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AGENCY FOR INTERNATIONAL DEVELOPMENT
Washington, D. C., 20523

OFFICE OF THE AUDITOR GENERAL
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AUDIT REPORT
USAID/LAOS
DEVELOPMENT OF THE LAO NATIONAL ROADS SYSTEM
PROJECT NO. 439-11-310-010

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Reference Center
Room 1656 NS

Period Covered by Audit:
December 31, 1967
to September 30, 1972

Audit Report No. 8-439-73-34

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AUDIT REPORT

USAID/LAOS

DEVELOPMENT OF THE LAO NATIONAL ROADS SYSTEM

PROJECT NO. 439-11-310-010

PART I - PURPOSE AND SCOPE

We have performed an interim comprehensive audit of the Lao National Roads Project (LNR) administered by the U.S. Department of Transportation, Federal Highway Administration (FHWA), under a participating Agency Services Agreement (PASA) with USAID/Laos. The purpose of this audit was to identify and report on any significant problems and procedures which may adversely affect the orderly progress or achievement of project objectives, and to verify compliance with project agreement terms and applicable regulations.

The audit was performed in accordance with generally accepted auditing standards and within the framework of AID regulations, including AID Manual Order 793.1, "Audit of Technical Assistance"

A detailed examination of all transactions was not performed. However, tests of accounting and financial records, internal controls and operations, including interviews with responsible USAID, FHWA and Royal Lao Government (RLG) officials, were made to the extent deemed necessary. The audit also included limited (because of security conditions) visits to field stations located in Savannakhet Sayaboury, Paksane, Phone Hong, Vang Vieng, Ban Hin Heup and Luang Prabang, Laos

Pursuant to an agreement between the Area Auditor General and the RLG Inspector General, Ministry of Public Works, certain aspects of this audit were conducted jointly by representatives of the two organizations. Major emphasis of the combined effort was placed on review of the Joint Fund.

The audit covered the period from the project's prior audit cut-off date, December 31, 1967, to September 30, 1972.

Significant matters disclosed by the audit are presented in Part IV, Statement of Findings and Recommendations. Major findings are summarized in Part III.

PART II - BACKGROUND

The Lao National Roads Project is considered an essential part of both USAID and RLG development programs because a reliable road system is necessary to provide for adequate maintenance of security, economic stability and development. Moreover, the continued upgrading and expansion of the road system will be vitally important in postwar reconstruction in Laos.

In order to provide a reliable and effective highway system, that will meet the above requirements, USAID agreed as early as FY 1957 to assist the RLG Ministry of Public Works (Traveau Public or TP) in strengthening its capabilities and in improving and expanding the existing highway system.

The project was not fully operational until FY 1966, because of political unrest. Through the PASA with FHWA, the Mission is providing U.S. technicians, such as engineers and equipment specialists, to various TP maintenance shops, warehouses, and offices, to advise and assist RLG personnel in planning, programming and administration, and maintenance and repairing equipment. In addition, FHWA furnishes a team of specialists who operate a road construction project designed to demonstrate proper techniques, provide training, and also build new roads in critical areas of Laos.

Necessary heavy and other equipment, POL, repair parts, steel culverts, bridge material and miscellaneous supplies and materials are funded by USAID/Laos. In addition, approximately two-thirds of the local currency costs for casual-hire labor and locally procured materials, primarily lumber, are made available through Mission Counterpart Fund releases.

TP contributions consist of its existing organization of "Civil Service" employees, office buildings, shops, equipment and supplies, rights of way, and raw materials such as sand, gravel, laterite and timber. In addition to contributions stated above, TP has also been funding about one-third of the cost of casual-hire labor and locally procured materials.

Project accomplishments include the following: (a) the main North-South artery in Laos R.I.G. (Route d'Interet General) #13 has been opened from its northern terminus at the Royal Capital (Luang Prabang) to the Cambodian border, 1,242 kilometers to the south, and (b) access roads have provided links between farming areas, villages and markets, thereby fostering political ties and economic development. In addition to the major road construction effort,

project assistance has made possible the general repair and maintenance of the National road network that is under RIG control. In 1972, for example, 285 kilometers of road were constructed or improved, and 2,675 kilometers of road maintained. It should be understood that the progress noted above was made, in spite of the fact that roads were frequently subject to enemy interdiction and numerous bridges had been destroyed, some of them repeatedly.

Training has also played a major role in attaining these accomplishments. Project personnel conduct regular formal classroom and on-the-job training programs for engineering, technical and administrative personnel in all aspects of highway construction and maintenance. To date, 734 personnel have received in-country training under this project, while eighty-four Lao Nationals have been trained under the project's participant training program.

From July 1, 1956, to September 30, 1972, U.S. dollar obligations and expenditures of the Lao National Roads Project totaled \$39,706,000 and \$37,111,000 respectively, Local currency (Kip) obligations totaled ~~K~~3,000,389,000 (\$23,391,000) and expenditures ~~K~~2,987,509,000 (\$23,355,000) at the various rates of exchange in effect at the time of expenditure. (Exhibit A)

PART III - SUMMARY

Audit findings are discussed in detail in Part IV and except as stated there, it appears that management of project resources is reasonably effective and efficient, and that major objectives and goals are being achieved. We summarize below those findings we consider significant.

Operating procedures for the management of the Joint Fund are inadequate (Part IV, A, Page 4). The Mission's procedure for determining the appropriate Authorized Agent for project commodity procurement were not adequate to assure that all factors (cost, timeliness, and applicable surcharges) were taken into consideration (Part IV, C, Page 12).

The draft report was submitted to responsible USAID, FHWA and TP officials for their review and comment. Comments to specific findings and recommendations are presented in Part IV when applicable. All recommendations are for action of USAID/Laos.

PART IV

STATEMENT OF FINDINGS AND RECOMMENDATIONS

A - JOINT FUND

1 - Operations

Our review of Joint Fund expenditures with members of the TP Inspector General's staff disclosed that the majority of the deficiencies noted in this report, and summarized below, were also previously identified in a prior Mission Audit Report No. 69-21, dated June 4, 1969.

(a) Although Annex B (Manual of Counterpart Fund Project Planning, Budgeting, Accounting and Reporting Procedures, Revised August 1966) of the LNR Project Agreement (ProAg) requires that a monthly statement of expenditures and obligations be prepared and submitted before the tenth day of the following month, based on a cut-off date of the twentieth of the month, we found several TP subdivisions still combining reporting periods especially during the first and last months of the fiscal year.

(b) Time and Attendance records at the majority of TP subdivisions showed that many employees worked each day of the month, while in actual practice, they did not work each day.

(c) Annual, sick, "rainy day", and holiday leave allowances provided by TP subdivisions were found to be inconsistent with each other, and with respect to annual leave, improper, because there is no provision for the granting of such leave.

(d) The use of fictitious names on TP payrolls continues for reasons such as (1) to provide additional compensation to existing TP personnel including civil service staff, and (2) payment of expenses not included in approved budgets.

(e) Budgetary adjustments, although within the approved twenty percent flexibility range, had not received joint concurrence, as is required.

The recurrence of the above cited discrepancies, according to RLG personnel, can be attributed basically, to practices which had been allowed to exist since the time of the Protectorate. With respect to the above cited questionable payroll practices, especially

(b) above, we were told that the main reason is to provide a reasonable monthly wage to TP personnel, without increasing basic hourly/daily rates of pay, which would be counter to RLG-established wage controls. In our opinion, this circumvention is not required, since RLG employees have recently received wage increases, and thus a precedent for adjustment to wages has been established. Furthermore, if hourly/daily rates were adjusted and payment made only for actual hours worked, the adoption of this procedure would result in neither an increase in the budget nor an increase in the individual monthly rate of income.

The solution to the overall problem regarding proper utilization of the Joint Fund can only begin when there are more adequate procedures established. The TP Inspector General concurs in this observation and in our following recommendation which we both believe, if implemented properly, will provide for more adequate control of Joint Fund expenditures and a resultant decline in the above cited abuses.

Recommendation No. 1

We recommend that USAID/Laos, in conjunction with the RLG Ministry of Public Works, establish for implementation in FY 1974, adequate operating procedures for the Joint Fund. These agreed upon procedures should, as a minimum, provide for (a) standardization of work reporting based on actual hours/days worked, (b) overtime compensation, (c) a basis for granting leave with pay (sick, annual, holiday and "rainy day"), and (d) determination of wage rates for each TP subdivision.

Management Comment:

"We concur that better procedures, such as the minimums stated in the recommendation, are highly desirable and we will work with the Ministry of Public Works and attempt to develop and implement them. However, careful consideration must be given to existing RLG laws and decrees governing personnel procedures to assure that proposed revisions do not conflict with them or cause problems in other Ministries".

2 - Cash Advances

We found that almost all TP subdivisions have been given authority over the years to draw cash advances to facilitate timely payroll payments of their Joint Fund employees.

Our audit disclosed that there is no established procedure to assure the proper accounting for such advances. In light of the fact that cash advance procedures have never been established and the RLG

Ministry of Finance appears capable of processing TP payrolls on a timely basis, we believe, and the TP Inspector General has concurred, that the use of cash advances should be discontinued, except in certain instances when the need for such an advance has been jointly approved.

Recommendation No. 2

We recommend that USAID/Laos and the RLG Ministry of Public Works, effective FY 1974, (a) discontinue cash advances from the Joint Fund, except in certain instances when the need for such advances has been jointly approved, and (b) establish adequate procedures to account for and report on the use of any approved advances.

Management Comment:

"Recent improvements in RLG Treasury procedures have resulted in prompt and expeditious transfer of funds after each quarterly release from the Joint Fund has been authorized by USAID and the Ministry of Public Works. This obviates the necessity for cash advances and the Inspector General of the Ministry of Public Works has agreed that this procedure will be discontinued. He has further agreed, and we will work with him on it, to develop adequate procedures to account for and report on use of any approved advances that might be found necessary".

3 - Street Repair Expenditures - Luang Prabang

During FY 1972 expenditures were made from the Joint Fund and equipment and commodities were utilized by the TP Subdivision in Luang Prabang, at the request of the PIG, to assist a Contractor (Sang Viane) working on the upgrading/surfacing of streets in Luang Prabang. Although this was not an approved project, adequate details on expenses incurred by the TP in assisting the Contractor were maintained, totaling ~~¥~~8,924,390 (\$14,751 at ~~¥~~605 to \$1.00).

Responsible USAID officials are aware of the above, and have stated that they will follow up on this matter to ensure that the Counterpart Fund is properly reimbursed as required by the ProAg. Moreover, the TP Inspector General, on January 29, 1973, informed this office that necessary steps have now been taken to reimburse this sum to the Counterpart Fund.

Accordingly, no recommendation is deemed necessary.

4 - Foreign Currency Standard Provisions

Review of ProAgs indicates that the Foreign Currency Standard Provisions Annex has not been incorporated into these agreements.

Annexes "B" and "C" (Additional Limitations on Use of Local Currencies) to the current ProAg do not provide for sufficient detailed procedures to ensure the obtaining of refunds for expenditures of released funds which USAID might subsequently determine improper.

Recommendation No. 3

We recommend that USAID/Laos incorporate the Foreign Currency Standard Provisions Annex into its Lao National Roads ProAg.

Management Comment:

"We concur that procedures to ensure the obtaining of refunds for expenditure of released Foreign Currency funds which USAID might subsequently determine to be improper be incorporated into the Lao National Roads PROAG. We believe this can be done by merely amending the provisions of Annex B and this action will be taken when the FY 1974 PROAG is prepared".

5 - Budgeting Procedures

Current TP budgeting procedures allow for a considerable amount of latitude at the time of implementation. This flexibility, although generally desirable, has also resulted in instances when it appears that this flexibility has been exceeded. For example, approved TP subdivision budgets provide for only a certain number of coolie hires, based on total kilometers of road to be maintained. We noted that these budgets were regularly exceeded in several major TP Subdivisions (Savannakhet, Thakhek, Pakse and Vientiane) by from two to three times the number of coolies originally approved. The above, occurs, because approved TP budgets provided funding for personnel, materials or other services, which were not required at the time of actual project implementation.

FHWA officials are generally aware of the problem, and have stated that they will require greater monitoring by their Area Engineer Advisors of TP subdivisions' expenditures. Accordingly, no recommendation is made at this time.

6 - Programming System

We also noted that the basic programming and approval process, utilized by TP subdivisions, for agreed upon projects with USAID/Laos, parallels quite closely USAID/Laos' Activity Plan (AP) procedure, which is used for all other USAID/Laos' supported projects.

The incorporation into the TP programming process of certain AP system programming techniques, in our opinion, would be an important step forward in providing more adequate planning, management, and monitoring of TP programs.

Recommendation No. 4

We recommend that USAID/Laos and the RLG Ministry of Public Works perform a feasibility study to determine whether the TP programming approval and reporting process for funding the Lao National Roads Project can incorporate certain programming techniques presently utilized in USAID/Laos' Activity Plan system.

Management Comment:

"We will again examine the AP procedure with T.P. officials to ascertain if any of the techniques can be incorporated into the LNR programming and reporting process...Any techniques found in the AP system that would further improve the T.P. procedures will be recommended for incorporation into their programming process".

7 - Taxes on Procurement

Our audit disclosed that the RLG Ministry of Finance requires that a seven percent "turnover tax" (TCA) be paid by TP on one-third of the value of purchases financed from the Joint Fund. This requirement was based on the premise that the RLG's contribution to the Joint Fund (approximately one-third) is taxable.

Although the above procedure appears to tax only the RLG's input, we concluded that under the above system, the Mission-released Counterpart fund absorbs two-thirds of any taxes paid, based on the premise that all costs are shared on a one to two-third basis. We question whether Mission-released Counterpart funds are subject to such taxes; however, we also recognize that such Counterpart funds are in fact owned by the RLG.

In our draft audit report to the Mission, we recommended that USAID/Laos determine whether Mission-released Counterpart funds to the Joint Fund are taxable, and advise the RLG accordingly. In response

to our recommendation, the Mission stated that "The Regional Legal Advisor has reviewed (the recommendation) and concluded that the practice established of paying one-third of the applicable tax on the basis of the attribution to the RLG portion of the contribution to Counterpart is a reasonable one. However, she stated the amount of such 'payment' should not be considered a contribution to the project. The contribution of the RLG is, in reality, the gross amount of payment less amounts paid for tax. She believes this matter could best be handled in the project agreement by language which correctly described what the RLG contribution consisted of. Therefore, appropriate language will be added to the project agreement."

In light of the above Mission comment, no recommendation for corrective action is deemed necessary.

B - PASA SERVICES

1 - Agreement

The current PASA between USAID/Laos and FHWA has been in effect since March 22, 1960, and presently has twenty-two amendments. During our audit, we noted that pertinent documents pertaining to this agreement were not always readily available in the Mission. Moreover, analysis of the agreement and its amendments was found to be a time-consuming process. We believe that it would be desirable to establish a new agreement between USAID/Laos and FHWA to commence in FY 1974. This new agreement would allow for consolidation of pertinent amendments, and allow for the retirement of the current agreement.

Recommendation No. 6

We recommend that USAID/Laos request that AID/W enter into a new agreement with FHWA for services to be provided to USAID/Laos.

Management Comment:

"We concur that a new PASA should be prepared and will request AID/W to work with FHWA on its preparation. The recommendation is most timely in view of the rapidly changing military situation in Indochina and the probable requirement for greatly altered services during post-war activities."

2 - Accounting

Review of Mission fiscal records in support of the PASA with FHWA disclosed that the Mission was not always recording PASA expenditure data against applicable PIO/Ts. The main reason for this has been the Mission's practice to summarily transfer expenditures properly chargeable to one PIO/T, to a previous year's PIO/T, for purposes of utilizing the prior year's remaining unliquidated obligation. The above practice has resulted, during FY 1972, in considerable cable traffic between the Mission and AID/W to facilitate reconciliation between AID and FHWA records. As a result of this reconciliation, the Mission was required to deobligate over \$327,000 in prior year funds, which had accumulated from the above practice.

Transfer of expenditures, as discussed above, appears to be technically possible under the provisions of Section 625(f) of the Foreign Assistance Act of 1961, as amended, since the Act provides for the forward funding of personnel services to be provided by other USG agencies. However, such transfers appear to be in opposition to AID's general obligation policies as outlined in

M.O. 712.1 and 712.4. These call for incremental funding and the withdrawal of unrequired obligations. Since the Mission has reconciled its accounts with AID/W and FHWA, and has taken appropriate deobligation action, no recommendation is being made at this time.

3 - Funding

Since July 1, 1971, AID/W has required (MO 712.1.2) that an interim PASA funding document (AID Form 712-1) be executed to provide the AID/W Controller with interim authority to pay PASA charges prior to the execution of a PASA agreement. Mission officials stated that the interim funding document was never received, and requested that AID/W provide the Mission with this document. In its reply, AID/W stated that the requested document had not been executed. The above reply, in our opinion, raises several questions regarding the AID/W-established interim funding procedures for PASA's. These questions have been forwarded to the Office of Audit, AG, AID/W, for review.

4 - Language Requirement

Review of language requirements for PASA personnel indicates that except for the Division Engineer and the Administrative Officer, none of the other twenty-four positions currently requires any capability in either the Lac or French language. We noted that the majority of the PASA technicians have day-to-day contact with Host Country personnel, many of whom also speak French. In our opinion, it appears that because of lack of language capability, the Mission is probably not receiving maximum benefit from the PASA technicians assigned to this project.

The need for adequate language training has recently been re-emphasized by AID/W. Airgram - AIDTO Circular A-1590, dated November 17, 1972, states in part that "In a large measure, the success of A.I.D.'s programs depends upon the effectiveness of its overseas staff which can be greatly enhanced through their ability to communicate and conversely greatly impaired because of the lack of it. Furthermore, as stated in Section II of Manual Orders 462.7, 462.8 and 462.9, the development of foreign language competence overseas is a legislative requirement with which the Agency has to comply".

We discussed the need for language requirement with the Mission's Personnel Officer, who stated that USAID/Laos is preparing to make the annual survey of position language requirements, as required by M.O. 462.7, and that appropriate consideration will be given to our observations at that time. Accordingly, no recommendation is considered necessary at this time.

C - COMMODITIES

1 - Procurement

The Mission's procedure for determining the appropriate Authorized Agent, with respect to procurement of project commodities, has not always been adequate to assure that all factors (cost, timeliness and applicable surcharges) were taken into consideration.

For example, in FY 1971, funds totaling \$175,000 were obligated for procurement of steel culvert pipe. The implementing PIO/C, No. 10423, designated FHWA/W as the Authorized Agent. However, at the same time, the Mission's Supply Management Division (SMD) had established procedures for the procurement of culvert pipe from the Defense Supply Agency (DSA). We noted that, had the DSA source been utilized, savings of approximately \$12,000 could have been effected on the initial \$142,300 worth of procurement made under the above PIO/C.

Conversely, we noted that USAID/Laos, for another project, Rural Public Works Subactivity (PWD), placed orders for required heavy construction equipment through the General Services Administration (GSA), while such procurement could have been placed through FHWA/W more economically; GSA presently applies a surcharge of eight percent on cost of equipment, while FHWA/W charges only three percent.

Mission records show that equipment orders for PWD totaled over \$400,000 for FY's 1971 and 1972 alone, and the placement of such orders through FHWA/W could have resulted in savings of approximately \$20,000.

Review of other commodities procured for LNR showed that the Mission was not taking advantage of available "Buy United States Here" (BUSH) contracts for such items as tires, tubes, and batteries. Also, it appears that FHWA/W had not been advised by the Mission that the GSA contract with the Caterpillar Tractor Company for repair parts had been amended to include Caterpillar's Agent in Singapore. Procurement from Singapore would reduce ocean transportation costs by an estimated seventy-five percent, and should also provide for faster service, which in turn would allow for a reduction in required repair parts stock levels. Furthermore, we believe that additional savings estimated at \$7,500 per year could be effected if the Mission were to place procurement for repair parts directly with Caterpillar Tractor Company, instead of through FHWA/W. This procedure would eliminate the FHWA three percent surcharge.

Recommendation No. 9 of Report of Audit No. 8-439-72-89, dated March 13, 1972, "Development of the Rural Economy-Rural Public Works Subactivity", recommended that USAID/Laos analyze SMD and FHWA procurement costs for similar items, including related overhead costs, and take appropriate action to eliminate duplications and recognize the use of the most economical procurement source. As of the date of this report, this recommendation remains outstanding. In light of the above, we are not recommending similar corrective action in this report.

2 - Surcharges

From analysis of AID/W Advices of Charge (AOC's) pertaining to commodity procurement made by FHWA/W, we noted that FHWA's three percent surcharge had been applied to all costs related to procurement, including transportation, packing and handling charges.

The above appears to be in opposition to the reimbursement procedures outlined in AID M.O. 1423.2 "Placing Procurement with the Bureau of Public Roads" dated July 23, 1971. This M.O. indicates in Section V, Part C, that authorized costs include an administrative surcharge of three percent which is to be applied against the actual cost of commodities procured, and that other authorized costs such as packing, inland/ocean transportation and handling charges are to be reimbursed at actual cost.

We estimate that for FY 1972 alone, FHWA/W's practice of applying the Administrative surcharge to all elements of cost instead of procurement cost, will result in additional surcharges totaling \$7,500.

Since we are unable to ascertain in the field all facets of information relating to the agreement between AID and FHWA, we have referred this matter to the Office of Audit, AID/W for review.

3 - Prior Year Funding

Review of FHWA procurement practices showed that unliquidated obligations remaining from prior years' PIO/C's, which are not required to liquidate valid obligations, are being used to finance or supplement current year's procurement.

The use of such prior year "unliquidated obligations", in our opinion, is in direct opposition to AID M.O.'s 712.1 and 712.4, as well as Section 1311, Public Law 663, 83rd Congress, which clearly indicate that (a) funds are not to be obligated in one FY when they could readily be obligated in the next FY, and (b) that prior year

funds which are no longer required for the originally authorized purpose should be deobligated, on a timely basis, so that funds may become available to AID/W to be utilized for current year programs.

Since similar findings have also been noted in other on-going audits at this Mission, a Mission-wide review of Administrative Control of Funds has been initiated for the purpose of specifically identifying problem areas and recommending corrective action. Accordingly, we are not making a recommendation in this report.

D - REPAIR PARTS/SUPPLY MANAGEMENT

Our review showed that there are presently two separate organizations (TP and SMD) involved in the management of USAID-funded repair parts for heavy construction equipment.

Based on our observations, we believe that TP's organization at PK-7 (Vientiane), with the assistance of FHWA, appears capable of assuming the management responsibility for all heavy construction equipment repair parts.

The transfer of SMD's responsibility to TP, in our opinion, would provide better management, because TP and its FHWA Supply Advisors are more experienced, whereas SMD does not have such qualified personnel. This action would also help pave the way for the eventual transfer of FWD-operated equipment to TP.

In our draft audit report to the Mission, we recommended that USAID/Laos, in cooperation with the RLG's Ministry of Public Works, explore the feasibility of transferring the management of heavy construction equipment repair parts from SMD to TP. In response to our recommendation, the Mission indicated that "...such a study should be delayed until the future role of USAID/FWD has been determined and a decision made on disposition of its heavy equipment inventory after immediate and post-war high-priority USAID projects have been completed."

In light of the above Mission comment, no recommendation for corrective action is deemed necessary.

E - VEHICLE AND EQUIPMENT MANAGEMENT SYSTEM

Vehicles and equipment procured for the LNR with USAID funds are presently not included in the Mission's Vehicle and Equipment Management System (VEM) Master File.

The Mission, in November 1970, initiated a Vehicle and Equipment Management System (Lao Mission Manual Order 545.1). As part of this system, a Master File was established to centralize detailed information on all vehicles and equipment which "Have been, are being, or will be supported, e.g. fuels, repair parts, etc. by the expenditure of USAID funds." Mission Action Memo No. 71-52 of February 5, 1971, however, excepted FHWA from the requirement of furnishing data for this system.

Although we recognize that most aspects of the VEM system are not considered applicable to LNR operations, we do believe that the VEM Master File should include all USAID-funded LNR vehicles and equipment, which are presently valued at over \$6,000,000.

In our draft audit report to the Mission, we recommended that USAID/Laos incorporate data on all USAID-funded LNR vehicles and equipment into its VEM Master File. In response to our recommendation, the Mission stated that "We concur and FHWA has already completed the listing of such units for inclusion in the Master File."

In light of the above Mission comment, no recommendation for corrective action is deemed necessary.

F - FUEL DRUMS

Review of FHWA's fuel management indicates that, generally, adequate controls were established to report on fuel usage and inventory status. However, during our review, we noted that fuel drums were not always being returned promptly to suppliers for credit. For example, in one Subdivision (Luang Prabang), approximately one thousand empty drums were found, of which five hundred were considered returnable, while the remaining five hundred, with a credit value of \$1,250, were no longer returnable due to the effects of improper handling and prolonged storage.

This problem has also been recognized by the Mission's Chief of Supply Control/SMD, and steps have been taken to insure that fuel suppliers (1) pick up returnable drums on a timely basis, and (2) implement the provisions of their contracts which require that they provide bulk fuel storage tanks and accessorial equipment, thereby minimizing the need for fuel drums. In light of the above, no recommendation is considered necessary at this time.

G - EQUIPMENT USAGE REPORTING

Although equipment usage reporting is a basic requirement of any management system involving the use of heavy construction equipment, we noted that procedures for such reporting had not yet been established.

FHWA advisors stated that such reporting procedures had not been established, because it was believed that TP did not have sufficient personnel capable of adequately preparing such reports.

We recognize that, initially, there will be certain problems in implementing the reporting procedure; however, in our opinion, with the assistance of FHWA advisors, these could be minimized.

Recommendation No. 9

We recommend that USAID/Laos assist TP in establishing and implementing a standard equipment usage reporting system.

Management Comment:

"We concur. FHWA has been attempting for some time to persuade T.P. to adopt a standard reporting system and some progress has been made. The matter is closely associated with Recommendation No. 1, as equipment usage reports and personnel time and attendance reports are allied and should be prepared simultaneously. The principal problem is recruiting and training RLG personnel to perform these tasks. Military conscription has seriously hampered T.P. efforts to obtain, train and retain an adequate and capable force of administrative-type personnel.

PART V - GENERAL COMMENTS

On January 30, 1973, an exit conference was held with the Acting Mission Director, members of his staff, and the FHWA Division Engineer. On February 12, 1973, the Acting Mission Director advised that the audit report on the Lao National Roads Project "...will be most helpful to this Mission in implementing the project goals."

Prior Mission Audit Report No. 69-21 dated June 4, 1969, contained seven recommendations, all of which were subsequently cleared. We also noted that corrective action had been taken by the Mission on recommendations made by the Office of the Inspector General of Foreign Assistance (IGA) in their "Memorandum" dated February 4, 1970, pertaining to the Lao National Roads Projects.

Summary of Obligations and Expenditures
 For the Period July 1, 1956, to September 30, 1972
 (In Thousands)

<u>Dollar Assistance</u>	<u>Obligation</u>	<u>Expenditure</u>	<u>Balance</u>
U.S. Personnel - Direct	\$ 40	\$ 40	\$ 0
U.S. Personnel - PASA	8,756	7,760	996
U.S. Personnel - Contract	1,771	1,771	0
TCN Personnel - Direct	280	279	1
TCN Personnel - Contract	2,238	2,231	7
Participants	140	125	15
Commodities	23,691	22,171	1,520
Other Costs - Direct	595	560	35
Other Costs - PASA	11	10	1
Other Costs - Contract	2,184	2,164	20
Total	<u>\$39,706</u>	<u>\$37,111</u>	<u>\$2,595</u>
<u>Local Currency</u>			
<u>Trust Fund</u>			
Local Personnel - Direct	14,238	13,991	247
Local Personnel - Contract	590,485	578,660	11,825
Commodities	31,280	30,689	591
Other Costs - Direct	210,122	209,705	417
Other Costs - Contract	3,481	3,481	0
Total	<u>K 849,606</u>	<u>K 836,526</u>	<u>K13,080</u>
<u>Counterpart Fund</u>			
Local Personnel - Contract	K1,802,086	K1,802,086	K 0
Commodities	1,386	1,386	0
Other Costs - Direct	347,511	347,511	0
Total	<u>K2,150,983</u>	<u>K2,150,983</u>	<u>K 0</u>
Total Local Currency	K3,000,589	K2,987,509	K13,080
Dollar Equivalent	\$23,391	\$23,355	\$ 36
Total Assistance	<u>\$63,097</u>	<u>\$60,466</u>	<u>\$2,631</u>

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