

Regional Inspector General for Audit
San José, Costa Rica

Audit of USAID/Dominican Republic's
Agribusiness Promotion Project
Activities Managed by the
Dominican Agribusiness Council
January 1, 1991 to December 31, 1992

Audit Report No. 1-517-95-23-N
September 20, 1995



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.

REGIONAL INSPECTOR GENERAL



AGENCY FOR INTERNATIONAL DEVELOPMENT
OFFICE OF THE REGIONAL INSPECTOR GENERAL
SAN JOSE, COSTA RICA

Unit 2521
APO AA 34020
Telephone 220-4645
FAX: (506) 220-3573

September 20, 1995

MEMORANDUM

TO: USAID/Dominican Republic Director, Marilyn Zak

FROM: *William B. Watson*
RIG/A/San Jose, Wayne J. Watson

SUBJECT: Audit of USAID/Dominican Republic's Agribusiness Promotion Project Activities, Managed by the Dominican Agribusiness Council, January 1, 1991 to December 31, 1992

This report presents the results of a financial audit of the Agribusiness Promotion Project Activities, USAID/Dominican Republic Project No. 517-0186, managed by the Dominican Agribusiness Council, for the period January 1, 1991 to December 31, 1992. The accounting firm of Sotero Peralta Y Asociados prepared the report dated April 14, 1993.

The goals of the project were: 1) to establish a credit fund and provide technical advice to private agribusiness firms and their supporting industries that produce commodities for export and domestic markets and 2) to improve the mechanisms and policy framework for promoting and financing agribusiness projects.

The project consisted of two components—a loan-funded component and a grant-funded component. The loan-funded component was to provide capital for the expansion or establishment of private agribusiness enterprises. The grant-funded component was to support the Dominican Agribusiness Council (the Council), an association of over 500 agribusinesses which provides services to its members such as direct technical assistance, a preclearance program for fresh fruit and vegetable exports, market information, agribusiness promotion and networking, and a full service agricultural laboratory.

The objectives of the audit were to determine whether: (1) the fund accountability statement presents fairly, in all material respects, the financial execution of the project activities managed by the Council for the

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period January 1, 1991 through December 31, 1992, and costs reported as incurred and reimbursed by USAID/Dominican Republic (USAID/DR) were allowable, allocable, and reasonable in accordance with agreement terms, and applicable laws and regulations, (2) the internal control structure of the Council was adequate to manage its project activities, and (3) the Council complied with agreement terms and applicable laws and regulations which may affect the project's goals and incurred costs. The scope of the audit included an examination of the Council's activities and transactions to the extent considered necessary to issue a report thereon for the period audited. The audit included coverage of \$1,195,585 of USAID/DR disbursements to the project during the audited period.

Sotero Peralta Y Asociados was of the opinion that the fund accountability statement presents fairly, in all material respects, the income and expenditures made with cooperative agreement funds under the project, during the period audited.

With respect to the Council's internal control structure, the auditors identified one reportable weakness—a lack of monitoring of the organization's counterpart contributions.

Regarding compliance with agreement terms and applicable laws and regulations, the auditors noted three material instances of noncompliance: (1) the amount of counterpart contributions was \$2,570,000 less than stipulated in the cooperative agreement, (2) funds not specifically related to the Agribusiness Promotion Project were deposited in and disbursed from the project's bank accounts, and (3) cash receipts and expenditures were not recorded and monitored in terms of U.S. dollars, but rather in Dominican pesos only.

Although the PACD has expired, the recipient is being used for other USAID/Dominican Republic projects. Therefore, we are including the following recommendation in the Office of Inspector General's audit recommendation follow-up system:

Recommendation No. 1

We recommend that USAID/DR obtain evidence that the Dominican Agribusiness Council has taken proper action to: (a) design and implement procedures that will ensure that counterpart contributions are properly monitored, (b) assure that a separate account is established, maintained, and utilized in accordance with agreement terms for all USAID projects, and (c) record and monitor all cash receipts and expenditures in terms of U.S. dollars.

Recommendation No. 1 can be resolved when USAID/DR 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 designed and placed in operation.

In addition to the recommendation above, ***we strongly suggest that USAID/DR resolve the issue regarding the \$2,570,000 in counterpart funds described above and take the necessary action to ensure that the funds required by the grant agreement were received and used for project purposes.***

The report was discussed with representatives of the Council, who generally agreed with the findings and recommendations included in the report, except for the issue of counterpart funds. The Council's comments are included in Appendices II and III to the Sotero Peralta y Asociados report.

This final audit 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 recommendation.

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

**Audit of USAID/Dominican Republic's
Agribusiness Promotion Project
Activities Managed by the
Dominican Agribusiness Council
January 1, 1991 to December 31, 1992**

**Audit Report No. 1-517-95-23-N
September 20, 1995**



**AUDIT OF
AGRIBUSINESS PROMOTION PROJECT
ACTIVITIES MANAGED BY
DOMINICAN AGRIBUSINESS COUNCIL
UNDER COOPERATIVE AGREEMENT NO.517-0186**

**FOR THE PERIOD JANUARY 1, 1991,
TO DECEMBER 31, 1992**

**AUDIT OF THE
 AGRIBUSINESS PROMOTION PROJECT
 ACTIVITIES MANAGED BY THE DOMINICAN AGRIBUSINESS COUNCIL
 UNDER COOPERATIVE AGREEMENT NO. 517-0186
 FOR THE PERIOD JANUARY 1, 1991, THROUGH DECEMBER 31, 1992**

TABLE OF CONTENTS

	Page
Transmittal Letter and Summary	
Background	1
Audit objectives and scope	2
Results of audit	5
Management comments	6
Fund Accountability Statement	
Independent auditor's report	7
Fund accountability statement	9
Notes to the fund accountability statement	11
Internal Control Structure	
Independent auditor's report	26
Findings	29
Compliance with Agreement Terms and Applicable Laws and Regulations	
Independent auditor's report	31
Findings	34
Summary of Report Recommendations	40
Appendix One - Management Comments	42
Appendix Two - Management Comments on Counterpart Funding	43

September 28, 1994

Mr. Coinage N. Gothard
Regional Inspector General for Audit
United States Agency for International Development
San José, Costa Rica

**SOTERO PERALTA Y
ASOCIADOS**
Contadores Públicos Autorizados
Miembros de Horwath International
Ave. Winston Churchill No. 71
Edificio Lama, 2do. piso
Apartado Postal 355-2
Santo Domingo, República Dominicana
Teléfonos (809) 541-5353
(809) 541-5770
Telefax (809) 565-1279

**Re: Financial Audit of the
Agribusiness Promotion Project,
USAID/Dominican Republic Project No. 517-0186**



Dear Mr. Gothard:

THIS REPORT PRESENTS the results of our close-out financial audit of the Agribusiness Promotion Project, USAID/Dominican Republic Project No. 517-0186, activities managed by the Dominican Agribusiness Council, under cooperative agreement No.517-0186 for the period January 1, 1991 through December 31, 1992.

I. BACKGROUND

The goals of the Agribusiness Promotion Project conform with those of the USAID/Dominican Republic's Strategic Objective Nos. 1 and 3, which call respectively for increased and diversified external trade and increased availability of water needed for sustained economic development by integrated pest management activities reduction in pesticide use with their positive impact on water quality.

Its purposes are: 1) to establish a credit fund and provide technical advice to private agribusiness firms and their supporting industries that produce commodities for export and domestic markets and 2) to improve the mechanisms and policy framework for promoting and financing agribusiness projects. The project consists of a loan component and a grant component.

The loan-funded component of this project which ended on June 30, 1991, represented a program implemented by the Dominican Republic's Central Bank to establish a fund to be drawn down on by participating financial institutions to provide capital for the expansion or establishment of private agribusiness enterprises. The loan agreement, dated August 23, 1985, obligated the Government of the Dominican Republic (GODR) to provide US\$17.3 million in assistance, to be funded through the country's Central Bank.

Under the grant-funded component of the cooperative agreement No.517-0186 dated August 23, 1985, provides assistance to support the Junta Agroempresarial Dominicana, Inc. (JAD), formerly the Junta Agroempresarial de Consultoría y Conversión (JACC).

JAD itself is an association of over 500 agribusinesses organized for the purpose of providing services to members. The current menu of services includes direct technical assistance, a United States Department of Agriculture (USDA/APHIS) sanctioned preclearance program for fresh fruit and vegetable exports, market information, agribusiness promotion and networking, and a full service agricultural laboratory. As of September 30, 1992, \$5.5 million had been obligated under the cooperative agreement, and cumulative commitments and expenditures amounted to \$5,364,938 and \$5,313,870, respectively. The project assistance completion date (PACD) was set for December 31, 1992.

II. AUDIT OBJECTIVES AND SCOPE

The objective of this engagement was to conduct a financial close-out audit of the Agribusiness Promotion Project activities managed by the Dominican Agribusiness Council (JAD), under cooperative agreement No.517-0186, for the period January 1, 1991 through December 31, 1992. We performed the audit in accordance with the statement of work, generally accepted auditing standards, and the *Government Auditing Standards* of the United States Comptroller General.

The specific objectives were to determine whether:

- A. The fund accountability statement presents fairly, in all material respects, the financial execution of the project activities managed by JAD for the period January 1, 1991 through December 31, 1992, and costs reported as incurred and reimbursed by USAID/Dominican Republic (USAID/DR) were allowable, allocable, and reasonable in accordance with agreement terms, and applicable laws and regulations.
- B. The internal control structure of JAD was adequate to manage its project activities.
- C. JAD complied with agreement terms and applicable laws and regulations which may affect the project's goals and incurred costs.

The scope of the financial audit consisted of the following:

A. Fund Accountability Statement

We examined the fund accountability statement, giving emphasis to the variance between budgeted and actual amounts by category and major items; the costs reported by the organization as incurred during the period covered by the audit; and the revenues received from USAID\Dominican Republic for the period under audit. More specifically, we:

1. Tested direct and indirect costs reimbursed by USAID\Dominican Republic identifying and quantifying questionable costs.
2. Tested general ledgers and project ledgers to determine whether costs incurred were properly recorded, and reconciled direct costs reimbursed by USAID\Dominican Republic to the project ledgers and to the general ledgers.
3. Reviewed the procedures used to control the funds, including their transfer to contracted financial institutions or other implementing units.
4. Determined whether advances of funds are justifiable in terms of the project and supported by proper documentation, including reconciliations of funds advanced, disbursed, and available.
5. Determined whether income and/or reimbursements representing recoveries of project costs, have been recorded as income or as credit to project cost accounts.
6. Reviewed direct payments and purchases made by USAID on behalf of the project to evaluate procedures used by JAD, as applicable, to record and control the assets, commodities, and technical assistance received.
7. Determined whether salaries were reasonable for positions held in the Dominican Republic, and whether salaries paid are supported by appropriate payroll records.
8. Determined what cash remaining after the close of the project should be returned to USAID/Dominican Republic; and reviewed the status of any unliquidated advances to JAD and/or reimbursements owed by USAID/Dominican Republic to JAD.
9. Assured that at the close of the project all assets (inventories, fixed assets, commodities, etc.) procured with project funds have been disposed of in accordance with the terms of the agreement.
10. Included in the report a fund accountability statement which presents project costs incurred over the life of the project.

B. Internal Control Structure

Major internal controls evaluated included the adequacy of the accounting and information systems, procurement procedures and practices, bank account controls, fixed assets controls on counterpart contributions, and controls to assure that charges to the project were reasonable and properly supported. As a matter of standard procedure, we:

1. Concerned ourselves with policies and procedures that pertained to the implementing entity's ability to record, process, summarize, and report financial data consistent with the fund accountability statement, and that ensured compliance with agreement terms and applicable laws and regulations.
2. Evaluated JAD's procurement system in regard to project operations to determine if the system follows sound commercial practices and meets USAID regulations.
3. Determined whether JAD maintained separate bank accounts for project activities, and whether the controls on those bank accounts were adequate for project purposes and in compliance with USAID regulations.
4. Ascertained whether JAD had established policies for planning and evaluating project activities and accomplishments.

C. Compliance with Agreement Terms and Applicable Laws and Regulations.

In determining whether JAD complied with the terms of the cooperative agreement, project implementation letters, and applicable laws and regulations that might have had a direct and material effect on amounts comprising the fund accountability statement, we:

1. Identified the agreement terms and pertinent laws and regulations, and determined which of those not observed could have a direct and material effect on the fund accountability statement and the project.
2. Assessed the internal controls in place to assure compliance with agreement terms and laws and regulations.
3. Designed steps and procedures to test compliance with agreement terms and laws and regulations to provide reasonable assurance of detecting both intentional and unintentional instances of noncompliance that could have a material effect on the fund accountability statement.
4. Determined if project funds have been expended for purposes not authorized by agreement terms.
5. Determined if the counterpart contribution and technical assistance, as applicable, were obtained in a timely manner according to the agreement and to the project's needs.

III. RESULTS OF THE AUDIT

A. Fund Accountability Statement

We have audited the fund accountability statement of the Agribusiness Promotion Project activities managed by the Dominican Agribusiness Council, under cooperative agreement No.517-0186, for the period January 1, 1991 through December 31, 1992, and we have issued an unqualified opinion on the fund accountability statement.

B. Internal Control Structure

Our testing, except for the finding summarized below and set forth in the **Compliance** section below, indicates that JAD had sufficient capacity to capture accounting data accurately under the cooperative agreement:

As presented more fully in C.I. below, JAD did not structure its accounting in a manner to monitor its own counterpart contributions, as required by amendment one to the cooperative agreement. As a consequence, counterpart contributions funding provided proved to be approximately US\$2,570,000 less than that agreed to per the cooperative agreement.

C. Compliance with Agreement Terms and Applicable Laws and Regulations

Our testing, except for the findings summarized below, indicates that JAD complied, in all material respects, with the terms of the cooperative agreement and with applicable laws and regulations:

- 1. Counterpart Funds Not Provided in Accordance with the Agreement** - JAD did not provide its own organization counterpart funds according to the cooperative agreement, arguing that the Dominican peso-to-dollar rate noted in the original 1985 agreement fixed the rate applicable to counterpart funding provided in local currency for the life of the project. According the JAD's presentation of the counterpart funding, JAD made counterpart contributions in the amount of RD\$ 17,778,393 (US\$1,535,000, translated at a weighted average each year). However, the agreement stipulated counterpart funds from July 1, 1989 through the PACD, in the adjusted amount of US\$4,105,000, producing a negative variance of US\$2,570,000.
- 2. Unauthorized Use of Project Bank Accounts** — Even though the cooperative agreement specifies that bank accounts established for the project must be restricted to USAID/Dominican Republic funding alone, amounts not related to Agribusiness Promotion Project were deposited into and disbursed from the project accounts.

According to JAD's management, the unauthorized deposits comprised *a)* interfund loans made to Agribusiness Promotion Project and *b)* US dollar transfers to the United States Department of Agriculture.

3. **Absence of Proper Budgetary Control** — Even though the cooperative agreement established budgets in both Dominican pesos and United States dollars, JAD carried all cash receipts and expenditures in Dominican pesos. As a consequence, JAD could not demonstrate that its expenditures were in compliance with the peso and dollar expenditures ceilings set forth in the cooperative agreement and its amendments.

VI. MANAGEMENT COMMENTS

A copy of this report was provided to JAD and USAID/Dominican Republic and discussed in an exit conference held on July 1, 1993. JAD expressed agreement with the opinion on the fund accountability statement and the findings on **Internal Control Structure** (see Appendix One). Except for Finding One on the provision of counterpart funding (see Appendix Two), JAD also expressed agreement with the findings on **Compliance with Agreement Terms and Applicable Laws and Regulations** contained herein (Appendix One).

Sotero Peralta & Asociados

**INDEPENDENT AUDITOR'S REPORT
FUND ACCOUNTABILITY STATEMENT**

**Financial Audit of the
Agribusiness Promotion Project
USAID/Dominican Republic Project No. 517-0186**

**Activities Managed by the
Dominican Agribusiness Council**

**For the Period January 1, 1991
through December 31, 1992**

**SOTERO PERALTA Y
ASOCIADOS**
Contadores Públicos Autorizados
Miembros de Horwath International
Ave. Winston Churchill No. 71
Edificio Lama, 2do. piso
Apartado Postal 355-2
Santo Domingo, República Dominicana
Teléfonos (809) 541-5353
(809) 541-5770
Telefax (809) 565-1279



WE HAVE AUDITED the accompanying fund accountability statement of the Agribusiness Promotion Project, activities managed by the Dominican Agribusiness Council (JAD) under cooperative agreement No.517-0186, for the period January 1, 1991 through December 31, 1992. The fund accountability statement is the responsibility of the management of JAD. Our responsibility is to express an opinion on the fund accountability statement based on our audit.

Except as discussed in the next paragraph, we conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the fund accountability statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the fund accountability statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit procedures were able to provide us with sufficient, competent evidential matter on which to base an opinion on the fund accountability statement.

We did not have an external quality control review by an unaffiliated audit organization as required by paragraph 46, Chapter 3 of *Government Auditing Standards*, since no such quality review program is required by professional accounting organizations in the Dominican Republic. We believe that the effect of this departure from the financial audit requirements of *Government Audit Standards* is not material because we participate in the Horwath International worldwide quality control program, which requires each Horwath International firm (including Sotero Peralta & Associates) to submit every three years to an extensive quality control review by

**INDEPENDENT AUDITOR'S REPORT
FUND ACCOUNTABILITY STATEMENT**

partners and managers from other Horwath International firms. The next quality review for Sotero Peralta & Associates will be conducted in 1993 by Canepa, Nazer, Kopeck & Asociados, Buenos Aires, Argentina.

As set forth more fully in Note 1(a), the fund accountability statement was prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than a basis in accordance with generally accepted accounting principles.

In our opinion, the fund accountability statement of the Agribusiness Promotion Project, activities managed by the Dominican Agribusiness Council, under cooperative agreement No.517-0186, presents fairly, in all material respects, cash received and expenditures reimbursed, for the period January 1, 1991 through December 31, 1992, in accordance with the basis of accounting described in Note 1(a) to the fund accountability statement.

This report is intended for the use of the Dominican Agribusiness Council and the United States 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.

April 14, 1993

Sotero Peralta & Asociados

**AGRIBUSINESS PROMOTION PROJECT
ACTIVITIES MANAGED BY THE DOMINICAN AGRIBUSINESS COUNCIL**

**FUND ACCOUNTABILITY STATEMENT
FOR THE PERIOD JANUARY 1, 1991 THROUGH DECEMBER 31, 1992**

<i>Expressed in RD\$</i>	Project Execution	Questionable Costs	
		Questioned	Unsupported
Cash available from prior periods, as of January 1, 1991	\$617,783	-	-
INCOME:			
Funds received from USAID during the audited period (Note 1)	RD\$ 15,100,235	N/A	N/A
Total cash available	15,718,018	N/A	N/A
EXPENDITURES			
A. Institutional Development:			
Technical Assistance (Note 2)	RD\$ 1,858,298	-	-
Equipment (Note 3)	1,304,320	-	-
Training (Note 4)	257,393	-	-
Building (Note 5)	2,127,095	-	-
Salaries	983,607	-	-
Operational expenditures (Note 6)	2,147,111	-	-
Subtotal, Institutional Disbursements	RD\$ 8,677,824	RD\$ -	RD\$ -

See Notes to the Fund Accountability Statement

(Continued on the following page)

**AGRIBUSINESS PROMOTION PROJECT
ACTIVITIES MANAGED BY THE DOMINICAN AGRIBUSINESS COUNCIL**

**FUND ACCOUNTABILITY STATEMENT
FOR THE PERIOD JANUARY 1, 1991 THROUGH DECEMBER 31, 1992 (continued)**

<i>Expressed in RD\$</i>	Project Execution	Questionable Costs	
		Questioned	Unsupported
EXPENDITURES (Continued)			
B. Service Development:			
Technical Assistance (Note 7)	RD\$ 2,062,006	-	-
Equipment and Supplies (Note 8)	28,481	-	-
Training (Note 9)	502,771	-	-
Salaries	1,110,311	-	-
Operational expenditures (Note 10)	3,239,969	-	-
Subtotal, Service Development	\$ 6,943,538	-	-
TOTAL EXPENDITURES (Note 11)	\$ 15,621,362	-	-
INCOME OVER EXPENDITURES	\$ 96,656	-	-
Translation difference (Note 1b)	\$ (44,571)	-	-
Closing Bank Balance, December 31, 1992 (Note 12)	RD\$ 52,085	-	-

See Notes to the Fund Accountability Statement

**AGRIBUSINESS PROMOTION PROJECT
ACTIVITIES MANAGED BY THE DOMINICAN AGRIBUSINESS COUNCIL**

**NOTES TO THE FUND ACCOUNTABILITY STATEMENT
FOR THE PERIOD JANUARY 1, 1991 THROUGH DECEMBER 31, 1992**

1. Summation of the Dominican Agribusiness Council's significant accounting policies for the Agribusiness Promotion Project cooperative agreement is as follows:

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

b) **Currency —**

The Agribusiness Promotion Project's accounting records are maintained and the fund accountability statement expressed in Dominican pesos (RD\$). Transactions taking place in United States dollars have been translated into Dominican pesos at the official rate of exchange in effect on the date of the transaction. Since JAD received United States dollars for dollar purchases, such a translation does not constitute an expense, but rather a reconciling item between the book of accounts and the bank balances.

Below are the weighted average exchange rates for the project period. Although cooperative agreement No.517-0186 was signed in August 1985, no funding was received or project expenditures made until calendar year 1986. The weighted average rates were derived from the exchange rates used by JAD for the purpose of translating of US dollar cash receipts and expenditures to Dominican pesos in order to maintain the organization's books of account in pesos as follows:

**AGRIBUSINESS PROMOTION PROJECT
ACTIVITIES MANAGED BY THE DOMINICAN AGRIBUSINESS COUNCIL**

FAS Period	Weighted Average (RD to US\$)
Calendar year 1986	2.85
Calendar year 1987	3.51
Calendar year 1988	6.00
Calendar year 1989	6.28
Calendar year 1990	8.53
Calendar year 1991	12.53
Calendar year 1992	12.73

c) Cooperative agreement —

On August 23, 1985, the Dominican Agribusiness Council (JAD) and the United States Agency for International Development Mission to the Dominican Republic (USAID/Dominican Republic) signed cooperative agreement No. 517-0186, to implement JAD'S activities under the project. The purposes of the cooperative agreement were:

- ▶ To establish a credit fund and provide technical assistance to private-sector agricultural businesses for the purposes of improving and furthering the export of their production.
- ▶ To improve the policies and mechanisms for the promotion and finance of agricultural enterprises.

The loan-funded component of this project, which ended on June 30, 1991, represented a program implemented by the Dominican Republic's Central Bank to establish a fund to be drawn down on by participating financial institutions to provide capital for the expansion or establishment of private agribusiness enterprises. The loan agreement, dated August 23, 1985, obligated the Government of the Dominican Republic (GODR) to provide US\$17.3 million in assistance, to be funded through the country's Central Bank.

**AGRIBUSINESS PROMOTION PROJECT
ACTIVITIES MANAGED BY THE DOMINICAN AGRIBUSINESS COUNCIL**

Under the terms of the cooperative agreement signed with the government of the Dominican Republic (GORD) on the same day, USAID/Dominican Republic funded the grant-component of the project in the amount of US\$5.5 million.

On February 19, 1986, JAD signed a grant agreement with the GODR, through the agency of *Secretariado Técnico de la Presidencia* (STP). This agreement operated in concert with USAID/Dominican Republic cooperative agreement No. 517-0171 and provided technical support to the Agricultural Promotion Project in the amount of RD\$2.31 million. The agreement stipulated it would be executed over a period of three years, beginning on the first day on which expenditures were submitted to STP for reimbursement.

In March 1990, JAD signed another grant agreement with GODR, through the agency of STP. Under the terms of this agreement, STP would lend JAD funding in the amount of RD\$7,670,950 to be used in the execution of the second stage of an enterprise entitled the Institutional Development Project, whose purpose was to expand the agroindustrial sector in the Dominican Republic. The agreement provides a loan period of six years and calls for annual interest and commission charges of 12% and 1%, respectively. As set forth in Article 2 of the agreement, the loan converts into a donation if JAD achieves all of the objectives of the agreement.

d) Amendments to the bilateral cooperative agreement —

- 1) On March 12, 1986, USAID/Dominican Republic and JAD agreed to the first amendment of the cooperative agreement, whereby the original obligated amount of US\$1.74 million was increased by US\$760,000, for a revised total of US\$2.5 million.
- 2) On September 22, 1989, USAID/DR and JAD agreed to the second amendment of the bilateral cooperative agreement, whereby the obligated amount was further increased by US\$3.0 million for a revised total of US\$5.5 million. The amendment also required JAD to raise counterpart funding in the adjusted amount of US\$5,250,000, and STP to provide host country counterpart funding in the amount of US\$1,592,000. The USAID\Dominican Republic only disbursed for project execution, the amount of US\$4,300,664, equivalent to 78% of the total US\$5.5 million budgeted funds. Consequently, the JAD counterpart contribution was adjusted proportionally to the funds disbursed by USAID\Dominican Republic. The new JAD adjusted counterpart contribution resulted in the amount of US\$4,105,000, equivalent to the 78% of the original budgeted amount of US\$5,250,000. The adjusted project funding follows:

**AGRIBUSINESS PROMOTION PROJECT
ACTIVITIES MANAGED BY THE DOMINICAN AGRIBUSINESS COUNCIL**

PROJECT FUNDING (EXPRESSED IN US\$)				
<i>Organization</i>	<i>Budget</i>	<i>Budget Adj.</i>	<i>Actual</i>	<i>Variance</i>
<i>AID</i>	<i>5,500</i>	<i>5,500</i>	<i>4,301</i>	<i>N/A</i>
<i>JAD</i>	<i>5,250</i>	<i>4,105</i>	<i>1,535</i>	<i>(2,570)</i>
<i>STP</i>	<i>1,592</i>	<i>1,592</i>	<i>1,592</i>	<i>-</i>
<i>TOTAL</i>	<i>12,342</i>	<i>11,197</i>	<i>7,428</i>	<i>(2,570)</i>

2. Technical assistance under Institutional Development —

For the period January 1, 1991 through December 31, 1992, expenditures in the amount of RD\$1,858,298 expended under the heading of Technical Assistance comprise salaries and wages paid to the personnel who worked on the Agribusiness Promotion Project.

**AGRIBUSINESS PROMOTION PROJECT
ACTIVITIES MANAGED BY THE DOMINICAN AGRIBUSINESS COUNCIL**

3. Equipment under Institutional Development —

For the period January 1, 1991 through December 31, 1992, expenditures for the purchase of equipment were as follows:

Item	Actual Amount
Electrical generator	RD\$ 687,750
Transportation equipment	309,375
Office equipment	10,341
Computer equipment	124,073
Air conditioners	144,763
Other	28,018
TOTAL	RD\$1,304,320

4. Training under Institutional Development —

For the period January 1, 1991 through December 31, 1992, expenditures made for the purchase of course materials were as follows:

Item	Amount
Subscriptions	RD\$ 2,500
Courses, seminars, and conferences	238,922
Others	15,971
TOTAL	RD\$257,393

**AGRIBUSINESS PROMOTION PROJECT
ACTIVITIES MANAGED BY THE DOMINICAN AGRIBUSINESS COUNCIL**

5. Building expenditures under Institutional Development —

For the period January 1, 1991 through December 31, 1992, expenditures under the heading Building are as follows:

Item	Amount
Construction materials	RD\$ 945,677
Professional fees	381,037
Interior design	11,500
Extermination	12,500
Laboratory and other building construction	218,264
Guard service	7,326
Electrical materials	475,130
Plumbing materials	1,357
Others	74,304
TOTAL	RD\$2,127,095

**AGRIBUSINESS PROMOTION PROJECT
ACTIVITIES MANAGED BY THE DOMINICAN AGRIBUSINESS COUNCIL**

6. Operational expenditures under Institutional Development —

For the period January 1, 1991, through December 31, 1992, operational expenditures were as follows:

Item	Amount
Insurance	RD\$ 173,973
Rent	218,000
Vehicle maintenance	782,875
Electricity	42,586
Telephone and communications	300,617
Office supplies	143,405
Office and office equipment repairs	236,573
Water	4,276
Bank expenses	9,288
Uniforms	8,496
Audits and evaluations	98,222
Equipment for JAD's Santiago Office	28,858
Transportation	22,734
Annual membership	67,960
Miscellaneous	9,248
TOTAL	RD\$2,147,111

**AGRIBUSINESS PROMOTION PROJECT
ACTIVITIES MANAGED BY THE DOMINICAN AGRIBUSINESS COUNCIL**

7. Technical Assistance under Services Development —

For the period January 1, 1991 through December 31, 1992, expenditures for Technical Assistance consisted of the following:

Item	Actual Amount
Special projects	RD\$ 405,000
Labor	62,200
Programs and assistance	1,581,810
Seminars	12,996
TOTAL	RD\$2,062,006

8. Equipment and Supplies under Services Development —

For the period January 1, 1991 through December 31, 1992, expenditures under the heading Equipment and Supplies totaled RD\$28,481 and were made principally for the purchase of office supplies.

9. Training under Services Development —

For the period January 1, 1991 through December 31, 1992, expenditures for training totaled RD\$502,771, and comprised purchases of airline tickets and other costs associated with attending training courses and seminars outside of the Dominican Republic.

**AGRIBUSINESS PROMOTION PROJECT
ACTIVITIES MANAGED BY THE DOMINICAN AGRIBUSINESS COUNCIL**

10. Operational expenditures under Services Development for the period January 1, 1991 through December 31, 1992, are as follows —

Item	Amount
Legal costs	RD\$ 26,255
Subscriptions	312,270
Photocopies and photographs	18,101
Advertisement and publications	703,374
Meetings and promotion	735,727
Per diem	521,544
Agroenterprise meetings	267,598
Printing	274,157
Agroenterprise magazine	249,986
Transportation	22,734
Cleaning supplies	25,453
Translations	16,416
Reference materials	47,200
Contracted services	19,154
TOTAL	RD\$3,239,969

**AGRIBUSINESS PROMOTION PROJECT
ACTIVITIES MANAGED BY THE DOMINICAN AGRIBUSINESS COUNCIL**

11a. Accumulated cooperative agreement expenditures in RDS — by reporting period

Accumulated expenditures in Dominican pesos (RDS), as of the end of the prior period, December 31, 1990, totalled RD\$8,520,085; and accumulated expenditures for the audit period equalled RD\$15,621,362, for a accumulated total expenditures for the life of the project of RD\$24,141,447. Such expenditures are detailed below according to the budget line items established as per the cooperative agreement and employed by JAD throughout the life of the project (see Note 11b. for budget-to-actual expenditures):

ACCUMULATED EXPENDITURES (RD\$) - BY REPORTING PERIOD			
Disbursements: I. Institutional Development	For PRIOR period ending 12/31/90	For CURRENT period ending 12/31/92	TOTAL
Technical assistance	\$1,033,251	\$1,858,298	\$2,891,549
Salaries	561,331	983,607	1,544,938
Equipment	385,817	1,304,320	1,690,137
Training	495,808	257,393	753,201
Building	22,489	2,127,095	2,149,584
Operational expenditures	1,570,733	2,147,111	3,717,844
I. Total Institutional Development	\$4,069,429	\$8,677,824	\$12,747,253

**AGRIBUSINESS PROMOTION PROJECT
ACTIVITIES MANAGED BY THE DOMINICAN AGRIBUSINESS COUNCIL**

11a. Accumulated cooperative agreement expenditures (in RDS) — by reporting period *(continued)*

ACCUMULATED EXPENDITURES (RDS) - BY REPORTING PERIOD			
Disbursements	For PRIOR period ending 12/31/90	For CURRENT period ending 12/31/92	TOTAL
II. Development Services			
Technical assistance	\$ 1,186,599	\$ 2,062,006	\$3,248,605
Salaries	732,749	1,110,311	1,843,060
Equipment and supplies	-	28,481	28,481
Training	585,667	502,771	1,088,438
Operational expenditures	1,945,641	3,239,969	5,185,610
Evaluations	-	-	
Contingencies	-	-	0
II. Total Development Services	4,450,656	6,943,538	11,394,194
TOTAL DISBURSEMENTS	\$8,520,085	\$15,621,362	\$24,141,447

**AGRIBUSINESS PROMOTION PROJECT
ACTIVITIES MANAGED BY THE DOMINICAN AGRIBUSINESS COUNCIL**

11b. Accumulated cooperative agreement expenditures — Budget versus actual

Accumulated cooperative agreement expenditures are summarized below according to the budget line items authorized by the budget line items set forth in amendment two to the cooperative agreement, dated September 22, 1989. These budget line items are divided between expenditures in Dominican pesos and in United States dollars. The differences between the budgets set forth in the cooperative agreement and amendment two require that these budgets be presented for the two periods defined by the cooperative agreement and amendment two. In addition, because the budget line items of amendment two supersedes those of the cooperative agreement, the cooperative agreement period has been stated in terms of the line items contained in amendment two.

ACCUMULATED EXPENDITURES - BUDGET VERSUS ACTUAL, RD\$ PORTION							
Disbursements:	Cooperative Agreement BUDGET 06/30/89	Cooperative Agreement ACTUAL 06/30/89	Amendment BUDGET 12/31/92	ACTUAL 12/31/92	BUDGET FOR TOTAL PROJECT	TOTAL ACTUAL	TOTAL VARIANCE
I. Dominican Republic Pesos							
Technical assistance and in-country promotion	\$1,008,261	\$1,008,261	\$4,976,723	\$4,976,723	\$5,984,984	\$5,984,984	0
Logistical support and in-country personnel costs	547,479	547,479	8,756,912	8,755,908	9,304,391	9,303,387	1,004
I. Total Dominican Republic Peso Expenditures	\$1,555,740	\$1,555,740	\$13,733,635	\$13,732,631	\$15,289,375	\$15,288,371	\$1,004

**AGRIBUSINESS PROMOTION PROJECT
ACTIVITIES MANAGED BY THE DOMINICAN AGRIBUSINESS COUNCIL**

11b. Accumulated cooperative agreement expenditures - Budget versus actual (continued) —

ACCUMULATED EXPENDITURES-BUDGET VERSUS ACTUAL, US\$ PORTION							
Disbursements: II. United States Dollars	Cooperative Agreement BUDGET 06/30/89	Cooperative Agreement ACTUAL 06/30/89	Amendment BUDGET 12/31/92	ACTUAL 12/31/92	TOTAL BUDGET	TOTAL ACTUAL	VARIANCE †
Technical assistance	\$42,114	\$42,114	\$355,534	\$358,900	\$397,648	\$401,014	(3,366)
Access to Database	1,175	1,175	56,444	56,970	57,619	58,145	(526)
Training	66,000	66,000	66,326	67,821	132,326	133,821	(1,495)
International Travel	12,826	12,826	113,281	114,229	126,107	127,055	(948)
Subscriptions and lessor purchases	2,024	2,024	135,518	136,150	137,542	138,174	(632)
II. Total United States Dollar Expenditures	124,139	124,139	727,103	734,070	851,242	858,209	(6,967)

† The books of account were kept strictly in pesos, rather than in pesos and dollars. Because of the uncertainty involved both in restating the budget in terms of the line items contained in amendment two and in translating from pesos to dollars for the accumulated cooperative agreement expenditures.

**AGRIBUSINESS PROMOTION PROJECT
ACTIVITIES MANAGED BY THE DOMINICAN AGRIBUSINESS COUNCIL**

11b. Accumulated cooperative agreement-expenditures versus actual (continued)

† (continued) calendar years by means of weighted averages, the variances between budgeted and actual expenditures could have been caused by either the translation or the restatement or, indeed, both. Accordingly, management has treated the variances in terms of their overall materiality and determined that such variances are not sufficiently significant to warrant the additional cost of further investigation

12. Ending cash balances as of December 31, 1992 —

Item	Amount
Chase Manhattan Bank (US\$4,093.20 × 12.50)	RD\$ 51,164
Banco Popular Dominicano, S.A.	921
TOTAL	RD\$52,085

With respect to the US\$4,093.20 of funding available in Chase Manhattan Bank, Puerto Rico, JAD management included the total amount in the final payment remitted for the purchase of project vehicles initiated prior to December 31, 1992 (the PACD) and reported it to USAID/Dominican Republic in report No.26 for the period April 1 through December 31, 1992. This final payment for the vehicles was in the amount of US\$12,375 and the transaction took place on March 20, 1993, by the check no. 625. The difference between US\$12,375 and US\$4,093 was covered with funds provided from JAD's own resources.

With respect to the RD\$921 of funding available in Banco Popular Dominicano, Santo Domingo, JAD repaid the balance to USAID/Dominican Republic by the check No. 1470 on August 18, 1993.

AGRIBUSINESS PROMOTION PROJECT
ACTIVITIES MANAGED BY THE DOMINICAN AGRIBUSINESS COUNCIL

13. Subsequent event —

On February 1, 1993, USAID/Dominican Republic reimbursed JAD in the amount of US\$4,907, for project expenses incurred prior to December 31, 1992.

**INDEPENDENT AUDITOR'S REPORT
ON THE STRUCTURE OF INTERNAL CONTROL**

**Financial Audit of the
Agribusiness Promotion Project
USAID/Dominican Republic Project No. 517-0186**

**Activities Managed by the Dominican
Agribusiness Council**

**For the Period January 1, 1991
through December 31, 1992**

**SOTERO PERALTA Y
ASOCIADOS**

Contadores Públicos Autorizados
Miembros de Horwath International

Ave. Winston Churchill No. 71
Edificio Lama, 2do. piso
Apartado Postal 355-2
Santo Domingo, República Dominicana

Teléfonos (809) 541-5353
(809) 541-5770
Telefax (809) 565-1279



WE HAVE AUDITED the fund accountability statement of the Agribusiness Promotion Project, activities managed by the Dominican Agribusiness Council, under cooperative agreement, No. 517-0186, for the period January 1, 1991 through December 31, 1992; and have issued our report thereon dated April 14, 1993.

Except for not conducting an external quality control review by an unaffiliated audit organization as described further in our opinion on the fund accountability statement, we conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the fund accountability statement is free of material misstatement.

In planning and performing our audit of the fund accountability statement of the Agribusiness Promotion Project, activities managed by the Dominican Agribusiness Council (JAD), for the period January 1, 1991 through December 31, 1992, we have given consideration to the effectiveness of JAD'S internal control structure as it relates to the cooperative agreement, in order to establish our auditing procedures for the purpose of obtaining sufficient, competent evidential matter on which to base our opinion on the fund accountability statement and not to provide assurance on the internal control structure.

The management of the Dominican Agribusiness Council 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

**INDEPENDENT AUDITOR'S REPORT
ON THE STRUCTURE OF INTERNAL CONTROL**
(Continued)

executed in accordance with management's authorization and recorded properly to permit the preparation of the fund accountability statement 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 into the following categories:

- ▶ Internal control relative to the expenditure process for the purchase of materials, office supplies, and the payment of services.
- ▶ Internal control relative to the payment of personnel costs.
- ▶ The accounting system and the procedures and reports concerned with the planning and execution of project activities.
- ▶ Internal control relative to the receipt of cash donations and counterpart contributions.
- ▶ Internal control relative to the management of project bank accounts.
- ▶ Internal control relative to fixed assets.

For all 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.

**INDEPENDENT AUDITOR'S REPORT
ON THE STRUCTURE OF INTERNAL CONTROL**
(Continued)

JAD did not structure its accounting and review procedures in order to monitor the organization's counterpart contributions, as required by amendment one to the cooperative agreement. As a consequence, counterpart funding provided in support of the project was US\$2,570,000 less than that agreed upon (also see Finding No.1 in report section **Compliance with Agreement Terms and Applicable Laws and Regulations.**)

A material weakness is a reportable condition in which the design or operation of one or more of the 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 financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Except as noted in the paragraph above, we noted no matters involving solely the internal control structure and its operation that we consider to be material weaknesses as defined above. However, see finding Nos. 2 and 3 in the report section compliance with agreement terms and applicable laws and regulations.

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. However, we believe none of the reportable conditions described above is a material weakness.

We also noted other matters involving the internal control structure and its operation that we have reported to the management of JAD in a separate letter dated May 3, 1993.

This report is intended for the use of the Dominican Agribusiness Council (JAD) and the United States Agency for International Development (USAID). This restriction is not intended to limit the distribution of this report, which, upon acceptance by the USAID Office of the Inspector General, this report is a matter of public record and its distribution is not limited.

April 14, 1993



FINDINGS ON THE STRUCTURE OF INTERNAL CONTROL

FINDING ONE – Counterpart Funds Not Provided in Accordance with the Cooperative Agreement

Condition

JAD did not structure its accounting and review procedures in order to monitor its counterpart contributions, as required by amendment one to the cooperative agreement. As a consequence, counterpart funding provided in support of the project was US\$2,570,000 less than that agreed upon adjusted for actual USAID donations. JAD made counterpart contributions in the amount of US\$1,535,000 (translated at a weighted average for each year) rather than the US\$4,105,000 amount required.

Criteria

The standard provisions of the cooperative agreement require the establishment and maintenance of a structure of internal control capable of accounting properly for all of the funding required by the agreement, and of detecting in a timely manner departures from the terms of the agreement as expressed in its financial plan and budget.

Cause

JAD did not establish an accounting system, along with related review procedures, whereby counterpart contributions owed the project by the organization could be properly monitored for compliance with the terms of the agreement.

Effect

Counterpart funding provided in support of the project was US\$2,570,000 less than that agreed to per the cooperative agreement. JAD made counterpart contributions in the amount of US\$1,535,000 (see table in Finding No.1 of the report section on Compliance with Agreement Terms and Applicable Laws and Regulations.)

**AGRIBUSINESS PROMOTION PROJECT
ACTIVITIES MANAGED BY THE DOMINICAN AGRIBUSINESS COUNCIL**

Recommendations

We recommend that, on future projects, JAD code its chart of accounts such that its accounting system can track counterpart contributions in terms of the budget line items authorized in any agreement.

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

**Financial Audit of the
Agribusiness Promotion Project
USAID/Dominican Republic Project No. 517-0186**

**Activities Managed by the Dominican
Agribusiness Council**

**For the Period January 1, 1991
through December 31, 1992**

**SOTERO PERALTA Y
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Miembros de Horwath International
Ave. Winston Churchill No. 71
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Apartado Postal 355-2
Santo Domingo, República Dominicana
Teléfonos (809) 541-5353
(809) 541-5770
Telefax (809) 565-1279



WE HAVE AUDITED the fund accountability statement of the Agribusiness Promotion Project activities managed by the Dominican Agribusiness Council (JAD) under cooperative agreement No.517-0186, for the period January 1, 1991 through December 31, 1992 and have issued our report thereon dated April 14, 1993.

Except for not conducting an external quality control review by an unaffiliated audit organization as described further in our opinion on the fund accountability statement, we conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain reasonable assurance about whether the fund accountability statement is free from material misstatement.

Compliance with agreement terms and laws and regulations applicable to the Agribusiness Promotion Project activities managed by the Dominican Agribusiness Council is the responsibility of JAD's management. As part of obtaining reasonable assurance about whether the fund accountability statement is free of material misstatement, we performed tests of JAD's compliance with the terms of the cooperative agreement and applicable laws and regulations. However, our objectives were not to provide an overall opinion on compliance with such provisions. Accordingly, we do not express such an opinion.

**INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE WITH AGREEMENT TERMS
AND APPLICABLE LAWS AND REGULATIONS**
(Continued)

Material instances of noncompliance are failures to follow requirements of violations of prohibitions contained in statutes, regulations, contracts, or grants that cause us to conclude that the aggregation of the misstatements resulting from those failures or violations is material to the fund accountability statement. The results of our tests disclosed the following material instances of noncompliance:

1. JAD made counterpart contributions in the amount of US\$1,535,000. However, the agreement stipulated a counterpart requirement in the adjusted amount of US\$4,105,000, producing a negative variance of US\$2,570,000.
2. Amounts not related to the agreement were deposited in and expended from both the peso and the US dollar bank accounts.
3. Dollar and pesos expenditures were not monitored by denomination in terms of the budget line items set forth in the cooperative agreement and amendment two. The books of account were maintained in Dominican pesos exclusively.

We considered these material instances of noncompliance in forming our opinion on whether the fund accountability statement is presented fairly in all material respects, in conformity with the accounting basis set forth in Note 1(a) to the fund accountability statement; and this report does not affect our opinion dated April 14, 1993 on the fund accountability statement.

Except as described above, the results of our tests indicate that, with respect to items tested, JAD complied, in all material respects, with the provisions mentioned in paragraph 3 of the report. With respect to items not tested, nothing came to our attention to cause us to believe that JAD had not complied, in all material respects, with those provisions.

**INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE WITH AGREEMENT TERMS
AND APPLICABLE LAWS AND REGULATIONS**
(Continued)

This report is intended for the information of the Dominican Agribusiness Council and the United States Agency for International Development (USAID). This restriction is not intended to limit the distribution of this report, which, upon acceptance by the USAID Office of the Inspector General, is a matter of public record.

April 14, 1993

Sotero Peralta & Asociados

**AGRIBUSINESS PROMOTION PROJECT
ACTIVITIES MANAGED BY THE DOMINICAN AGRIBUSINESS COUNCIL**

**FINDINGS ON COMPLIANCE WITH AGREEMENT TERMS
AND APPLICABLE LAWS AND REGULATIONS**

FINDING ONE – Counterpart Funds Not Provided in Accordance with the cooperative agreement

Condition

JAD made counterpart contributions in the amount of US\$1,535,000 (translated at a weighted average for each year). However, the cooperative agreement stipulated counterpart funds through its ending date, in the adjusted amount of US\$4,105,000, producing a negative variance of US\$2,570,000, as follows:

Item	1989	1990	1991	1992	Op.	TOTAL	
JAD per Schedule, adjusted in RD\$	\$93,858	\$3,356,039	\$1,006,174	\$13,322,322		\$17,778,393	
JAD per Schedule, adjusted in US\$	14,945	393,552	80,272	1,046,296	<i>a</i>	1,535,065	
Required Counterpart per Agreement						5,250,000	
Adjusted for USAID contribution percentage (78%)						<i>b</i>	4,105,179
Negative variance						<i>a - b</i>	\$(2,570,114)

† Adjusted for period affected by amendment one, requiring counterpart funds on the part of the organization.

Criteria

The cooperative agreement, per amendment one, stipulated counterpart funds from July 1, 1989 through the PACD, in the adjusted amount of US\$4,105,000.

**AGRIBUSINESS PROMOTION PROJECT
ACTIVITIES MANAGED BY THE DOMINICAN AGRIBUSINESS COUNCIL**

Cause

According to JAD's management, the Dominican peso to dollar rate was defined and fixed in a table attached to the original 1985 agreement. The rate was RD\$3 to US\$1, was used by JAD's to support that it provided the actual number of pesos required to equal the adjusted contribution requirement of US\$4,105,000. However at the exchange rate current at the time of the actual contributions, the dollar value of JAD's contribution was only US\$1,575,000, thus generating the above mentioned negative variance. Further, we noted that neither the original agreement nor amendment one sets forth an agreement between both parties that the Dominican to US dollar conversion rate would be fixed at RD\$3-to US\$1.

Effect

The counterpart funding provided by JAD produces a negative variance in the amount of US\$2,570,000.

Recommendations

We recommend that USAID/Dominican Republic discuss with JAD management the question of counterpart funding and determine whether or not a breach of agreement has taken place and a bill of collection should be issued.

**AGRIBUSINESS PROMOTION PROJECT
ACTIVITIES MANAGED BY THE DOMINICAN AGRIBUSINESS COUNCIL**

FINDING TWO - Unauthorized Use of Project Bank Accounts

Condition

Per our analysis of the bank statements and their reconciliation to JAD's fund accountability statement, we noted that amounts not related specifically to Agribusiness Promotion Project were deposited in and disbursed from both the peso bank account in Santo Domingo (Banco Popular) and the U.S. dollar bank account in Puerto Rico (Chase Manhattan Bank).

Criteria

The implementation letter No.6 to the cooperative agreement, required that bank accounts opened to receive specific Agribusiness Promotion Project funding must be restricted exclusively to that funding alone. This restriction sought to assure that no deposits, expenditures, or other activity unrelated to the project would take place in the account reserved for the award under the contractual agreement.

Cause

According to JAD's management, the unauthorized deposits comprised *a)* interfund loans made to Agribusiness Promotion Project and *b)* US dollar transfers to the United States Department of Agriculture. The loans were necessary to cover project expenditures until reimbursements of expenditures or advance funding was received from USAID/Dominican Republic. The US dollar transfers were necessary to further agricultural sales to the United States.

Effect

Cash received from different projects or other sources were commingled with receipts for the Agribusiness Promotion Project. Such a commingling of funds offers the risk that cash received could have been *a)* expended for inappropriate and unauthorized cost objectives or *b)* transferred improperly to the United States. Though the overall effect cannot be determined, the cash control mechanism of a single account for a single project was not allowed to operate fully.

**AGRIBUSINESS PROMOTION PROJECT
ACTIVITIES MANAGED BY THE DOMINICAN AGRIBUSINESS COUNCIL**

Recommendations

We recommend that on future projects JAD *a)* fully document all loans and repayment of loans made to project bank accounts; *b)* notify project officers of these loans; *c)* notify USAID/Dominican Republic of JAD's intention of using a project account for the transfer of non-project money; *d)* fully document all such transfers; and *e)* submit quarterly cash reconciliations in order that USAID/Dominican Republic can review cash management and so ensure that no commingling of funds has taken place without the mission's knowledge and approval.

**AGRIBUSINESS PROMOTION PROJECT
ACTIVITIES MANAGED BY THE DOMINICAN AGRIBUSINESS COUNCIL**

FINDING THREE - Absence of Proper Budgetary Control

Condition

Even though the cooperative agreement presented budgets in both Dominican pesos and United States dollars, JAD chose to carry all cash receipts and expenditures in Dominican pesos.

Criteria

Proper compliance requires that expenditures be monitored in terms of the budget line items set forth in the cooperative agreement and its amendments. Those line items called for monitoring in pesos (for pesos donations) and dollars (for dollar donations).

Cause

Management appears not to have recognized that since the Federal award was given in both Dominican pesos and US dollars and that the books of account would have to reflect this division.

Effect

Although expenditures measured against the budget completely translated into Dominican pesos revealed only non material instances of non compliance, pesos and dollar expenditures could not be demonstrated separately to be in compliance with the pesos and dollar expenditures ceilings outlined in the cooperative agreement and its amendments.

**AGRIBUSINESS PROMOTION PROJECT
ACTIVITIES MANAGED BY THE DOMINICAN AGRIBUSINESS COUNCIL**

Recommendations

We recommend that, on future projects, JAD code its chart of accounts such that its accounting system can readily produce expenditures compiled in terms of the budget line items authorized in the agreements. We further recommend that JAD demonstrate its compliance with this provision by submitting to USAID/Dominican Republic project officers, first, a coded chart of accounts and, secondly, quarterly financial reports which present by means of budgetary analysis that the agreements are being properly complied with. Finally, we recommend that, on future projects, JAD institute the use of a standard, integrated accounting software package. □

SUMMARY OF REPORT RECOMMENDATIONS

1. INTERNAL CONTROL STRUCTURE

Recommendation 1

We recommend that, on future projects, JAD code its chart of accounts such its accounting system can track counterpart contributions in terms of the budget line items authorized in any agreement.

2. COMPLIANCE WITH AGREEMENT TERMS AND APPLICABLE LAWS AND REGULATIONS

Recommendation 1

We recommend that USAID\Dominican Republic discuss with JAD management the question of counterpart funding and determine whether or not a breach of agreement has taken place and a bill of collection should be issued.

Recommendation 2

On future projects JAD should *a)* fully document all loans and repayment of loans made to project bank accounts; *b)* notify project officers of these loans; *c)* notify USAID/DR of the intention of using a project account for the transfer of non-project money; *d)* fully document all such transfers; *e)* submit quarterly cash reconciliations in order that USAID/DR can review cash management and so ensure that no commingling of funds has taken place without the mission's knowledge and approval.

Recommendation 3

We recommend that on future projects, JAD codes its chart of accounts such that its accounting system can readily produce compiled expenditures in terms of the budget line items authorized in the contractual agreements. We further recommend that JAD demonstrates compliance with this provision by submitting to USAID/Dominican Republic project officers, first, a coded chart of accounts and secondly, quarterly financial reports that reflects under a budgetary analysis that the contractual agreements are being properly complied with. Finally, we recommend that on future projects, JAD institute the use of a standard, integrated accounting software package.



JAD

Appendix One - Management Comments

0256/94

February 2, 1994

Sotero Peralta & Asociados
Ave. Winston Churchill No. 71
Edificio Lama, 2do. Piso
Santo Domingo, D.N.

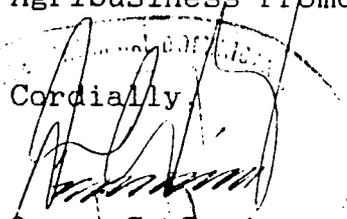
Dear Sirs:

Ref: External audit of the Agribusiness Promotional
Project, for the period January 1, 1991 to
December 31, 1992.

In addition to the presentations given to you in our
communication of this same date, we confirm our
approval to the draft of the financial statements
referred project previously discussed with us on July
1, 1993.

We reiterate our conformity with your opinion about
the financial statements and the findings related to
the internal controls and to the terms of the
Agreement, Laws and Regulations applicable to the
Agribusiness Promotional Project.

Cordially,


Osmar C. Benítez
Executive Vicepresident

OCB/sc



JAD

Appendix Two - Management Comments on Counterpart Funding

April 21, 1994

Mr. José Francisco Montás
Sotero Peralta
Santo Domingo

Dear Mr. Montás:

In relation to our conversation regarding the Agribusiness Promotion project's financial budget, I am cordially indicating the following:

1. When the original financial budget was presented, the JAD's contribution was calculated in its equivalent to the amount in RD\$ for the part of the Institution. This amounted to RD\$15,750,000.00. This means that the contribution expressed in books in RD\$ is higher than the goal established.
2. At the same time we must indicate that in case the exchange rate was to be updated, an evaluation of the actives must be made, which will lead to equitatives situations, but in larger amounts, in such case there will be no difference in values. This means that the exchange rate must not be adjusted only to the contributions of the counterpart.
3. Finally, there must be point out, that with the contributions made in RD\$, all the goals previously planned were accomplished, which indicates that the project was adequately financed.

Cordially,


Juan José Espinal
Administrative Director

JJE/sc