

INTER-AMERICAN INSTITUTE FOR
GLOBAL CHANGE RESEARCH
(IAI)

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Panama City, Panama

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FINANCIAL AND ADMINISTRATIVE WORKING GROUP

Date: May 21 – 22, 2001

Place: IAI premises in São José dos Campos

Participants:

Raúl Michelini – Uruguay (Chair)

Antonio Mac Dowell – Brazil

Bárbara Garea – Cuba

Vanessa Richardson – USA

Armando Rabufetti – IAI Director

Silvio Bianchi – IAI Financial Officer (Executive Secretary)

I) Agenda

- 1) Opening words by the Chair of the FAWG
- 2) Status of IAI as of January 1st, 2001 (accounting and administration)
- 3) Status of Core Budget for FY 2000/01 and estimates for FY 2001/02
- 4) Financial Report as of June 30, 2000 and External Audit Report
- 5) Status of Country Contributions as of March 31, 2001
- 6) Accounting system for FY 2000/01
- 7) Update on administrative issues:
- 8) FAWG composition for the period July / 2001 – June/ 2003
 - a. Nominations for the EC approval
 - b. Review of the Charter
- 9) Other issues

Item 1)

The Chair of the FAWG welcomed the participants and outlined the duties of the working group.

Item 2) Situation of IAI as of January 1st, 2001 (accounting and administration)

The FO made an update on the status of the administration of IAI as of January 1st, 2001 when he joined IAI. He debriefed the group on the status of the accounting registrations and other administrative issues

Item 3) Status of Core Budget for FY 2000/01 and estimates for FY 2001/02

Core Budget for FY 2000/2001

The analysis of the information provided by the Financial Officer shows expected savings of US\$ 78,611 with reference to the approved budget. The most significant savings will be under the category "Personnel" (Salaries and Benefits) due to the fact that the FO was hired on January/2001 and the SO, who left IAI on October/2000, has not been substituted. An Interim SO was hired on a part time basis and, due to the facts that he is a Brazilian, does not have any overseas allowance.

Estimates for FY 2001/2002

The group made an analysis by line item of the budget request for FY 2001/2002.

Item 4) Financial Report as of June 30, 2000 and External Audit Report

Copies of the Financial Statements as of June 30, 2000 as well as the Audit Report issued by Arthur Andersen were distributed to the participants. This Financial Report was prepared by Mrs. Heloisa Ferreira based on the registrations left by Marcello Souza (the former Accountant Assistant) and the documentation found in the files for the period May-June/2000.

It is important to remark paragraph (4) of the Auditors which says: "In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of IAI as of June 30, 2000, and the changes in its net assets and its cash flows for the year then ended in conformity with generally accepted accounting principles in the United States of America (U.S. GAAP)."

The group approved the Financial Statement as well as the Audit Report.

Item 5) Status of Country Contributions as of April 30, 2001

A table showing the status of the voluntary contributions to core budget was distributed.

Item 6) Accounting software for FY 2001/2002

Due to the fact that the Kenrick accounting software in use crashed on October/2000, and it was not possible to get more technical support from the provider. A local accounting software was purchased in order to finish the accounting registrations up to June 30, 2000 and June 30, 2001.

The actual accounting software is DOS based and too rigid (little flexibility to create new categories as well as lack of reporting possibilities).

New possible accounting softwares are under study. Once a decision is made, it will be communicated to the rest of the FAWG members.

Item 7) Update on Administrative Issues

In light of past decisions of the FAWG some administrative issues were discussed and follow-up actions decided.

Item 8) FAWG composition for the period July/2001 – June/2003

a. Nominations for the EC Approval

It was decided to recommend that the following countries continue to be part of the FAWG:

- Brazil
- Cuba
- Uruguay
- USA
- Other country

The Financial Officer will serve as the Executive Secretary of the group.

b. Review of the Charter

It was decided not to revise the charter of the group and to submit a proposal for the approval of the EC.

Item 9) Other Issues

a. Audit Report – Management Letter

The FO will contact Arthur Andersen to request a correction on the Note 2. BASIS OF PRESENTATION of the Financial Statements as of June 30, 2000. Where says: "The IAI maintains its official accounting records in Brazilian reais (R\$)", it has to say: "The IAI maintains its official accounting records **in U.S. dollars (USD\$)**".

The FO will write the Management Response to the recommendations received from Arthur Andersen on Internal Control and Administrative Processes. The draft letter will be circulated among the FAWG members before being sent to the Auditors.

b. Updates on IAI financial and administrative status to the FAWG members

It was agreed that the FO will send quarterly financial statements to the FAWG members as well as monthly updates.

c. Exchange rate to be used for Brazilian staff salary conversions

It was agreed that the salaries of the Brazilian staff would be fixed in local currency. Every six month the evolution of the Brazilian currency (Real) against the US dollar will be reviewed and if important variations occur corrective measures will be studied.

d. PESCA funds blocked in USA

The FO informed the group that on October, 2000 IAI requested a transference of USD\$ 24,600 to the Ministerio de Educación Superior de Cuba for the Project PESCA-006 whose PI was Angel Utset.

The Banco do Brasil, the Brazilian financial institution that IAI requested to transfer the funds to Cuba, used a correspondent bank in the United States. As under the actual regulations, U.S. financial institutions are prohibited from dealing in any property which Cuba or its nationals have an interest, these funds were blocked by the Office of Foreign Assets Control of the Department of Treasury of the United States of America.

The group discussed this issue and reached to the conclusion that the Banco do Brasil was responsible for this problem and that IAI should claim the bank for a reimbursement.

The FO will contact the bank after having requested the advise of IAI's legal advisors.