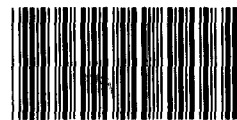


GAO

United States General Accounting Office  
Report to Congressional Committees

November 1990

CENTRAL AMERICA  
Humanitarian  
Assistance to the  
Nicaraguan Resistance



142649

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**National Security and  
International Affairs Division**

B-237240

November 14, 1990

The Honorable Patrick J. Leahy  
Chairman, Subcommittee on Foreign  
Operations  
Committee on Appropriations  
United States Senate

The Honorable Christopher J. Dodd  
Chairman, Subcommittee on Western  
Hemisphere and Peace Corps Affairs  
Committee on Foreign Relations  
United States Senate

The Honorable David R. Obey  
Chairman, Subcommittee on Foreign  
Operations, Export Financing and  
Related Programs  
Committee on Appropriations  
House of Representatives

The Honorable George W. Crockett, Jr.  
Chairman, Subcommittee on Western  
Hemisphere Affairs  
Committee on Foreign Affairs  
House of Representatives

In response to your request, we reviewed the Agency for International Development's administration of \$49.75 million to provide assistance to the Nicaraguan Resistance. These funds were appropriated under Public Law 101-14 for the period of April 18, 1989, to February 28, 1990.

We are sending copies of this report to other interested congressional committees; the Administrator, Agency for International Development; the Secretary of State; and the Director, Office of Management and Budget. Please contact me at (202) 275-4128 if you or your staff have questions concerning this report. Major contributors to this report are listed in appendix II.

Joseph E. Kelley  
Director, Security and International  
Relations Issues

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# Executive Summary

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## Purpose

The Congress has been concerned that assistance provided to the Nicaraguan Resistance in Central America be spent according to legislative intent. As a result, four congressional subcommittees asked GAO to examine the Agency for International Development's (AID) administration of \$49.75 million in humanitarian assistance to this group. GAO's objectives were to determine whether AID had (1) provided only authorized assistance and (2) established adequate procedures to administer procurement and monitor deliveries of goods, services, and payments.

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## Background

Public Law 101-14 (Apr. 18, 1989) authorized the transfer of \$49.75 million in unobligated Department of Defense funds to AID to provide humanitarian assistance to the Nicaraguan Resistance from April 18, 1989, to February 28, 1990. These funds reflected the third phase of humanitarian assistance administered by AID to this group. As of July 31, 1990, AID had obligated about \$42.8 million and, as authorized under Public Law 101-119 (Oct. 21, 1989), transferred \$6 million to support elections in Nicaragua. AID will return the remaining \$900,000 and any unexpended obligated funds to the U.S. Treasury.

In August 1989, the presidents of five Central American countries established the International Commission for Support and Verification, consisting of the Secretaries General of the United Nations and the Organization of American States, to oversee the demobilization of the Resistance and to assume responsibility for delivering humanitarian assistance. The Commission began operating in May 1990. By June 29, 1990, AID had disbanded the task force responsible for administering its assistance program and, in accordance with AID disposition regulations, had transferred equipment and other items to the Commission.

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## Results in Brief

AID and its contractors generally provided only authorized types of assistance and established controls to administer procurement and monitor deliveries. During the third phase of the assistance program, AID (1) adjusted assistance levels to reflect changes in the Resistance population, (2) established a food reserve, and (3) contracted for additional air support to facilitate deliveries. Also, AID and its medical contractor, the International Medical Corps, improved medical assistance, and AID's training contractor, Creative Associates International, Inc., expanded its training program.

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A few ineligible people received food or medical treatment and the International Medical Corps did not maintain adequate records during a vaccination program. Also, AID purchased some inappropriate medicines, and AID and the International Medical Corps' subcontractor, Kraus International, Inc., lacked required documentation for a large purchase of medicines and other items.

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## Principal Findings

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### Compliance With Legislative Requirements

In accordance with the law, AID and its contractors generally provided only authorized assistance. Of the estimated 60,000 people fed during the third phase, GAO found that the Resistance distributed food rations to 18 people that were ineligible for assistance. As a result, AID directed the Resistance to discontinue these rations and monitored food distribution more closely.

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### Changes in Program Operations

AID adjusted the quantities of food distributed to Resistance members in Honduras to reflect periodic changes in troop strength resulting from the relocation of units within Honduras and the reentry of units into Nicaragua. To avoid interruptions in deliveries, AID established a 1-month reserve supply of food rations in Honduras. Further, AID resumed the use of fixed wing air support to conduct airdrops of food and supplies to remote sites and, to facilitate deliveries to new camp sites, contracted for additional helicopter support.

AID and its contractors improved medical facilities and services and expanded training. For example, AID made physical improvements to a recuperation center in Costa Rica, and the International Medical Corps managed the construction of a field clinic and upgraded a rehabilitation center in Honduras. Also, Kraus International, under its subcontract with the International Medical Corps, developed a comprehensive rehabilitation program for disabled Resistance members.

Creative Associates established a maternal and child health care program and expanded its training program to include civic education and other classes designed to prepare Resistance combatants and family members in Honduras for their return to civilian life.

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## Controls Over Procurement and Deliveries

AID and its contractors generally established controls to monitor procurement and deliveries; however, GAO found some minor problems. For example, the International Medical Corps paid about \$33,000 to provide medical care in the United States to 27 Resistance members and Resistance family members who were not eligible for stateside medical care. This number represents a very small portion of the over 60,000 people who received medical care during the assistance program. These people were ineligible because they already lived in the United States and AID permitted only those patients medically evacuated from Honduras and Costa Rica to receive stateside treatment. Further, the International Medical Corps did not maintain adequate patient records during a vaccination program that served about 22,000 people at a cost of about \$110,000. Thus, many people had to be revaccinated.

Further, a pharmacologist's analysis of Resistance medical needs and medicine inventories showed that AID had purchased several medicines from U.S. sources, valued at about \$230,000, that were of questionable therapeutic value, inappropriate for Resistance needs, or duplicative. As a result, AID eliminated these medicines from a subsequent order. Further, AID and the International Medical Corps' subcontractor purchased medicines and other items, valued at \$315,000, in Costa Rica without fully documenting the process for obtaining price quotations and selecting suppliers, as required by AID procurement guidelines.

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## Recommendations

GAO makes no recommendations in this report.

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## Agency Comments

In their oral comments on a draft of this report, AID officials generally agreed with GAO's findings and conclusions and suggested minor modifications, which GAO has incorporated in the report where appropriate.



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# Contents

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<b>Executive Summary</b>		2
<b>Chapter 1</b>		8
<b>Introduction</b>	Elements of Assistance	9
	Program Obligations	10
	Program Completion and Disposition of Equipment	12
	Objectives, Scope, and Methodology	13
<b>Chapter 2</b>		15
<b>Changes in Program Operations</b>	Adjustments in Assistance Levels	15
	Establishment of Food Reserve and Addition of Air Support	15
	Improvements in Medical Facilities and Services	16
	Expansion of Training	17
<b>Chapter 3</b>		19
<b>Compliance With Legislative Requirements and Establishment of Controls</b>	Compliance With Public Law 101-14	19
	Establishment of Controls	20
<b>Appendixes</b>	Appendix I: AID's Obligations for Humanitarian Assistance	24
	Appendix II: Major Contributors to This Report	25
<b>Tables</b>	Table 1.1: AID's Obligations for Humanitarian Assistance Provided Under Public Law 101-14	11
	Table 2.1: Training Provided to Resistance Combatants and Family Members	18

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## Abbreviations

AID	Agency for International Development
GAO	General Accounting Office
IMC	International Medical Corps





# Introduction

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In February 1989, five Central American presidents<sup>1</sup> signed an agreement calling for, among other things, development of a plan for voluntary demobilization, repatriation to Nicaragua, or relocation to third countries of members of the Nicaraguan Resistance and their families. In exchange, the Nicaraguan government agreed to hold free elections by February 25, 1990. In August 1989, the presidents established the International Commission for Support and Verification, composed of the Secretaries General of the United Nations and the Organization of American States, to implement and verify the repatriation process.

On March 24, 1989, the President and Congress signed the Bipartisan Accord on Central America, which outlined U.S. policy objectives and called for continued support to the Nicaraguan Resistance until the time of the Nicaraguan elections. Public Law 101-14 (Apr. 18, 1989) implemented the Accord and authorized the transfer of \$49.75 million to the Agency for International Development (AID) from unobligated Department of Defense appropriations to provide humanitarian assistance to the Nicaraguan Resistance from April 18, 1989, to February 28, 1990.

The legislation also provided AID with up to \$5 million to pay for operating expenses and \$7.69 million for transportation expenses.<sup>2</sup> Further, it stipulated that none of the funds could be spent to provide or transport military assistance, and prohibited assistance to any group that retained in its ranks an individual found to engage in human rights violations, drug smuggling, or significant misuse of public or private funds.

The \$49.75 million reflected the third phase of humanitarian assistance funding administered by AID. The first phase, authorized under Public Law 100-276 (Apr. 1, 1988), provided \$17.7 million from April 1988 to September 1988. Public Law 100-463 (Oct. 1, 1988) authorized \$27.14 million for the second phase from October 1988 through March 31, 1989. We issued reports on our review of expenditures for the two prior phases.<sup>3</sup>

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<sup>1</sup>Includes the presidents of Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua.

<sup>2</sup>The legislation also authorized the transfer of \$4.17 million to AID for a medical program to be administered by the Catholic Church in Nicaragua. However, the Nicaraguan government did not permit the use of these funds, and, according to AID officials, the funds expired at the end of fiscal year 1989.

<sup>3</sup>Central America: Humanitarian Assistance to the Nicaraguan Democratic Resistance (GAO/NSIAD-89-152, June 1, 1989) and Central America: Humanitarian Assistance to the Nicaraguan Democratic Resistance (GAO/NSIAD-90-62, Jan. 23, 1990).

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## Elements of Assistance

During the first phase of assistance, AID established a Task Force on Humanitarian Assistance in Central America, with headquarters in Washington, D.C., and field offices in Honduras and Costa Rica to implement the assistance program. As in prior phases, auditors from AID's Office of the Regional Inspector General and the private accounting firm of Price Waterhouse monitored and audited program activities in Honduras and Costa Rica during the third phase.

Since the assistance program began in April 1988, AID has provided the following types of assistance to Resistance members and their families at camps and other sites in Honduras and a recuperation center in Costa Rica:

- **Food.** AID provided monthly food rations to about 60,000 Resistance members and family members. Resistance members received a full ration, based on nutritional requirements, of 29 items including rice, meats, and vegetables. AID provided supplementary rations, consisting of eight items, to family members.
- **Clothing.** AID distributed civilian clothing at the recuperation center in Costa Rica and patient clothing at Resistance medical facilities in Honduras. AID also procured standard military attire for Resistance members in Honduras, including boots, shirts, trousers, and field packs, and transported these items from the United States on U.S. military aircraft.
- **Shelter.** AID provided tents and plastic sheeting to Resistance members for shelter at camps in Honduras.
- **Medical.** AID procured medicines for the Resistance medical corps in Honduras and provided medical services to residents of a recuperation center in Costa Rica. During the first phase, AID contracted with the Dooley/INTERMED Foundation to provide technical assistance to the Resistance medical corps. During subsequent phases, AID contracted with the International Medical Corps (IMC)<sup>4</sup> to provide technical assistance, manage medical evacuation and rehabilitation programs, and procure medicines, equipment, and supplies. IMC also upgraded Resistance medical facilities and managed construction of a field clinic. During the third phase, AID's training contractor, Creative Associates, implemented a maternal and child health care program in Honduras.
- **Training.** Creative Associates provided nonmilitary training during the second and third phases. This training included classes in literacy, warehousing, health and sanitation practices, and such vocational skills as

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<sup>4</sup>In August 1989, AID contracted with Kraus International, Inc., a U.S. consulting firm, to provide technical assistance to IMC. In November 1989, IMC contracted directly with Kraus for continued assistance, but terminated the contract in March 1990 due to illegal activities involving both a Kraus and AID official.

computer operation, road maintenance, shoemaking, and carpentry. The contractor estimated that about 9,300 people attended training classes in Honduras and Costa Rica. During the second and third phases, AID also awarded grants to the Nicaraguan Association for Human Rights and the Resistance to provide instruction in human rights issues such as treatment of civilians and the Resistance's system of military justice. These organizations trained a total of about 19,000 people. Further, during the third phase, AID contracted with a Costa Rican government institute to provide specialized vocational training to disabled Resistance members in Costa Rica.

- **Cash payments.** AID managed two cash payment programs. It provided family assistance payments totaling about \$352,000 per month to about 2,700 senior Resistance members to defray living expenses. AID also provided periodic cash-for-food payments in Nicaraguan currency, called cordobas, to Resistance forces inside Nicaragua. This currency, provided to a maximum of 3,500 Resistance members per payment, was to be used to purchase essential goods, such as food. During the three phases, AID spent about \$3.2 million to purchase cordobas.
- **Program support.** AID funded Resistance administrative and support costs, such as office and housing rent, utilities, and office supplies.
- **Communications.** During the first phase, AID provided radios and batteries to Resistance combatant units. During subsequent phases, AID provided only replacement batteries for existing communications equipment.
- **Road maintenance.** AID provided funds to upgrade drainage structures on existing roads to facilitate food deliveries to Resistance camps in Honduras.
- **Reintegration and relocation support.** During the third phase, AID authorized Creative Associates to provide civic education and vocational courses designed to prepare Resistance members and their families for returning to civilian life in Nicaragua. About 5,700 members attended these courses. AID also transferred about \$3.1 million to the International Commission for Support and Verification for use in beginning the Commission's program.

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## Program Obligations

During the three phases, AID obligated about \$81.6 million for humanitarian assistance. Appendix I provides a detailed breakdown of obligations over the three phases. As of July 1990, of the \$49.75 million authorized for the third phase under Public Law 101-14, AID had obligated \$42.85 million for humanitarian assistance and transferred \$6 million to support an election assistance program in Nicaragua authorized

under Public Law 101-119 (Oct. 21, 1989).<sup>5</sup> According to AID officials, the remaining \$900,000 and any obligated funds that remain unexpended after all program debts are liquidated will be returned to the U.S. Treasury. Table 1.1 shows the breakdown of the third phase obligations.

**Table 1.1: AID's Obligations for Humanitarian Assistance Provided Under Public Law 101-14 (As of July 9, 1990)**

<b>Total available</b>	\$49,750,000
<b>Less: obligations</b>	
Food	\$10,509,133
Clothing	4,604,705
Shelter	97,665
Medical services and supplies	10,476,197
Training	1,586,963
Cash payments	
Family assistance	3,491,665
Cash-for-food	1,666,874
Program support	2,007,981
Communications	56,116
Road maintenance	258,369
Reintegration and relocation support	8,094,104 <sup>a</sup>
<b>Total</b>	<b>\$42,849,772</b>
Transferred to Nicaraguan elections	\$6,000,000
Amount not obligated	\$900,228

<sup>a</sup>Figure reflects \$4,474,599 for training, \$3,090,000 transferred to the International Commission for Support and Verification, and \$529,505 for program termination costs.

As of July 31, 1990, AID had obligated \$3.64 million of the \$5 million available for operating expenses and \$5.82 million of the \$7.69 million available for transportation expenses. The respective remaining unobligated funds and unexpended obligated funds will be returned to the U.S. Treasury.

<sup>5</sup>Public Law 101-119 also authorized AID to transfer \$3 million from unexpended funds available from the first phase of assistance. We reported on AID's administration of funds transferred for the election program in our report, *Central America: Assistance to Promote Democracy and National Reconciliation in Nicaragua* (GAO/NSIAD-90-245, Sept. 24, 1990).

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## Program Completion and Disposition of Equipment

In their August 1989 agreement, the five Central American presidents established the International Support and Verification Commission to oversee demobilization of the Resistance and to assume responsibility for delivering humanitarian assistance. In the fall of 1989, AID began meeting with Commission officials to discuss arrangements for coordinating the transition. AID planned to terminate its program by March 31, 1990; however, the Commission took longer than AID expected to develop a plan and did not become operational until May 1, 1990. Thus, AID extended its program until April 30, 1990.<sup>6</sup>

On April 6, 1990, AID transferred \$3 million to the Commission to cover initial costs. On April 30, 1990, AID ceased deliveries, and on May 1, 1990, the Commission became operational in Honduras through the United Nations High Commissioner for Refugees and in Nicaragua through the Organization of American States. The High Commissioner's office used its existing organization to administer assistance and also contracted with AID's contractors--IMC and Creative Associates, to continue their medical programs in Honduras. The Organization of American States used its existing organization and the Pan American Health Organization to administer assistance in Nicaragua.

To ease the transition, AID contributed a sufficient quantity of food to the High Commissioner's office at the end of April 1990 to feed 7,000<sup>7</sup> people during May 1990. Further, to provide care for disabled Resistance members until arrangements for their return to Nicaragua became final, AID extended its contracts with IMC and Creative Associates. Thus, AID permitted IMC to continue managing the Resistance's rehabilitation center in Honduras through July 31, 1990. It also permitted Creative Associates to manage a recuperation center in Costa Rica until the residents completed an ongoing training program, up to September 30, 1990.

During May and June 1990, AID disposed of equipment and other items, and by the end of June 1990, had disbanded its task force. AID established a disposition policy requiring task force, contractor, and grantee assets to be used, as appropriate, to support the repatriation process. Any item not needed for this purpose would be offered to AID missions in

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<sup>6</sup>Under Public Law 101-14, AID had to cease obligating humanitarian assistance funds by February 28, 1990, but could provide assistance beyond that date.

<sup>7</sup>This figure reflects AID's estimate of the number of people remaining in Resistance camps in southern central Honduras as of April 30, 1990.

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the region and, if not needed, would be sold with the proceeds reverting to the U.S. Treasury.

AID transferred the task force's assets, consisting primarily of office equipment, to AID missions in Nicaragua and Honduras, and authorized IMC and Creative Associates to retain equipment, materials, and supplies to use in supporting the High Commissioner's office.<sup>8</sup> These items included office furniture, computers, medicines, and operating tables. With AID grants, the Resistance and the Nicaraguan Association for Human Rights had purchased video cameras, television sets, and other equipment for human rights training. AID distributed items purchased by the Resistance to the AID mission in Nicaragua and authorized the Association to use its assets for training programs in Nicaragua. At the Resistance's request, AID shipped specialized medical equipment and supplies in the Resistance's possession, with an estimated value of \$1.5 million, to Nicaragua for use in the repatriation effort.<sup>9</sup>

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## Objectives, Scope, and Methodology

At the request of the Chairmen, Subcommittees on Foreign Operations, Senate and House Committees on Appropriations; Subcommittee on Western Hemisphere and Peace Corps Affairs, Senate Committee on Foreign Relations; and Subcommittee on Western Hemisphere Affairs, House Committee on Foreign Affairs, we reviewed AID's management of funds provided during the third phase of humanitarian assistance to the Nicaraguan Resistance. Our objectives were to determine whether AID provided only authorized goods and services and established adequate procedures to procure and deliver goods and services.

We met with officials from the AID Task Force and the Department of State and reviewed pertinent documentation on the assistance program in Washington, D.C., and at the U.S. embassies in Tegucigalpa, Honduras, and San Jose, Costa Rica. We also met with auditors from AID's Office of the Regional Inspector General and the private accounting firm of Price Waterhouse, and with representatives of the Nicaraguan Resistance, IMC, Creative Associates, Kraus International, and the Nicaraguan Human Rights Association at field sites in Tegucigalpa and other locations in Honduras and in San Jose, Costa Rica. Further, we met with

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<sup>8</sup>AID also authorized IMC to donate some medical instruments and equipment to a private voluntary organization that provided medical care to Resistance members in eastern Honduras.

<sup>9</sup>This shipment consisted of items such as x-ray machines, crutches, and wheelchairs belonging to the Resistance medical corps. AID shipped these items under the auspices of the U.S. embassy in Nicaragua to the Nicaraguan government agency responsible for overseeing the repatriation process.

representatives of IMC and the Miami Medical Team in Miami, Florida. At these locations, we reviewed records and observed the delivery of goods and services.

To determine whether AID provided only authorized goods and services and established adequate controls, we made numerous trips to field sites to observe deliveries and inspect warehouses. We also reviewed financial records, purchase orders, and audit reports. Further, we reviewed AID and Resistance procedures for cash payments and inventorying and distributing goods.

We did not obtain written agency comments on this report. However, we did obtain oral comments from AID officials on a draft of this report. They generally agreed with our findings and conclusions and suggested some minor modifications, which we have incorporated in the report where appropriate.

We conducted our review from April 1989 to June 1990 in accordance with generally accepted government auditing standards.



# Changes in Program Operations

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AID instituted some changes in program operations during the third phase. Due to the periodic relocation of Resistance units, AID adjusted food deliveries. It also established a system for maintaining reserve food supplies and contracted for additional air support to facilitate deliveries. Further, AID and its medical contractor improved medical facilities and services, and AID's training contractor established maternal and child health care centers and expanded its training program to include civic education and additional vocational courses.

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## Adjustments in Assistance Levels

During the third phase, the Resistance relocated its troops several times. In August 1989, the Resistance established additional camps in Honduras and dispersed its troops following the meeting of the five Central American presidents. Further, many Resistance members returned to Nicaragua after the meeting and in January and February 1990, prior to the elections held on February 25, 1990. As a result of these movements, the location and numbers of Resistance members in Honduras fluctuated during the third phase.

AID closely monitored changes in the combatant population and adjusted food deliveries in Honduras accordingly. Each month, the Resistance reported the numbers of combatants in Honduras and Nicaragua. Using this information, AID identified increases or decreases from the prior month and revised subsequent purchase orders for food to reflect these changes. Although the number of combatants reentering Nicaragua periodically increased, AID did not increase the number or amount of cash-for-food payments provided to Resistance forces in Nicaragua because it had established a limit on these payments, in consultation with congressional representatives.

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## Establishment of Food Reserve and Addition of Air Support

During the third phase, AID established procedures for maintaining a 1-month reserve supply of food for Resistance combatants in Honduras. The food reserve, established in June 1989, supplemented regular monthly rations and was stored at Resistance warehouses in southern and eastern Honduras. It consisted of nine basic items, such as tortillas and dried milk, and was replaced every 1 or 2 months to avoid spoilage. According to AID, the reserve was established to prevent interruptions in the food supply resulting from market shortages of certain products, delivery problems such as impassable roads or bridges during the rainy season, or unexpected emergencies.

AID also arranged for additional helicopter support and resumed the use of fixed wing aircraft to facilitate deliveries to the Resistance. During the first phase, AID contracted with Air Logistics International, Inc., a U.S. company, to provide two helicopters to transport AID officials, food, and supplies to Resistance camps. It also contracted with a private Honduran cargo company to provide a fixed wing aircraft to airdrop food and supplies to camps located in remote areas.

In February 1989, the fixed wing aircraft crashed and, to compensate for the loss, AID increased the use of the two helicopters. In July 1989, AID contracted with Fowler Aeronautical Services, a U.S. company, for a replacement aircraft. The airdrops resumed in August 1989. In November 1989, AID authorized Air Logistics to operate a third helicopter to meet additional air support needs because the Resistance had deployed units to several new locations in remote areas within Honduras that were inaccessible by road or airdrop.

## Improvements in Medical Facilities and Services

During the third phase, AID and its contractors improved medical facilities and rehabilitation and health care services. At a recuperation center in Costa Rica, AID installed additional wash basins, a new drainage system, and partitions for dining and living areas, and purchased physical therapy and other rehabilitation equipment. In Honduras, IMC upgraded facilities at the Resistance's rehabilitation center, referred to as Rancho Grande, for disabled Resistance members. Improvements included construction of ramps and walkways, improved plumbing, and installation of electricity.

IMC also managed the construction of a clinic that served the medical needs of most Resistance members and their families in southern central Honduras. This project included construction of four wooden buildings and installation of water, sewage, and electrical systems. The buildings consisted of various facilities such as two operating rooms, two patient wards with a 100-bed capacity, a pharmacy, a warehouse for medicines and medical supplies, and a laboratory. Construction began in July 1989 and by November 1989, the clinic was sufficiently complete for the Resistance medical corps to begin performing surgeries. The construction project cost a total of about \$250,000.

At Rancho Grande, IMC's subcontractor, Kraus International, Inc., established a rehabilitation program for disabled Resistance combatants during the third phase. Prior to this time, IMC had hired a physical therapist and other professional staff to provide rehabilitative care; however,

the staff had not developed a coordinated plan and left the program in September 1989. In September 1989, a Kraus rehabilitation consultant recommended several improvements, including development of a work plan. By December 1989, a second Kraus consultant had developed a detailed plan and identified staffing needs, and IMC hired new staff. During the remainder of the phase, this consultant and the staff provided rehabilitative care and developed a profile of each patient that identified their capabilities and rehabilitative needs.

Creative Associates implemented a health care program to address the medical needs of Resistance women and children. In December 1989, the contractor established four maternal and child health care centers in southern central Honduras and assigned two full-time physicians to provide medical care and vaccinations. In addition, four social workers and several Resistance health promoters circulated among the population to monitor health conditions, refer patients to the centers for treatment, and provide health and sanitation education. As of April 1990, the center staff had treated about 7,550 patients and vaccinated about 80 percent of the Resistance children under the age of five. Creative Associates officials believe that this health care program contributed significantly to improving the health of the Resistance community.

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## Expansion of Training

Creative Associates expanded its training program to include classes designed to prepare Resistance members and their families for eventual return to civilian life. During the second phase, the contractor focused its training program in Honduras primarily on improving Resistance members' administrative skills used in distributing assistance and provided training in such subjects as accounting, computer operations, and inventory control. Classes in literacy, environmental sanitation, and vocational skills, such as equipment operation and radio maintenance, were also provided. In Costa Rica, Creative Associates primarily provided health and rehabilitation training, including first aid and occupational therapy classes.

Because Public Law 101-14 authorized reintegration and relocation support, Creative Associates, at AID's request, expanded its program in Honduras during the third phase to include Resistance family members and offered civic education and additional vocational classes. To reach as many people as possible, the contractor trained Resistance commanders in civic principles and teaching methodologies. These commanders acted as trainers and conducted civic awareness campaigns in their own units

and in the community. Creative Associates staff and the trained commanders also conducted seminars for Resistance troops that included instruction in such topics as democratic values, the function of municipal and national government, the Nicaraguan constitution, the right to vote in free elections, and the rights and responsibilities of individuals in a democratic society.

Creative Associates also expanded vocational training to include courses in carpentry, leather working, road maintenance, sewing and home economics, and provided classes in literacy, health and sanitation practices, and rural skills such as farming and animal husbandry. To maximize training benefits, the contractor trained selected Resistance and family members in teaching methodologies so that they could train others in the Resistance community. For example, those trained in basic first aid and disease control conducted educational seminars for others on these subjects. According to Creative officials, trainees also used their skills to repair roads, build latrines, and make other improvements in living conditions.

During the third phase, 8,272 Resistance combatants and family members, including 7,543 in Honduras and 729 in Costa Rica, attended training classes as shown in table 2.1.

**Table 2.1: Training Provided to Resistance Combatants and Family Members**

Type of class	Number trained
Civic education	3,335
Vocational skills	2,409
Rural skills	262
Literacy	592
Health and sanitation	1,674
<b>Total</b>	<b>8,272</b>

According to Creative Associates, its training program in Honduras benefitted a significant number of people other than those that attended training classes. These beneficiaries included about 71,000 people who had received training from class graduates and about 72,000 people who had experienced improvements in living conditions.<sup>1</sup>

<sup>1</sup>According to Creative Associates, the numbers shown in this paragraph reflect the number of training instances and not the actual number of people because one person may have benefitted from several activities.

# Compliance With Legislative Requirements and Establishment of Controls

AID and its contractors provided only authorized types of assistance and established adequate controls to administer procurement and monitor deliveries; however, we noted a few minor problems. Of the estimated 60,000 people fed during the third phase, the Resistance distributed food rations to 18 ineligible people working at food distribution sites in Honduras. IMC funded unauthorized medical treatment for 27 Resistance members living in the United States; this represents a very small fraction of the over 60,000 people who received medical care during the assistance program. Further, IMC did not maintain adequate records during a vaccination program. Also, AID procured some inappropriate medicines from U.S. sources, and AID and IMC's subcontractor lacked required documentation for medicines and other items purchased in Costa Rica.

## Compliance With Public Law 101-14

Public Law 101-14 authorized AID to provide only certain types of humanitarian assistance to the Resistance and specifically prohibited the delivery or transportation of any military assistance. Further, the legislation prohibited AID from providing assistance to any group retaining in its rank any individual convicted of human rights violations, drug smuggling, or significant misuse of public or private funds.

AID and its contractors provided only authorized types of assistance except that 18 ineligible people received food rations. These people worked at various sites in Honduras and assisted in distributing food each month to Resistance family members. Although employed by the Resistance, these workers were not Resistance members or Resistance family members. In August 1989, we found that the Resistance had been distributing food rations to the workers during AID's monthly distributions to Resistance families. AID officials agreed that the 18 people were ineligible. They stated that they were unaware that these ineligible people were receiving rations and did not know how long this practice had occurred.

To address the problem, AID issued a policy statement to the Resistance reemphasizing eligibility guidelines and began more closely monitoring food distributions. According to AID officials, as of September 1989, the Resistance had removed the names of the 18 ineligible people from distribution lists and ceased distributing rations to these people.

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## Establishment of Controls

AID and its contractors established various controls to administer procurement and monitor deliveries of commodities to the Resistance. AID officials reviewed and approved contractor budgets and major purchases, and routinely visited field sites to observe contractor activities. Further, AID established procedures requiring full documentation of each procurement action, such as information on price quotations obtained and the basis for selecting suppliers.

In addition, auditors from AID's Office of the Regional Inspector General and the private accounting firm of Price Waterhouse closely monitored program activities and expenditures, including accompanying deliveries, observing cash payments, and verifying inventory records. During the third phase, Price Waterhouse reported no significant problems with AID or contractor procedures. We also found procedures to be adequate, but noted some problems in the delivery of medical services and procurement of medicines.

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## Some Resistance Members Received Unauthorized Medical Treatment

Under its contract with AID, IMC assumed responsibility, in November 1988, for funding a program to evacuate Resistance and family members who had medical conditions that could not be treated in Honduras or Costa Rica to the United States for treatment. People already living in the United States were not eligible for treatment. A team of doctors, nurses, and other medical personnel in Miami, Florida, referred to as the Miami Medical Team, provided medical treatment and arranged for hospital care. The team selected patients for evacuation during periodic visits to Resistance clinics in Honduras and based on referrals from Resistance doctors in Honduras and AID's field director in Costa Rica. The program ceased in February 1990 and, as of that time, IMC had spent about \$401,400 and 64 people had received medical care.

We found that IMC paid about \$33,400 from November 1988 to November 1989 for medical expenses of 27 Resistance members and Resistance family members who already lived in the United States. At the request of the Resistance, the Miami Medical Team arranged for medical care; however, these individuals were not eligible for stateside medical treatment because they had not been medically evacuated. Over 60,000 people received medical care during the assistance program. The expenses incurred for the ineligible recipients represented 8.3 percent of IMC's total expenditures for the medical evacuation program. According to AID and IMC officials, they were not aware that the Miami Medical Team had been treating these Resistance members and family members.

Until December 1989, AID and IMC exercised only limited oversight of the evacuation program and thus, in most cases, the Miami Medical Team and Resistance selected patients for treatment without consulting with AID and IMC.<sup>1</sup> Further, IMC did not closely monitor the eligibility of patients treated in Miami prior to paying medical bills. In December 1989, concerned about the evacuation program costs, AID and IMC began to more closely monitor the program. In January 1990, IMC implemented procedures that required the Miami Medical Team and the Resistance to obtain IMC approval on all medical bills and AID approval before Resistance and family members already living in the United States could be treated.

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**Lack of Adequate Record-  
Keeping Results in  
Duplication of Effort**

During the second and third phases, IMC conducted an 8-month vaccination program for Resistance members and their families in Honduras. In September 1989, during the third phase, AID requested Creative Associates to survey the health status of the Resistance population in central Honduras. The contractor's staff interviewed Resistance combatants and family members and reviewed medical records, including vaccination data compiled by the IMC doctor. Based on survey results, AID authorized Creative Associates to implement a maternal child health care program, including a vaccination component.

IMC contracted with a doctor to administer its vaccination program and spent about \$110,000, including \$15,000 for the doctor's salary and the remainder for vaccines and supplies. From February 1989 to September 1989, the doctor had vaccinated about 22,000 people. However, the doctor did not sufficiently document who had received vaccinations and the number of injections administered. For example, in many cases, the records did not reflect the full name of patients or whether an entire series<sup>2</sup> of vaccinations had been completed. Some records showed that a patient had received a second dosage, but did not reflect whether a first or third dose had been administered.

From December 1989 to April 1990, Creative Associates vaccinated about 1,600 children under 5 years old and 10,000 older children and adults at an estimated cost of about \$12,000. According to a Creative

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<sup>1</sup>We found that the team and Resistance obtained approval from AID's field director in Costa Rica and AID headquarters officials prior to evacuating patients from Costa Rica.

<sup>2</sup>Because some vaccines, such as polio, must be administered in a series of injections at specific time intervals, detailed records are necessary to ensure individuals have received complete sets of vaccinations.

Associates physician, these people likely included many who had received vaccinations during the IMC program because Creative Associates could not fully rely on IMC records. If any question existed as to whether a person had been properly vaccinated, the physician stated that the person was revaccinated.

We also found that, in April 1989, IMC destroyed about 1,100 vials of vaccine used to prevent tetanus and hepatitis. These items, valued at about \$8,200, were unusable because they had not been properly refrigerated.

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### **Analysis of Medicine Procurement Reveals Some Inappropriate Purchases**

In August 1989, a pharmacologist, employed by Kraus International, which had contracts with AID and IMC, began evaluating Resistance medical needs and reviewing prior AID and IMC purchases of medicines and medical supplies. By November 1989, the pharmacologist, using World Health Organization standards, had determined the types of illnesses likely to afflict the Resistance and developed a list of essential medicines and supplies.

The pharmacologist reported that AID had purchased some inappropriate medicines. Specifically, of 187 medicines purchased by AID in two orders through the U.S. Veterans Administration during 1989, the Kraus official found that 37 items, or 20 percent, were of questionable therapeutic value, inappropriate for Resistance needs or duplicative, and recommended changes to AID's final order. The items were valued at about \$230,000 and represented about 10 percent of the total \$2.3 million spent for medicines during the third phase. AID subsequently revised its final order to eliminate these medicines.

During the prior phases, AID and IMC officials focused on screening Resistance requests for medicines to eliminate duplication. By the end of the second phase, they had significantly reduced the number of medicine types requested. During the third phase, the pharmacologist analyzed the appropriateness of the medicines requested. If this type of analysis had been performed earlier in the program, AID could have avoided purchasing inappropriate medicines. AID officials agreed that further analysis during the prior phases would have been appropriate.

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### **Lack of Documentation for Purchase of Medical Items**

During January and February 1990, AID purchased medicines and medical and dental supplies in Costa Rica valued at about \$315,000. Because the Kraus pharmacologist was familiar with the market, AID relied on



this official to identify potential suppliers and obtain price quotations and to assist its project and procurement officers in finalizing purchasing and shipment arrangements. By mid January 1990, the pharmacologist and AID officials had obtained price information and selected a Costa Rican firm to act as a consolidating agent. This firm purchased items from several suppliers and prepared consolidated shipments.

Although AID guidelines required full documentation of procurement actions, we found no formal price analysis or record documenting the basis for selecting the consolidating agent and suppliers. AID officials and the Kraus pharmacologist maintained notes regarding the purchase of medicines and medical and dental supplies, but did not have a complete record of actions taken. The pharmacologist had prepared a partial analysis of quotations obtained for dental supplies; however, the analysis did not specifically identify the suppliers contacted or basis for pricing. As a result, sufficient information is not available to determine whether AID obtained the best prices. AID officials agreed that more complete documentation should have been maintained.

# AID's Obligations for Humanitarian Assistance (As of July 1990)

	Phase 1 (Apr. 1988 to Sept. 1988)	Phase 2 (Oct. 1988 to Mar. 1989)	Phase 3 (Apr. 1989 to June 1990)	Total (Apr. 1988 to June 1990)
<b>Funds available</b>	\$17,700,000	\$27,140,000	\$49,750,000	\$94,590,000
<b>Obligations</b>				
Food	5,187,714	5,539,106	10,509,133	21,235,953
Clothing	33,724,168	4,209,654	4,604,705	12,538,527
Shelter	80,856	389,155	97,665	567,676
Medical services and supplies	2,911,242	6,119,110	10,476,197	19,506,549
Training	0	2,168,020	1,586,963	3,754,983
<b>Cash payments</b>				
Family assistance	1,831,559	2,198,077	3,491,665	7,521,301
Cash-for-food	615,863	913,395	1,666,874	3,196,132
Program support	388,218	413,241	2,007,981	2,809,440
Communications	1,495,765	55,289	56,116	1,607,170
Road maintenance	0	504,779	258,369	763,148
Reintegration and relocation support	0	0	8,094,104	8,094,104
<b>Total</b>	<b>\$16,235,385</b>	<b>\$22,509,826</b>	<b>\$42,849,772</b>	<b>\$81,594,983</b>
Funds transferred to election assistance	0	0	\$6,000,000	\$6,000,000
Funds returned to U.S. Treasury	\$1,464,615	\$4,630,174	0	\$6,094,789
Funds remaining	0	0	\$900,228 <sup>a</sup>	\$900,228

<sup>a</sup>According to AID officials, these funds and any unexpended obligated funds will be returned to the U.S. Treasury after all program debts are liquidated.

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