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REPORT TO THE CONGRESS

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Audit Of The Inter-American Social
Development Institute
Fiscal Year 1971

B-135075

BY THE COMPTROLLER GENERAL
OF THE UNITED STATES

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FEB. 29, 1972



COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

B-135075

01 To the President of the Senate and the
Speaker of the House of Representatives

This is our report on the audit of the Inter-American
Social Development Institute for the fiscal year ended
June 30, 1971. 1, 1971

It is our first report on the Institute, inasmuch as the
fiscal year ended June 30, 1971, was the year in which the
Institute commenced its operations. The report complies with
requirements of the Government Corporation Control Act
(31 U.S.C. 841).

Copies of this report are being sent to the Director,
Office of Management and Budget; the Secretary of the Treasury;
and the Executive Director, Inter-American Social Development
Institute.

James B. Axtell

Comptroller General
of the United States

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D I G E S T

WHY THE AUDIT WAS MADE

The Government Corporation Control Act requires the General Accounting Office (GAO) to make an annual audit of the Inter-American Social Development Institute.

OPINION OF FINANCIAL STATEMENTS

In GAO's opinion, the financial statements included in this report present fairly the Institute's financial position as of June 30, 1971, and the results of its operations and the source and application of its funds for the year then ended, in conformity with generally accepted accounting principles and with applicable Federal laws. (See p. 7.)

OTHER MATTERS OF INTEREST

The Institute commenced operations during fiscal year 1971, with \$50 million of funds appropriated to the Alliance for Progress. The objective of the Institute is to provide support for projects aimed at improving living conditions for Latin Americans.

Most of the Institute's activities will be carried out through grants. No financial commitments had been made by June 30, 1971, for any of its planned program activities.

RECOMMENDATIONS OR SUGGESTIONS

None.

AGENCY ACTIONS AND UNRESOLVED ISSUES

None.

MATTERS FOR CONSIDERATION BY THE CONGRESS

This report complies with a specific congressional requirement.

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CHAPTER 1

INTRODUCTION

The Inter-American Social Development Institute¹ was established during the fiscal year ended June 30, 1970, pursuant to part IV of the Foreign Assistance Act of 1969 (83 Stat. 821-824), but the Institute was not operational that year. Operations commenced with the appointment of a Board of Directors in September and October 1970, followed by the appointment of a staff of officers beginning in March 1971.

The Institute is a U.S. Government corporation, subject to the provisions of the Government Corporation Control Act (31 U.S.C. 841). It is a nonprofit corporation, and it has no capital stock. Its initial operations have been made possible by the transfer of \$50 million of the funds appropriated by the Congress for Alliance for Progress development loans.

The Institute was created to provide support for developmental activities designed to achieve improved living conditions for persons in the Western Hemisphere. The objectives of the Institute, primarily in cooperation with private, regional, and international organizations, are to (1) strengthen the bonds of friendship and understanding among the peoples of this hemisphere, (2) support self-help efforts designed to enlarge the opportunities for individual development, (3) stimulate and assist effective and ever-wider participation of the people in the development process, and (4) encourage the establishment and growth of democratic institutions, private and governmental, appropriate to the requirements of the individual sovereign nations of this hemisphere.

In recommending the establishment of the Institute, the Committee on Foreign Affairs, House of Representatives, suggested a new direction and a new emphasis for U.S. assistance

¹At June 30, 1971, legislation was being considered to change the name of the Institute to the Inter-American Foundation.

efforts in Latin America. The suggestion emerged from a comprehensive reappraisal of the Alliance for Progress conducted early in 1969 by the Subcommittee on Inter-American Affairs, as well as from the full Committee's review of the overall framework of U.S. policy toward Latin America.

The Committee's recommendation was based on the following three major premises.

1. That, during the prior 8 years, all too little U.S. assistance had reached the masses of the Latin American people or had made a visible impact on their daily lives.
2. That the social development goals of the Act of Bogota, the Charter of Punta del Este, and the Declaration of American Presidents, whose objectives of expanding opportunity for the great majority of people form the very cornerstone of the Alliance for Progress, had not been achieved in any substantial meaningful sense.
3. That, although Alliance for Progress programs operating at the government-to-government level had done an impressive job in promoting industrial and economic growth of Latin America, they had proved much less effective in responding to the requirements of social and civic change on that continent.

The establishment of the Institute was intended to assist in rectifying these shortcomings and in restoring the necessary and proper balance between the economic and social objectives of Inter-American cooperation and development. The intent was to create a pilot project to bring the dynamism of United States and Latin American private groups to bear on development problems through people-to-people programs and to help broaden the participation of persons in the process of development.

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CHAPTER 2

INITIAL OPERATIONS OF THE INSTITUTE

PROGRAM ACTIVITIES

By June 30, 1971, the Institute had made no financial commitments for any of its planned program activities. All effort to that time was directed to the development of the Institute's organization and approach.

To accomplish its objectives, the Institute is required to place primary emphasis on the enlargement of educational opportunities at all levels; the production of food and the development of agriculture; and the improvement of environmental conditions relating to health, maternal and child care, family planning, housing, free-trade-union development, and other social and economic needs of the people. The Institute is required also to carry out its objectives primarily through and with private organizations, persons, and international organizations by undertaking or sponsoring appropriate research and by planning, initiating, assisting, financing, administering, and executing appropriate programs and projects.

The Institute is not required to provide financial support of its programs and projects on any particular terms. The stated intent, however, is to provide such support primarily in the form of grants.

The nature of the Institute's authorized activities appears to substantially eliminate opportunities for conducting income-producing activities.

ADMINISTRATIVE ACTIVITIES

Although the Institute commenced operations during fiscal year 1971, it was established as a legal entity during fiscal year 1970, acquiring funds for its initial operations with the transfer on May 28, 1970, of \$10 million from funds appropriated by the Congress for Alliance for Progress development loans. This transfer of funds was made to the Institute, in care of the Bureau of the Budget (now

Office of Management and Budget), but no operations were possible that year because management of the Institute was vested in a Board of Directors which was not established until October 1970.

Between October 1970 and March 1971, the Institute operated with a Board of Directors but with no permanent staff of officers. The Board was assisted during this period by employees of various U.S. Government agencies who were detailed to work for the Institute on a temporary basis. The activities conducted during this period consisted of such administrative activities as locating office space, obtaining consultative and advisory services in connection with the establishment of an organizational structure and the search for an Executive Director, and studying the requirements for administrative and external controls over the operations to be conducted by the Institute. In addition, the Board initiated a study to survey existing programs and needs and to consider the types of programs the Institute should undertake.

The Board appointed an Executive Director on March 15, 1971, and this appointment was followed closely by appointments to key staff positions. The Executive Director of the Institute is its chief executive officer.

The Board also has approved a plan for implementing the part of the Institute's authorizing legislation which requires the establishment of a council for consultation purposes. The plan provides for periodic meetings with knowledgeable leaders from Latin American countries, to ensure that Latin American points of view will be taken into account in the making of policy decisions. The first such meeting was held in June 1971 with leaders from South American countries. A similar meeting with Caribbean leaders is planned for the future.

By June 30, 1971, the Institute was located at its principal office in the Washington, D.C., area. At that time the Institute had a total of 30 officers and employees.

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CHAPTER 3

OPINION OF FINANCIAL STATEMENTS

The accompanying financial statements (schs. 1 through 3) were submitted to us by the Institute. The statements were prepared from financial records maintained for the Institute by Region 3 of the General Services Administration. The Administration performs--on a reimbursable basis--payroll, financial reporting, personnel, and all necessary accounting functions for the Institute.

Our examination of the statement of financial condition of the Institute as of June 30, 1971, the related statement of cost of operations and accumulated deficit from operations, and the statement of source and application of funds for the year then ended was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying financial statements present fairly the financial position of the Institute at June 30, 1971, and the results of its operations and the source and application of its funds for the year then ended, in conformity with generally accepted accounting principles and with applicable Federal laws.

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INTER-AMERICAN SOCIAL DEVELOPMENT INSTITUTE
STATEMENT OF FINANCIAL CONDITION
JUNE 30, 1971
(Note 1)

ASSETS

FUND BALANCES:		
Funds with U.S. Treasury (note 2)	\$49,806,712	
Cashier imprest fund (note 3)	<u>1,879</u>	
Total		\$49,808,591
OFFICE FURNITURE AND EQUIPMENT (note 4)		32,426
OTHER ASSETS:		
Employee travel advances	3,010	
Prepaid expenses	<u>162</u>	
Total		<u>3,172</u>
TOTAL ASSETS		<u>\$49,844,189</u>

LIABILITIES

CURRENT LIABILITIES:		
Trade accounts payable	\$ 38,280	
Owed to U.S. Government agencies	51,012	
Accrued employee salaries and benefits	<u>22,732</u>	
Total		\$ 112,024
CASHIER FUNDS ADVANCED BY TREASURY DISBURSING OFFICER (note 3)		3,000
ACCRUED ANNUAL LEAVE (note 5)		<u>19,114</u>
TOTAL LIABILITIES		134,138

U.S. GOVERNMENT INVESTMENT

INITIAL INVESTMENT (note 6)	50,000,000	
ACCUMULATED DEFICIT FROM OPERATIONS (Sch. 2)	<u>-289,949</u>	
NET U.S. GOVERNMENT INVESTMENT		<u>49,710,051</u>
TOTAL LIABILITIES AND U.S. GOVERNMENT INVESTMENT		<u>\$49,844,189</u>

The notes on pages 12 and 13 are an integral part of this statement.

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SCHEDULE 2

INTER-AMERICAN SOCIAL DEVELOPMENT INSTITUTE
 COST OF OPERATIONS AND ACCUMULATED
 DEFICIT FROM OPERATIONS
 FOR THE FISCAL YEAR ENDED JUNE 30, 1971
 (Note 1)

SOCIAL DEVELOPMENT GRANTS (note 7)		\$ -0-
ADMINISTRATIVE EXPENSES:		
Employee salaries and benefits	\$141,714	
Employee travel and transportation	10,829	
Board of Directors expenses	10,002	
Council expenses	9,718	
Consultant services	66,710	
Interior decorator services	8,558	
GSA administrative services	15,000	
Rental of office space	15,764	
Telephone	4,136	
Office supplies	1,623	
Other expenses	<u>5,895</u>	
Total		<u>289,949</u>
COST OF OPERATIONS (note 8)		289,949
PRIOR YEAR OPERATIONS		<u>-0-</u>
ACCUMULATED DEFICIT FROM OPERATIONS		<u>\$289,949</u>

The notes on pages 12 and 13 are an integral part of this statement.

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INTER-AMERICAN SOCIAL DEVELOPMENT INSTITUTE
SOURCE AND APPLICATION OF FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 1971

FUNDS PROVIDED:

Appropriated funds transferred from the Agency for International Development (note 6)	\$50,000,000
Cashier imprest fund advanced by Treasury disbursing officer	<u>3,000</u>
Total funds provided	<u><u>\$50,003,000</u></u>

FUNDS APPLIED:

Operating costs	\$ 289,949
Office furniture and equipment	32,426
Travel advances and prepaid expenses	3,172
Net increase in available funds:	
Fund balances, June 30, 1971	\$49,808,591
Less: current liabilities and accrued annual leave	<u>-131,138</u>
Total funds applied	<u><u>49,677,453</u></u>
	<u><u>\$50,003,000</u></u>

The notes on pages 12 and 13 are an integral part of this statement.

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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 1971

1. The Institute, although created as a legal entity during fiscal year 1970, conducted no operations until fiscal year 1971. Operations commenced with the establishment of a Board of Directors in October 1970, but it was not until March 1971, that the Institute began to acquire a permanent staff of operating personnel. Accordingly, the accumulated deficit from operations at June 30, 1971, resulting from operating costs incurred during the year then ended, pertain to start-up costs incurred during a portion of the Institute's first year of operations.
2. Not all the Institute's funds with the U.S. Treasury were available to carry out the corporation's authorized programs in FY 1971. The Foreign Assistance and Related Programs Appropriation Act, 1971, established a limitation of \$10 million for fiscal year 1971. For fiscal year 1972, an \$11 million limitation was submitted. In the future, in accordance with section 104 of the Government Corporation Control Act (31 U.S.C. 849), ISDI may continue to obligate up to its authorized ceiling of \$50 million.
3. The established cashier imprest fund was \$3,000 on June 30, 1971, but the cashier had made cash payments totaling \$1,121 which were not replenished until after June 30, leaving a balance of \$1,879 actually on hand at the close of the year.
4. All office furniture and equipment was purchased new in the last quarter of fiscal year 1971. No depreciation has been recognized for fiscal year 1971.

5. Most of the accrued annual leave liability represents the monetary value of annual leave owed to employees at the time they transferred to the Institute from U.S. Government agencies.
6. The initial \$50 million investment of the U.S. Government in the Institute includes \$10 million which was transferred to the Institute on May 28, 1970, but was not utilized during that fiscal year. The remaining \$40 million was transferred during March and June 1971. The entire \$50 million was transferred from Alliance for Progress development loan funds, Agency for International Development.
7. No social development grants had been made or committed as of June 30, 1971, because the Institute was still in the process of developing its organization and approach.
8. Of the total cost of operations incurred during the year about \$150,000 was incurred for the Institute by various U.S. Government agencies, primarily the Agency for International Development, during the period that the Institute did not yet have a permanent staff of operating personnel. The Institute subsequently reimbursed the agencies for these costs.

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PRINCIPAL OFFICIALS OF
THE INTER-AMERICAN SOCIAL DEVELOPMENT INSTITUTE
AT JUNE 30, 1971

	<u>Position</u>	<u>Date of appoint- ment</u>
BOARD MEMBERS:		
Augustin S. Hart, Jr.	Chairman	9-21-70
George Cabot Lodge	Vice Chairman	9-21-70
Charles A. Meyer	Director	9-21-70
John Richardson, Jr.	Director	9-21-70
Charles W. Robinson	Director	10-17-70
Luis A. Ferre	Director	10-17-70
John A. Hannah	Director	9-21-70
OFFICERS:		
William M. Dyal, Jr.	Executive Director	3-15-71
Irving G. Tragen	Deputy Executive Director	3-15-71
Linda K. Lee	General Counsel	5-30-71
Wayne L. Mock	Director for Planning and Programming	5-16-71
Rieck B. Hannifin	Director of Resources and Research	5- 2-71
Leon M. Parker	Director of Adminis- tration and Finance	5-16-71

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Copies of this report are available from the U. S. General Accounting Office, Room 6417, 441 G Street, N W., Washington, D.C., 20548.

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