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Update on the Financial and Administrative Working Group (FAWG) and Related Activities

This update on the activities of the Financial and Administrative Working Group includes the following:

- FAWG activities since the July 2001 Meeting
- Summary of FAWG meetings in Panamá
- Quarterly Status Report: July 1 – September 30, 2001

Recent Activities of the FAWG and IAI Financial Operations

On August 27, 2001, the Executive Council Chair, Antônio MacDowell and the FAWG Chair, Vanessa Richardson, met with Silvio Bianchi at the IAI Directorate to finalize negotiations regarding the Employment Contract of Ms. Marcella Ohira-Schwarz and to discuss other financial and administrative issues related to the IAI Directorate.

On August 28-29, 2001, Ms. Richardson met with Mr. Bianchi to discuss issues related to the administration and management of the IAI Directorate and to review progress on the recommendations of the National Science Foundation and the FAWG. Topics of discussion included:

- Processing of travel vouchers
- Formal mechanism for supporting the IAI Newsletter
- Personnel records of IAI staff
- Tracking Program/Research funds
- The upcoming External Audit
- Regular updates to FAWG and EC Chair

In September 2001, the FAWG was given an opportunity to review and approve the Employment Contracts of the Communications and Training Officer (Marcella Ohira-Schwarz) and the Scientific Officer (Gerhard Breulmann). Copies of the “Proposed Policy for Travel (IAI Staff)” were also distributed to members of the FAWG for comment. This document will be approved at the EC in Havana.

On November 6-8, 2001, two staff members from the U.S. National Science Foundation’s Division of Financial Management and Division of Contracts and Policy Oversight visited the IAI Directorate to review progress on the earlier recommendations of the NSF.

Over the past several weeks, Mr. Bianchi has been working with the representatives of Arthur Anderson on the External Audit for 2000/2001.

Summary of Financial and Administrative Working Group Meetings

July 16-20, 2001

Panamá City, Panamá

Participants:

Raúl Michelini – Uruguay
Antonio Mac Dowell – Brazil
Bárbara Garea – Cuba
Vanessa Richardson – USA
Armando Rabufetti – IAI Director
Silvio Bianchi – IAI Financial Officer

Issues Discussed:

1. Follow-up on Staff Employment Contracts
2. Life Insurance Policies
3. Severance Payments
4. Support of Participants to EC/CoP meetings
5. Charter and Composition of the FAWG
6. PESCA Funds Blocked During Transfer to Cuba
7. IAI Manuals
8. NSF recommendations and follow-up actions
9. Response to Arthur Andersen Regarding the Management Letter from the Audit Report as of June 30, 2000
10. Letter of Engagement for 2000/2001 Audit
11. IAI structure / Internal Controls
12. Formalize Mechanism for Supporting the IAI Newsletter
13. Clarification from Brazilian Ministry of Foreign Affairs Regarding Status/Benefits of Non-Brazilian Staff

1. Follow-up on Staff Employment Contracts

The FAWG understands that while addressing the issue of Ms. Ohira-Schwarz's employment contract and benefits they are also developing IAI policy to address Brazilian Nationals hired to "international" positions within IAI.

2. Life Insurance Policies

It was decided that employees who have chosen to have lower coverage than what is specified in their employment contract would be required to sign a waiver letter.

3. Severance Payments

Reimbursement agreements were signed. The amount received will be reimbursed in 7 installments.

4. Support to participants to EC / CoP meetings

The Financial and Administrative Working Group had already decided that travel support would only be for members to participate in Committee, Task Force or Working Group meetings that were not held in conjunction with an EC or CoP meeting. Since the countries are responsible for their participation in the EC/CoP meetings, it was suggested that the IAI would also consider covering one day of expenses to attend to a Committee, Working Group or Task Force meetings held before or after an EC or CoP meeting.

In order to reach the *quorum* for the EC XII and CoP VIII meetings, the EC Chair and the Director of IAI decided to support the participation of those representatives who could not attend because of budgetary restrictions within their organizations.

The recommended policy for support of country representatives to attend EC and CoP meetings will be presented at the EC XIII meeting in Havana. The FAWG and Committee in Rules and Procedures will draft recommendation.

5. Charter and Composition of the FAWG

The EC approved the new charter for the FAWG as well as its composition. The new Chair of the FAWG will be Vanessa Richardson. Mary Kayano will be the new Brazilian member of the FAWG. Antônio MacDowell will continue to participate as the EC Chair. With the new charter, EC / CoP members must be notified of upcoming FAWG meetings with agendas to provide input if appropriate.

6. PESCA Funds Blocked During Transfer to Cuba

Banco do Brasil reimbursed IAI US\$ 24,600. This is the amount that was blocked during transfer to Cuba.

7. IAI Manuals

IAI Manuals have to be revised because after the resignation of the former Financial Officer (beginning of 1999) the application and update of these manuals remained postponed.

The first manual to be revised/updated will be the “Employee Handbook” which will be merged with the “Supplemental Personnel Information”. The Financial Officer will prepare the first draft and circulate it to the FAWG for comment.

8. NSF Recommendations and Follow-up Actions

At the time the new Financial Officer visited NSF some administrative issues were identified. NSF offered support to help resolve these issues.

In June 2001, two NSF staff members participated in a site visit to the IAI Directorate. At the end of their visit they left a summary of recommendations with the Director and Financial Officer. After

their return to NSF these officials met with Paul Filmer and Vanessa Richardson to provide a report of the site visit and to review the summary of recommendations.

Paul Filmer sent a letter to the Director of IAI requesting the dates by which the Directorate expected to have resolved each identified issue.

Each member of the FAWG received copies of NSF's recommendations as well as the Directorate response.

Dr. Rabuffetti explained to the FAWG members that the recommendations related to the manuals and to IAI internal organization will also need the participation of the FAWG.

9. Response to External Audit 1999/2000 Management Letter

Response to Management letter to be revised specifically regarding "Advances on Travel Expenses."

10. Letter of Engagement for 2000/2001 External Audit

The engagement letter for the External Audit will be signed by Antonio MacDowell, EC Chair, with the Audit Report to be sent directly to him. The Financial Officer will document the waiver of three bids for the Audit.

11. IAI Structure/Internal Controls

The FAWG and Rules of Procedures Committee will prepare a position paper that analyzes the IAI structure for adequate internal controls.

12. Formalize Mechanism for Supporting Newsletter

The IAI's Newsletter is currently prepared and published in Argentina under the coordination of Carlos Ereño with the collaboration of IAI Directorate. It was determined that a more formal mechanism needs to be established for supporting the IAI Newsletter with Core Budget funds. The Financial Officer, in consultation with the FAWG will investigate options.

13. Clarification from Brazilian Ministry of Foreign Affairs

A clarification from the Brazilian Ministry of Foreign Affairs will be requested regarding the status of IAI's foreign staff with the exception of the Director, which is clearly specified in the Agreement with the Brazilian Government.

Future Communications

- Full meeting minutes to be distributed to all FAWG members and EC Chair
- General summary to be included for EC / CoP meetings
- Monthly updates to FAWG Chair and EC Chair
- Quarterly status reports to all FAWG members

Quarterly Financial Report July 1 -- September 30, 2001

1) Core Budget

Contributions to Core Budget **\$251,580**

Mexico	\$4,580
USA	\$237,000
Jamaica	\$5,000
Ecuador	\$5,000

Expenditures from Core Budget **\$222,036**

	<u>Estimate</u>	<u>Actual</u>
Salaries and Benefits	136,000	109,386
Travel	22,000	20,213
Professional Services	16,000	31,385
Office Supplies	38,000	37,050
EC/CoP/SAC Meetings	17,000	24,002
	\$229,000	\$222,036

The actual expenditures for the period July 1st – September 30, 2001 were \$ 6,964 below the estimates for this period.

- Expenditures for **“Salaries and Benefits”** was lower than the original estimates because the Scientific Officer will not begin employment until November 1, 2001.
- The overrun in **“Professional Services”** is due to the fact that IAI hired a consultant to begin the compilation of scientific results from the ISP III Program.
- The overrun in **“EC/CoP/SAC Meetings”** is the result of the IAI supporting the participation of Country Representatives to the EC/CoP meeting held in Panama and the advance purchase of air fares for the CRN PI meeting held in Rio de Janeiro in October 2001.

Cash Flow

Based on the “Actual” estimates, it is expected that IAI expenses for the fiscal year will amount to \$900,000, while anticipated contributions from the member countries will amount to \$750,000.

	2000/2001	2001/2002
Initial Cash Balance	210,000	15,716
Country Contributions	565,000	750,000
Bank Interests	65,000	10,000
Expenses	(824,284)	(800,000)
(Deficit)	(194,284)	(140,000)
Final Cash Balance	15,716	(24,284)

If the forecasts for FY 2001/2002 are accurate, it is predicted that the IAI will finish the fiscal year with a cash deficit of \$24,284. This has serious implications for the future operation of the IAI Directorate.

2) Program Budget

Collaborative Research Network (CRN) Program

The CRN Program still has \$ 355,740 unallocated from a total budget of \$ 10,829,755 for research activities. This amount includes a contribution from the Agencia Nacional de Promoción Científica y Tecnológica of Argentina in the amount of \$ 1,031,270.

IAI received Argentina's contribution for the first year of the program, but there have been delays in receiving the contribution for the second year. Therefore, these unallocated funds could be used as a cushion against these delays.

Initial Science Program, Phase III (ISP III)

The ISP III Program has unallocated funds for the amount of \$ 187,726. These funds will be used on the preparation of the scientific review of the program and the publication of the results of the research projects.

Program to Expand Scientific Capacity in the Americas (PESCA)

As of September 30, 2001 there is \$ 89,000 in unallocated PESCA funds. In accordance with the decision made in the EC/CoP meetings in Panamá in July, these funds will be used for the new open call for research proposals.