to the program financed by USAID Office/Colombia called the Program for the Development and Inception of Seminars on Modern Management for Development Foundations, and seeks to encourage the organization of special areas of investigation, teaching and service to "social economy" institutions from the universities. This program is a part of USAID Office/Colombia's Intercountry Technology Transfer Project No. 598-0616.

The general objectives of this Program are:

- a) To contribute to the generation, systematization, consolidation and diffusion of knowledge and experiences concerning management of social development entities, programs and projects, both public and private.
- b) To support projects and activities which seek to train present leaders and administrators of the "Social Economy" and to form future leaders.
- c) To strengthen FES's capability in order to lead the country's social development.

The Program was initially started by FES. Subsequently, however, the Foundation decided that in view of the importance of the Program this task should be carried out by an independent institution, and the FES Leadership Institute (Instituto FES de Liderazgo - IFL) was formed for this purpose.

The FES Leadership Institute was legally constituted on February 26, 1990 and has since that date taken over all of the activities connected with the Program for the Modernization of Social Management. For the fulfillment of its business object the Institute receives financial assistance not only from USAID Office/Colombia but from the American foundations FORD and W.K. KELLOGG.

## NOTE 2 - SUMMARY OF ACCOUNTING POLICIES

The following is the principal accounting policy adopted by the Foundation for Higher Education (FES) for the preparation of the fund accountability statement:

## Basis of accounting

This fund accountability was prepared on the basis of cash receipts and disbursements which is a comprehensive basis of accounting other than generally accepted accounting principles:

- Revenues and expenditures are recorded at the time they take place, that is, when they are received or disbursed.
- Since there are no estimations or provisions made, there are no liabilities recorded.

## NOTE 3 - QUESTIONABLE COSTS (QUESTIONED)

The fund accountability statement includes expenditures not related to the program for Colombian Pesos totaling \$662,044 (approximately US\$1,300) that we consider questionable costs and are detailed on page 53. Such costs have been deemed questionable because they are not directly related to the objective of the Program.

NOTE 4 - STATUS OF EXCESS OF RECEIPTS  
OVER DISBURSEMENTS

The excess of funds received from USAID Office/Colombia over disbursements made has been deposited in bank accounts of the Foundation for Higher Education (FES) for utilization in the execution of the agreement.

## NOTE 5 - CURRENCY EXCHANGE RATES

USAID Office/Colombia provided Colombian Pesos to FES at the exchange rate prevailing at the date of the reimbursement or advance. The Colombian Pesos reflected in the fund accountability statement as of June 30, 1990 were equivalent to the following amounts in US Dollars:

<u>Colombian Pesos</u>	<u>US\$ Dollars</u>
83,969,800	168,000
26,372,770	53,000
19,000,158	38,000
7,372,612	15,000

Exchange rates in existence during the period being audited:

Exchange rates

	<u>Average</u>	<u>Official at December 31</u>
1989	382.56	433.92
1990	502.25	568.73

INTERCOUNTRY TECHNOLOGY TRANSFER PROJECT  
GRANT AGREEMENT No. 598-0616-G-00-9001-00  
PROGRAM FOR THE MODERNIZATION OF SOCIAL MANAGEMENT

DETAIL OF QUESTIONABLE COSTS (QUESTIONED)  
(In Colombian Pesos)

<u>Document</u>			
<u>Number</u>	<u>Date</u>	<u>Beneficiaries and Particulars</u>	<u>Amount</u>
2010-4591	5\8\90	Panturismo Fare to the U.S.A. of Mr. Hernán Ortiz	\$586,524
2010-9382	6\28\90	Panturismo Fare Cali-Bogotá-Cali of Mr. Harold Zanjen (Approximately US\$1,300)	<u>75,520</u> <u>\$662,044</u>

INTERCOUNTRY TECHNOLOGY TRANSFER PROJECT  
GRANT AGREEMENT No. 598-0616-G-00-9001-00  
PROGRAM FOR THE MODERNIZATION OF SOCIAL MANAGEMENT

INTERNAL CONTROL STRUCTURE

INDEPENDENT AUDITOR'S REPORT

We have audited the fund accountability statement of the Program for the Modernization of Social Management, grant agreement No. 598-0616-G-00-9001-00, part of USAID Office/Colombia's Intercountry Technology Transfer Project, activities managed by the Foundation for Higher Education (Fundación para la Educación Superior - FES), for the period August 30, 1989 to June 30, 1990, and have issued our report thereon dated October 25, 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 the 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 we considered the internal control structure of the Foundation for Higher Education (FES) relating to the administration of the activities of the Program, in order to determine our audit procedures for the purpose of expressing an opinion on the fund accountability statement, but not for the purpose of providing an assurance on the internal control structure and its operation. The management of Foundation for Higher Education 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 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: 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.

We noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the entity's ability to record process summarize and report financial data consistent with the assertions of management in the fund accountability statement.

Our audit disclosed the following reportable condition which we consider to be a material weakness in the internal control structure affecting the Program:

- FES has not established control and verification procedures relating to the reasonableness of expenses and costs charged to the Program by the FES Leadership Institute (IFL) and presented to FES for reimbursement.

A material weakness is a reportable condition in which the design or operation 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.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclosed all reportable conditions that are also considered to be material weaknesses as defined above. We believe the reportable condition described above is a material weakness.

This report is intended solely for the use of the Foundation for Higher Education (FES) and the Office of the Inspector General of the U.S. Agency for International Development (AID). This restriction is not intended to limit the distribution of this report, which upon approval by the office of the Inspector General is a matter of public record.

*Price Waterhouse*

October 25, 1991

INTERCOUNTRY TECHNOLOGY TRANSFER PROJECT  
GRANT AGREEMENT No. 598-0616-G-00-9001-00  
PROGRAM FOR THE MODERNIZATION OF SOCIAL MANAGEMENT

INTERNAL CONTROL STRUCTURE

AUDIT FINDINGS

Weakness in the review procedures of project expenses

Condition No. 1

The Internal Audit Department of the Foundation for Higher Education (FES) has not established control and verification procedures with regard to the adequate utilization of funds and the reasonableness of expenses incurred by the FES Leadership Institute (IFL) in connection with the Program. It limits its task to the examination of the documents supporting the disbursements made by IFL in connection with the Program.

Criterion

OMB Circular A-110 Annex F.h) provides guidance that entities which receive donations from the Agency for International Development (AID) must perform certain audit tasks in order to arrive at impartial conclusions, judgments and opinions as to their compliance with the terms and conditions of the donation agreements.

Cause

Weakness in the internal control structure of the Foundation for Higher Education (FES) which precludes it from complying with the requirements of the Agency for International Development as to reviews through internal or external audits.

Effect

There exists no basic and independent control factor to provide reasonable assurance as to the adequate utilization of the resources of the Program. An amount of Colombian Pesos totaling \$662,044 (approximately US\$1,300) was considered to be questionable costs in our audit report.

Recommendation

We recommend that the internal audit department of the Foundation for Higher Education (FES) set up procedures intended to assure the adequacy of the utilization of funds and the reasonableness of the expenses incurred by FES Leadership Institute (IFL) in connection with the project.

INTERCOUNTRY TECHNOLOGY TRANSFER PROJECT  
GRANT AGREEMENT No. 598-0616-G-00-9001-00  
PROGRAM FOR THE MODERNIZATION OF SOCIAL MANAGEMENT

COMPLIANCE WITH AGREEMENT TERMS AND  
APPLICABLE LAWS AND REGULATIONS

INDEPENDENT AUDITOR'S REPORT

We have audited the fund accountability statement of the Program for the Modernization of Social Management, grant agreement No. 598-0616-G-00-9001-00, part of USAID Office/Colombia's Intercountry Technology Transfer Project, activities managed by the Foundation for Higher Education (Fundación para la Educación Superior - FES), for the period August 30, 1989 to June 30, 1990, and have issued our report thereon dated October 25, 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 the 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 laws, regulations, contracts and agreements affecting the Foundation for Higher Education (FES) is the responsibility of the Foundation's management. As a part of obtaining reasonable assurance about whether the fund accountability statement is free of material misstatement we carried out tests as to compliance by the Foundation for Higher Education (FES) with the terms of the agreement and with the applicable laws and regulations. However, our objective was not to provide an opinion on overall compliance with such terms, laws and regulations.

The results of our tests of compliance indicate that, with respect to items tested FES 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 FES have not complied, in all material respects, with such provisions.

This report is intended solely for the use of the Foundation for Higher Education (FES) and the U.S. Agency for International Development (AID). This restriction is not intended to limit the distribution of this report, which upon approval by the office of the Inspector General is a matter of public record.

October 25, 1991

*Price Waterhouse*

SUPPORT FOR THE PROGRAM TO IMPROVE THE  
ADMINISTRATION OF JUSTICE IN COLOMBIA  
USAID OFFICE/COLOMBIA PROJECT No. 598-0642

FUND ACCOUNTABILITY STATEMENT

INDEPENDENT AUDITOR'S REPORT

We have audited the fund accountability statement of the Support for the Program to Improve the Administration of Justice in Colombia, USAID Office/Colombia Project No. 598-0642, activities managed by the Foundation for Higher Education (Fundación para la Educación Superior - FES), for the period January 1, 1988 to June 30, 1990. The fund accountability statement is the responsibility of the management of the Foundation. Our responsibility is to express an opinion on the fund accountability statement based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with generally accepted auditing standards and the government auditing standards of the U.S. Controller General. These 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 presentation of the fund accountability statement. We believe that our audit provides a reasonable basis for our opinion.

U. S. government auditing standards require that audit organizations performing audits for the U. S. Government have completed an external quality control review performed by an unaffiliated audit organization during the three-year period preceding the audit. We have not complied with such requirement.

As described in Note 2, the fund accountability statement was prepared on the basis of cash receipts and disbursements which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the accompanying fund accountability statement of the Program to Improve the Administration of Justice in Colombia, Project No. 598-0642, presents fairly, in all material respects, the program's receipts and expenditures for the period from January 1, 1988 to June 30, 1990, on the basis of accounting described in Note 2.

This report is intended solely for the use of the Foundation for Higher Education (FES) 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.

October 25, 1991

*Price Waterhouse*

SUPPORT FOR THE PROGRAM TO IMPROVE THE  
ADMINISTRATION OF JUSTICE IN COLOMBIA  
USAID OFFICE/COLOMBIA PROJECT No. 598-0642

MANAGED BY THE FOUNDATION FOR HIGHER  
EDUCATION (FES)

FUND ACCOUNTABILITY STATEMENT FROM  
JANUARY 1, 1988 TO JUNE 30, 1990  
(Expressed in U.S. Dollars)

<u>Program receipts:</u>	<u>Budgeted amounts</u>	<u>Receipts and expenditures</u>	<u>Available</u>
Funds provided by USAID Office/Colombia	<u>\$1,654,000</u>	<u>\$1,325,828</u>	<u>\$328,172</u>
 <u>Program Expenditures:</u>			
Direct costs:			
Analysis of Judicial Administration	\$ 210,000	\$ 236,479	\$(26,479)
Extension of Automatic Data Processing Case Distribution Systems (14 cities)	508,000	529,726	(21,726)
Provision of Basic Legal Libraries	255,000	238,358	16,642
Court Personnel Training	156,000	118,915	37,085
Administrative Costs	125,000	131,237	(6,237)
Improvement for Criminal Instruction Courts	100,000		100,000
Training of Investigative Personnel	250,000	116,571	133,429
Total direct costs	1,604,000	1,371,286	232,714
 Indirect costs:			
Administrative costs	50,000	35,400	14,600
Total program expenditures	<u>\$1,654,000</u>	<u>\$1,406,686</u>	<u>\$247,314</u>
Excess of expenditures over receipts (Note 4)		<u>\$80,858</u>	

SUPPORT FOR THE PROGRAM TO IMPROVE THE  
ADMINISTRATION OF JUSTICE IN COLOMBIA  
USAID OFFICE/COLOMBIA PROJECT No. 598-0642

NOTES TO THE FUND ACCOUNTABILITY STATEMENT  
FROM JANUARY 1, 1988 TO JUNE 30, 1990

NOTE 1 - DESCRIPTION OF THE PROGRAM

The Program for the Administration of Justice in Colombia (Project No. 598-0642) is an assistance program developed by the USAID Office/Colombia through the Foundation for Higher Education (Fundación para la Educación Superior - FES). The project was approved in September 1986 and its aims are to promote the modernization of justice, the processing of data, the investigative systems and the administration of judicial proceedings. The project's activities are directed to the rational utilization of judicial, human and financial resources, with the object of increasing the efficiency of the administration of justice, criminal (and some civil) proceedings, the handling of judicial information, the protection of judicial personnel and the confrontation, in particular, of the problems relating to drug-traffic and terrorism.

The program is supervised by a commission composed of one representative from each of the following bodies: Ministry of Justice, Council of State, Supreme Court of Justice, FES and USAID Office/Colombia. The main activities to be performed under this agreement are the following:

1. Analysis of the administration of justice in Colombia.
2. Application of the system for the processing of justice administration data.
3. Supply of basic legal libraries.
4. Local and international training of court personnel.
5. Improvements to the criminal proceedings courts.
6. Training in investigation.

FES was established in 1964 for the purpose of providing support to investigations by the Valle University in Cali, Colombia. FES is a non-profit private organization which has offices in Cali, Bogotá, Medellín, Barranquilla, Bucaramanga and Pereira. FES operates as a commercial finance company under the supervision of Colombia's Banking Superintendency, with the main object of fostering the country's social development by supporting activities and programs of an educational, scientific and cultural character which contribute to improve the quality of life of the whole population, and specifically of the more underprivileged groups.

## NOTE 2 - ACCOUNTING POLICIES

This fund accountability statement was prepared on the basis of cash receipts and disbursements which is a comprehensive basis of accounting other than generally accepted accounting principles:

- Revenues and expenditures are recorded at the time they take place, that is, when they are received or disbursed.
- Since there are no estimations or provisions made, there are no liabilities recorded.

## NOTE 3 - GRANT PERIOD

The initial period of the grant was September 2, 1986 through June 30, 1990. This date was extended to June 30, 1991 and it is planned that the project will be supported by USAID Office/Colombia for several years more.

## NOTE 4 - STATUS OF EXCESS OF EXPENDITURES OVER RECEIPTS

The excess of expenditures over funds received from USAID was subsequently reimbursed to the Foundation for Higher Education (FES).

SUPPORT FOR THE PROGRAM TO IMPROVE THE  
ADMINISTRATION OF JUSTICE IN COLOMBIA  
USAID OFFICE/COLOMBIA PROJECT No. 598-0642

INTERNAL CONTROL STRUCTURE

INDEPENDENT AUDITOR'S REPORT

We have audited the fund accountability statement of the Support for the Program to Improve the Administration of Justice in Colombia, USAID Office/Colombia Project No. 598-0642, activities managed by the Foundation for Higher Education (Fundación para la Educación Superior - FES), for the period January 1, 1988 to June 30, 1990, and have issued our report thereon dated October 25, 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 the 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 the fund accountability statement of the Program for the period from January 1, 1988 to June 30, 1990, 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 Foundation for Higher Education (FES) 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 of 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 Foundation for Higher Education in a separate letter dated October 25, 1991.

This report is intended solely for the use of the Foundation for Higher Education (FES) 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.

October 25, 1991

*Price Waterhouse*

SUPPORT FOR THE PROGRAM TO IMPROVE THE  
ADMINISTRATION OF JUSTICE IN COLOMBIA  
USAID OFFICE/COLOMBIA PROJECT No. 598-0642

COMPLIANCE WITH AGREEMENT TERMS AND APPLICABLE LAWS AND REGULATIONS

INDEPENDENT AUDITOR'S REPORT

We have audited the fund accountability statement of the Support for the Program to Improve the Administration of Justice in Colombia, USAID Office/Colombia Project No. 598-0642, activities managed by the Foundation for Higher Education (Fundación para la Educación Superior - FES), for the period January 1, 1988 to June 30, 1990, and have issued our report thereon dated October 25, 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 the 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 applicable laws, regulations, and contract terms is the responsibility of the Foundation for Higher Education (FES) management. As part of obtaining reasonable assurance about whether the accountability statement is free of material misstatement, we performed tests of the Foundation for Higher Education's compliance with certain provisions of applicable laws, regulations, and contract 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 Foundation for Higher Education (FES) complied, in all material respects, with the provisions referred to in the preceding paragraph. With respect to the items not tested, nothing came to our attention that caused us to believe that the Foundation for Higher Education (FES) had not complied, in all material respects, with those provisions.

This report is intended solely for the use of the Foundation for Higher Education (FES) 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*

October 25, 1991

ANDEAN PEACE SCHOLARSHIP PROGRAM  
USAID OFFICE/COLOMBIA PROJECT No. 598-0647

FUND ACCOUNTABILITY STATEMENT  
FROM JUNE 1, 1988 TO JUNE 30, 1990

INDEPENDENT AUDITOR'S REPORT

We have audited the fund accountability statement of the Andean Peace Scholarship Program, USAID Office/Colombia Project No. 598-0647, activities managed by the Foundation for Higher Education (Fundación para la Educación Superior - FES), for the period June 1, 1988 to June 30, 1990. The fund accountability statement is the responsibility of the management of the Foundation. Our responsibility is to express an opinion on the fund accountability statement based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with generally accepted auditing standards and the government auditing standards of the U.S. Controller General. These 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 presentation of the fund accountability statement. We believe that our audit provides a reasonable basis for our opinion.

U. S. government auditing standards require that audit organizations performing audits for the U. S. Government have completed an external quality control review performed by an unaffiliated audit organization during the three-year period preceding the audit. We have not complied with such requirement.

As described in note 2, the fund accountability statement was prepared on the basis of cash receipts and disbursements which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion the accompanying fund accountability statement of the Andean Peace Scholarship Program, presents fairly in all material respects, the program receipts and expenditures for the period from June 1, 1988 to June 30, 1990, on the basis of accounting described in note 2.

This report is intended solely for the use of the Foundation for Higher Education (FES) 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*

October 25, 1991

ANDEAN PEACE SCHOLARSHIP PROGRAM  
USAID OFFICE/COLOMBIA PROJECT No. 598-0647

FUND ACCOUNTABILITY STATEMENT  
FROM JUNE 1, 1988 TO JUNE 30, 1990  
 (Expressed in U.S. Dollars)

<u>Program receipts:</u>	<u>Budgeted Receipts and</u> <u>amounts expenditures</u>		<u>Available</u>
Funds provided by USAID Office/Colombia	<u>\$905,305</u>	<u>\$552,615</u>	<u>\$352,690</u>
 <u>Program Expenditures:</u>			
Operational costs	\$566,866	317,941	\$248,925
Administrative costs	287,411	206,378	81,033
Consultants	2,918	1,881	1,037
Furniture and equipment	28,110	27,271	839
Audit	<u>20,000</u>	<u>          </u>	<u>20,000</u>
	<u>\$905,305</u>	<u>553,471</u>	<u>\$351,834</u>
Excess of expenditures over receipts		<u>\$ 856</u>	

ANDEAN PEACE SCHOLARSHIP PROGRAM  
USAID OFFICE/COLOMBIA PROJECT No. 598-0647

NOTES TO THE FUND ACCOUNTABILITY STATEMENT  
FROM JUNE 1, 1988 TO JUNE 30, 1990

NOTE 1 - DESCRIPTION OF THE PROGRAM

The purpose of this Program is to provide administrative support in Colombia for the implementation of the Agency for International Development's (AID's) Program of Andean Peace Scholarships. This Program was begun on June 1, 1988 and had an assigned budget of US\$905,305 at June 30, 1990.

The Andean Peace Scholarship Program was authorized by the United States Government in 1987. The Program has a budget of approximately US\$27 million to be utilized between four Andean countries (Bolivia, Ecuador, Perú and Colombia). A total budget of US\$7 million was assigned to Colombia and was distributed between two foundations, one of which is the Foundation for Higher Education (Fundación para la Educación Superior - FES), which received US\$905,305. The rest of the funds were given to Development Associates in Washington, D. C.

The following are the institutions in charge of the coordination of the Program:

1. USAID Office/Colombia.
2. Foundation for Higher Education (FES).
3. Development Associates.
4. Agency for International Development (AID) - Education, Science and Technology Office in Washington.
5. Aguirre International (Evaluation of the Project).

The Foundation for Higher Education (FES) was established in 1964 for the purpose of providing support to investigations of the Valle University in Cali, Colombia. FES is a non-profit private organization which has offices in Cali, Bogotá, Medellín, Barranquilla, Bucaramanga and Pereira. FES operates as a commercial finance company under the supervision of Colombia's Banking Superintendency, with the main object of fostering the country's social development by supporting activities and programs of an educational, scientific and cultural character which contribute to improve the quality of life of the whole population, and specifically of the more under-privileged groups.

**NOTE 2 - ACCOUNTING POLICIES**

The fund accountability financial statements under the agreement were prepared on the cash receipts and disbursements basis of accounting, whereby income is recorded as and when it is received while expenses are recognized as and when they are effectively disbursed.

**NOTE 3 - PROJECT COMPLETION DATE**

This project will be finished in 1992.

**NOTE 4 - STATUS OF EXCESS OF EXPENDITURES  
OVER RECEIPTS**

The excess of expenditures over funds received from USAID Office/Colombia was subsequently reimbursed to the Foundation for Higher Education (FES).

ANDEAN PEACE SCHOLARSHIP PROGRAM  
USAID OFFICE/COLOMBIA PROJECT No. 598-0647

INTERNAL CONTROL STRUCTURE

INDEPENDENT AUDITOR'S REPORT

We have audited the fund accountability statement of the Andean Peace Scholarship Program, USAID Office/Colombia Project No. 598-0647, activities managed by the Foundation for Higher Education (Fundación para la Educación Superior - FES), for the period June 1, 1988 to June 30, 1990, and have issued our report thereon dated October 25, 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 the 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 the fund accountability statement of the Program for the period from June 1, 1988 to June 30, 1990 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 Foundation for Higher Education 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  
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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 of 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 Foundation for Higher Education in a separate letter dated October 25, 1991.

This report is intended solely for the use of the Foundation for Higher Education 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*

October 25, 1991

ANDEAN PEACE SCHOLARSHIP PROGRAM  
USAID OFFICE/COLOMBIA PROJECT No. 598-0647

COMPLIANCE WITH AGREEMENT TERMS AND APPLICABLE LAWS AND REGULATIONS

INDEPENDENT AUDITOR'S REPORT

We have audited the fund accountability statement of the Andean Peace Scholarship Program, USAID Office/Colombia Project No. 598-0647, activities managed by the Foundation for Higher Education (Fundación para la Educación Superior - FES), for the period June 1, 1988 to June 30, 1990, and have issued our report thereon dated October 25, 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 the 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 applicable laws, regulations, and contract terms is the responsibility of the Foundation for Higher Education'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 certain provisions of applicable laws, regulations, and contract 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 Foundation for Higher Education 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 Foundation for Higher Education had not complied, in all material respects, with those provisions.

This report is intended solely for the use of the Foundation for Higher Education 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*

October 25, 1991

AWARD SURVEY OF THE FOUNDATION FOR  
HIGHER EDUCATION (FES) WITH REGARD TO THE PLANNED  
INCREASE IN FUNDING AND ACTIVITIES  
UNDER THE PROJECT "SUPPORT FOR THE PROGRAM TO IMPROVE  
THE ADMINISTRATION OF JUSTICE IN COLOMBIA"  
PROJECT No. 598-0642 (G-006006)

STATEMENT OF PROPOSED COSTS

REPORT OF INDEPENDENT ACCOUNTANTS

We have performed an award survey of the accompanying statement of proposed costs for the period July 1, 1990 to June 30, 1991 prepared by the Foundation for Higher Education (FES), in connection with the planned increase in funding and activities covered by the Agency for International Development's (AID's) Project No. 598-0642, "Support for the Program to improve the Administration of Justice in Colombia".

We conducted an award survey in accordance with generally accepted auditing standards and the U.S. Controller General's "Government Auditing Standards". Those standards require that we plan and perform the survey to obtain reasonable assurance about whether the statement of proposed costs is free of material misstatement.

The purpose of our review was to determine whether the above mentioned proposed costs comply with the following requirements:

1. Direct and indirect costs are based on current, accurate and complete information as to prices.
2. All costs included are allocable, allowable, reasonable and necessary which are considered essential to accomplish the project activities.
3. The rate of indirect costs is reasonable in accordance with the terms of the agreement.
4. The planned wage and salary rates and the proposed escalating factors are reasonable.
5. The employee benefit plans are reasonable.

Based on our survey of the accompanying statement of proposed costs from July 1, 1990 to June 30, 1991, we conclude that the Foundation for Higher Education (FES) complied with the above mentioned requirements.

This report is intended solely for the use of the Foundation for Higher Education (FES) and the Agency for International Development (AID). 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.

October 25, 1991

*Price Waterhouse*

AWARD SURVEY OF THE  
FOUNDATION FOR HIGHER EDUCATION (FES)  
WITH REGARD TO THE PLANNED INCREASE IN  
FUNDING AND ACTIVITIES UNDER THE PROJECT  
"SUPPORT FOR THE PROGRAM TO IMPROVE THE  
ADMINISTRATION OF JUSTICE IN COLOMBIA"  
PROJECT No. 598-0642 (G-006006)

STATEMENT OF PROPOSED COSTS  
FOR THE PERIOD FROM JULY 1, 1990 TO JUNE 30, 1991  
(Expressed in U.S. Dollars)

<u>Category</u>	<u>Proposed costs</u>
Analysis of judicial administration	\$ 43,000
Extension of automatic data processing case distribution systems (14 Cities)	352,000
Provision of basic legal libraries	5,500
Direct administrative costs	134,000
Indirect administrative costs	100,000
Audit	5,000
Justice sector plan/new project design	115,500
Improving security of key justice personnel	<u>385,000</u>
Total	<u><u>\$1,140,000</u></u>

AWARD SURVEY OF THE  
FOUNDATION FOR HIGHER EDUCATION (FES)  
WITH REGARD TO THE PLANNED INCREASE IN  
FUNDING AND ACTIVITIES UNDER THE PROJECT "SUPPORT FOR THE  
PROGRAM TO IMPROVE THE ADMINISTRATION OF JUSTICE IN COLOMBIA"  
PROJECT No. 598-0642 (G-006006)

MANAGEMENT CAPABILITY

INDEPENDENT AUDITOR'S REPORT

We have performed an award survey of the statement of proposed costs of the Foundation for Higher Education (FES) with regard to the planned increase in funding and activities under the project "Support for the Program to Improve the Administration of Justice in Colombia" Project No. 598-0642 and have issued our report dated October 25, 1991. As a part of the award survey we have performed a study and evaluation of the administrative capacity of FES to continue administering the expanded program, Project No. 598-0642 with the USAID Office/Colombia. Our study and evaluation covered those areas which we considered relevant in accordance with the criteria established in the statement of work prepared by USAID Office/Colombia; and in accordance with the "Government Auditing Standards" (1988 revised edition) of the U.S. Comptroller General.

We evaluated FES's current organization chart and determined the proposed allocation of responsibilities for Project activities.

We evaluated staffing levels in terms of expertise and experience managing similar projects for USAID Office/Colombia and other donors. We also evaluated whether the expansion in the level of Project activities justifies the formation of a separate administrative unit within FES to manage the Project.

We determined the current and proposed workload of key personnel to be in charge of Project activities. In this connection we assessed whether the degree of delegation of authority and responsibility by FES top management is appropriate or whether it has a disruptive effect on the execution of USAID Office, Colombia funded activities.

We evaluated FES's policies regarding administration of personnel, funds and assets, and other related policies such as segregation of duties, conflict of interests, etc.

Based on our evaluation and understanding of the criteria included in the "Statement of work" mentioned in the preceding paragraph, we believe that the Foundation for Higher Education (FES) has sufficient administrative capability and span of control and human resources to continue administering the expanded "Program to Improve the Administration of Justice in Colombia", Project No. 598-0642.

This report is intended solely for the use of the Foundation for Higher Education (FES) and of the U.S. Agency for International Development (AID). 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*

October 25, 1991

AWARD SURVEY OF THE  
FOUNDATION FOR HIGHER EDUCATION (FES)  
WITH REGARD TO THE PLANNED INCREASE IN FUNDING AND ACTIVITIES  
UNDER THE PROJECT "SUPPORT FOR THE PROGRAM  
TO IMPROVE THE ADMINISTRATION OF JUSTICE IN COLOMBIA"  
PROJECT No. 598-0642 (G-006006)

FINANCIAL CAPABILITY

INDEPENDENT AUDITOR'S REPORT

We have performed an award survey of the statement of proposed costs of the Foundation for Higher Education (FES) with regard to the planned increase in funding and activities under the project "Support for the Program to Improve the Administration of Justice in Colombia" Project No. 598-0642 and have issued our report dated October 25, 1991. As a part of the award survey we have performed an evaluation of the financial capability of FES to continue administering the expanded program, Project No. 598-0642 with the USAID Office/Colombia. Our work was conducted in accordance with the statement of work prepared by the USAID Office/Colombia; and in accordance with the "Government Auditing Standards" (1988 revised edition) of the U.S. Comptroller General.

We determined whether current assets on hand and lines of credit, as applicable, are sufficient to pay proposed Project expenditures during at least a two-month period, until USAID Office/Colombia makes advances or periodic reimbursements.

We determined whether FES has realistically projected expenses with respect to its planned staffing levels and present and planned activities, and whether the funds programmed for Project activities are sufficient to meet the Project's operating costs.

Based on our evaluation and understanding of the criteria included in the "Statement of work" mentioned in the preceding paragraph, we believe that the Foundation for Higher Education (FES) has sufficient financial capability to continue administering the expanded "Program to Improve the Administration of Justice in Colombia", Project No. 598-0642.

This report is intended solely for the use of the Foundation for Higher Education (FES) and of the Agency for International Development (AID). 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.

*Pricewaterhouse*

October 25, 1991

**LIST OF REPORT RECOMMENDATIONS****Internal control**

## a) Agreement No. 598-0616-G-00-6004-00

We recommend that the Foundation's internal audit department set up independent audit procedures intended to judge the adequacy of fund utilizations and the reasonableness of the expenses incurred in the execution of the project.

## b) Agreement No. 598-0616-G-00-6005-00

We recommend that the Foundation for Higher Education (FES) design financial control and audit procedures for the sub-donations to other entities, which should include budget reviews and the audit of transactions and documents justifying the use of funds.

## c) Agreement No. 598-0616-G-00-9001-00

We recommend that the internal audit department of the Foundation for Higher Education (FES) set up procedures intended to assure the adequacy of the utilization of funds and the reasonableness of the expenses incurred by FES Leadership Institute (IFL) in connection with the project.

**Compliance**

None.

Management comments: The Foundation for Higher Education submitted to us a few minor corrections of details in the text of our report and these have been made. The only comment received from management other than such minor corrections is the following:

Child survival program (No. 598-0616-G-00-6005-00)

"At this time the Department of Internal Audit is establishing procedures and controls over the sub-donations made by the project"

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D/AIG/A	1
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