



# Auditor General

PD-AAB-520-A1

AUDIT REPORT  
REGIONAL TECHNICAL AIDS CENTER  
MEXICO

Audit Report Number 1-523-77-32

Issue Date March 15, 1977

Area Auditor General Latin American  
Agency for International Development

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## I BACKGROUND

The Regional Technical Aids Center - better known as RTAC or R-TAC - was established in 1957 to produce educational aids in the Spanish language for the Point Four Assistance program. Broader responsibilities for RTAC as a communication arm of the Alliance for Progress were spelled out in 1961.

Until recently, RTAC was a regional project of AID's Bureau for Latin America. From its headquarters office in Mexico City and a Southern Branch office in Buenos Aires (opened in 1964 and closed June 30, 1976), RTAC provided educational material to support USAID mission programs in the hemisphere's 17 Spanish-speaking republics. RTAC's production of educational aids has been both large and varied. It included books, pamphlets, motion pictures, film strips, and picture-slide presentations that covered a diversity of subjects ranging from agriculture to zoology, public safety, business management, nursing, teaching and geology.

RTAC funds came directly from Washington. They were then allocated by RTAC/Mexico to the hemisphere's USAID missions as drawing accounts on a basis of present and future needs and previous utilization. Most of the RTAC materials ordered by missions - books, films and pamphlets - were charged to these drawing accounts and did not involve country funds. Missions were only charged directly for special services and special orders, and only on advice-of-charge.

Project objectives have been to: (1) accelerate the transfer of technology to countries of Spanish-speaking America in key development areas such as agriculture, health, education and community development; (2) strengthen Latin America technical publishing and audiovisual industries, in themselves important agents in technology transfer and human resources development. Program elements have included (a) sponsorship of books, pamphlets and innovative audiovisual materials in Spanish in collaboration with private enterprise; (b) systematic distribution of the foregoing to educational institutional and government organizations of Latin America countries; (c) supporting non profit bookstores in Latin America universities and technical institutes; (d) establishing audiovisual centers at national institutions; and (e) managing third country training in Mexico.

For the printing of Spanish language commercial books, the Center entered into contracts with Mexican publishers. Under these contracts, the RTAC agreed to buy specified quantities of books at fixed prices for distribution to eligible institutions, and publishers agree to print additional copies for sale to the public at specified retail prices.

Most non-commercial titles are translations of various U.S. Government agency publications and pamphlets. RTAC contracts with commercial firms for

the translation and printing of these publications, though in the past few years the bulk of the printing has been done by the USIA Regional Service Center under an inter-agency service agreement. USAID missions that require additional copies over and above a specified number must bear the cost of printing the additional copies needed.

The Center's audiovisual program, which was terminated in October 1975, was responsible for the production of some original films and the dubbing of approximately 1,200 various types of films into Spanish. The original producers (mostly from the United States) authorized the Center to make an agreed-upon number of Spanish prints. In exchange for the rights to dub these films, the producers were given the Spanish sound track in lieu of royalties, and thereafter carried prints for sale in Spanish.

Since its inception in 1957, RTAC has sponsored Spanish versions of more than 1,500 commercial book titles (2.5 million copies); 2,550 non-commercial pamphlet titles (14.5 million copies); and 1,200 technical/educational film titles (12,500 prints). One hundred and thirty four non-profit bookstores have been started with RTAC/AID Mission assistance. These bookstores now serve more than 350,000 students in various Latin America universities. Moreover, 12 Audiovisual Center film libraries have been placed in country institutions.

For a number of reasons, RTAC has been phasing down its operations for the past several years and will formally close by the Spring of 1977. Obligations for fiscal year 1975 amounted to \$835,541. In fiscal year 1976 - a 15 month period which ended September 30, 1976 - obligations for operational costs were reduced to \$249,992. Obligations from October 1, 1976 through the third quarter of fiscal year 1977 are expected to amount to approximately \$50,000. In all, total funding for RTAC from inception in 1957 through its anticipated close out in 1977 will amount to about \$17.7 million.

## II SCOPE OF EXAMINATION

We have made a final audit of the Regional Technical Aids Center in Mexico City which is scheduled to close by the end of the third quarter of fiscal year 1977. The purpose of our audit was to determine if AID funds have been spent in accordance with applicable rules and regulations, and to see if there are any residual matters that need to be resolved prior to the official closing. Our examination covered the period October 1, 1973 through November 30, 1976, and was made in accordance with generally accepted auditing standards, giving due consideration to AID rules and regulations.

### III FINDINGS AND RECOMMENDATIONS

#### A. Administrative and Fiscal Services Provided to Other Organizations

Among its duties, RTAC is responsible for providing fiscal and administrative services for a third country long term training program in Mexico for participants from about 20 Latin American and other countries. Funding of this program is absorbed by individual USAID missions who select the participants for training. Based upon information furnished by RTAC, the missions also select the institutions to be attended and determine the courses of study that the participants will follow. As of December 31, 1976, there were 25 participants enrolled in Mexican universities for long term training. As of that date, an additional 24 students are scheduled to begin long term training in 1977.

The specific services provided by RTAC are:

##### 1. Fiscal

- a. Processing of all payments against PIO/Ps which includes tuition to institutions; maintenance allowances to students; reimbursements for book purchases, thesis expenses, local travel, and other miscellaneous items; return air travel if round-trip tickets are not provided the participant at the time of departure from the country of origin.
- b. Preparing vouchers and maintaining control ledgers indicating obligations and expenditures against PIO/Ps, as well as control ledgers by country and appropriation for expenditure and issuance of advices of charge, and suspense files for advice of charge acknowledgements.
- c. Preparing the monthly U-101 and U-141 reports.
- d. Issuing monthly advices of charge to missions which are accompanied by supporting documentation.
- e. Paying participants with U.S. treasury checks in dollars or pesos or by petty cash.

##### 2. Administrative

- a. Receives all incoming communications from the field and AID/W for appropriate action.
- b. Investigates suitable training facilities in Mexico for the third country training program, obtains information about courses and seminars offered by various institutions, and makes arrangements for participants from Latin America countries and other regions to attend selected schools or

institutions. From time to time, arranges special courses through the Government of Mexico or private organizations. All information gathered is regularly passed on to sponsoring missions.

c. Sets up study programs. As directed by individual missions, RTAC sets up study courses with selected institutions and informs sponsoring missions about requirements, tuition fees, duration of courses, entry dates, student itinerary, etc. Necessary student documentation is forwarded to RTAC by sponsoring missions, which in turn forwards the information to appropriate institutions for acceptance.

d. Orients new arrivals. RTAC receives new students, makes hotel reservations, and assists with immigration problems and visa extensions. Students are briefed on individual training programs, institutions to which assigned, local travel, book allowances and maintenance allowances. Thereafter, RTAC keeps in close contact with students and helps them resolve any problems that may arise.

e. Prepares monthly reports on students arrivals and departures as well as monthly insurance reports which are sent to U.S. brokers. Issues letters of authorization when health insurance coverage is required. Prepares bimonthly reports on student academic activities for each sponsoring mission, as well as monthly and annual reports from institutions on students' grades and progress.

f. Prepares and processes vouchers in connection with maintenance allowances, books, shipment of books to country of student origin, tuition, travel, etc. RTAC maintains strict control over PIO/Ps to be sure sufficient funds are available. If necessary, requests additional funds from sponsoring missions.

g. When students are ready to leave Mexico, RTAC assists them obtain visa clearances, local transportation to Mexico City if necessary, and airline reservations and tickets. RTAC sends departure notices and travel itineraries to sponsoring missions.

As of December 31, 1976 AID/W had not made a decision on whether or not the third country training program in Mexico will continue, and if it is to continue, what organization will assume responsibility for the fiscal and administrative services now provided by RTAC. Considering that RTAC is to close in a few months, a decision needs to be made promptly.

In addition to the third country training program, RTAC provides certain fiscal services to the Narcotics Assistance Unit (NAU). The NAU is the organization through which AID funds are funneled to the Government of Mexico for the suppression of illegal narcotics activities. This unit includes four AID direct hire American employees, three American contract employees

and one Mexican contract employee. The head of the unit is a direct hire Embassy employee who has the title "Special Assistant to the Ambassador", and reports directly to the Ambassador through the Deputy Chief of Mission.

The fiscal services that RTAC performs are:

a. Keeping memo accounts for obligations and expenditures that AID/W has authorized RTAC to incur on behalf of the NAU for administrative support. Administrative support includes such expense as the cost of supplies, travel, telephone, purchase of furniture when needed and taxi fares. A copy of each obligation document, or increase in obligation, is sent to the AID/W Regional Services Division. Obligations for administrative support costs amount to between \$20,000 and \$30,000 annually.

b. Based upon requests from the NAU program officer, requesting authorization from AID/W to pay the GOM Office of the Attorney General a stipulated sum of money under one or more of the existing narcotics agreements between the Government of the United States and the Government of Mexico. Depending upon requirements, payments may be made in either dollars or pesos.

c. Once the authorizations from AID/W are received (authorization is necessary because AID/W maintains allotment control), preparing vouchers, and on the basis of the vouchers, securing bankdrafts in either dollars or pesos.

d. Because many of the payments made are in the form of advances, maintaining an outstanding advance ledger. When the Attorney General's office submits documentation to liquidate the advances, RTAC audits the documentation, and if all is in order, issues a no pay voucher equal to the amount of the advance.

e. For the four American direct hire employees in NAU, making payments for quarters and education allowances and accumulates time and attendance data from the Unit for submission to AID/W. For the contract employees, RTAC pays all salaries, and support costs such as allowances, travel, transportation, etc., authorized under the individual contracts. RTAC also reports all salary payments made to American contract employees to the Internal Revenue Service.

f. Preparing and sending the monthly U-101 report to Washington together with all advices of charge. Advices of charge are necessary because, except, for administrative support, all allotments are maintained in AID/W.

Unless AID/W desires to do something different, these functions can be performed, at no additional cost to AID, by the Embassy Budget and Fiscal office under an agreement the Embassy has with the NAU.

As for third country training, the Executive Counselor informed us that the Embassy stands ready and willing to assume responsibility for providing

fiscal and administrative services to the third country training program. He stated that what the Embassy needs, however, is an agreement with AID to fund the continuing costs of this function after RTAC closes. The Counselor estimates that it will cost AID between \$20,000 and \$30,000 a year to have the Embassy perform these services - two local employees at a total annual salary cost of \$15,000 to \$20,000, plus other costs of between \$5,000 and \$10,000.

Because of the nature of the work involved in the training program, the Counselor believes that the two local employees selected for the jobs (presumably from the present RTAC staff) should be under the overall supervision of his office. Moreover, he feels that the two employees should be part of the Embassy staff, as opposed to being designated AID employees, for purposes of retirement benefits, Mexican social security, and advancement and other employment opportunities within the Embassy structure.

This type of arrangement may not, of course, be suitable to AID, and as an alternative, we suggest that the possibility of keeping the two local employees (we believe two employees will be sufficient) on AID's payroll, working under the supervision of the senior AID person in the Narcotics Assistance Unit.

#### Recommendation No. 1

The AA/LA should make a determination as to whether or not the third country training program in Mexico is to be continued. If not, then an agreement should be reached with the Embassy on how the phase out of the program is to be handled. On the other hand, if it is to be continued, then an agreement should be reached with the Embassy on how the continuing costs of the program will be funded.

#### B. Property

In October 1976 the general services office of the Embassy took a physical inventory of RTAC non-expendable property which disclosed a shortage of \$9,964. This shortage is the difference between RTAC's book figure of \$68,393 and the dollar value of \$58,429 of property on hand disclosed by the inventory. As far as we can tell, the \$9,964 shortage is attributable to poor property management on the part of the general services office. For example, the previous inventory of non-expendable property was taken more than four years ago - March 1972 - and at no time has there been a reconciliation between the book balance and the property on hand.

The non-expendable property is located in:

	<u>Dollar</u>	<u>Amount</u>
U.S. Embassy Offices	\$ 2,101	
Employees Residences	<u>2,252</u>	\$ 4,353
AID Offices	23,135	
Employees Residences	<u>2,341</u>	25,476
Loan - Editorial Limusa/RTAC warehouse		5,076
USIA Regional Service Center		1,155
*Warehouse-Balderas	19,555	
Embassy	<u>2,814</u>	<u>22,369</u>
		<u>\$58,429</u>

\* The items in storage consist of household furniture and office equipment which has been in storage since June 1975. As of May 30, 1976, RTAC had paid about \$4,800 for the storage charges. Since this property was not needed, it should have been disposed of in June 1975.

Condition of the property ranges from fair to poor.

As part of our audit, we attempted to make a reconciliation of non-expendable property shown in RTAC records to be on hand as of June 30, 1975 and the physical inventory listing of October 1976. As shown in Exhibit A, we came up with a net difference of approximately \$9,500 which is comprised of numerous overages and shortages. We believe that this listing can be of some assistance to a Board of Survey in determining how best to delete with the missing furniture and equipment from AID's records.

Although the property has an acquisition cost value of approximately \$58,000, given its age and condition, its depreciated value is probably something less than \$10,000. Under the circumstances, it would more than likely take more time, trouble and expense than it is worth to attempt to transfer it to another AID mission, say Guatemala. This being the case, we discussed the situation with the Executive Counselor who informed us that the Embassy has a copy of the inventory listing and is ready to take possession of the property at any time. The counselor said that once the Embassy has possession, it will take the responsibility to see that the property is transferred to other U.S. Government agencies (there are about 10) in Mexico City, including the Embassy. Any property that cannot be transferred because of a lack of need or poor condition will be sold on a bid basis and the proceeds turned over to AID. The Counselor does not expect the Embassy or any other government agency to pay AID for property received through transfer.

Again, given the age and condition of the property, this suggestion seems to be the best solution for AID.

Recommendation No. 2

SER/MO/OPM authorize the Embassy to take possession of the RTAC non-expendable property and transfer it to other U.S. Government agencies in Mexico City or sell on a bid basis what cannot be transferred. As for the missing property, SER/MO/OPM should convene a Board of Survey in accordance with Section 233.2-b of Handbook 23, and formally dispose of it.

C. RTAC Costs

Shown below are RTAC's obligations for the 12 month fiscal year ended June 30, 1975 and 15 month fiscal period ended September 30, 1976. Obligations subsequent to September 30, 1976 are estimated at \$50,000 to cover distribution costs of final technical publications remaining in RTAC's pipeline.

	<u>June 30, 1975</u>		<u>September 30, 1976</u>	
	<u>Obligations</u>	<u>Expenditures</u>	<u>Obligations</u>	<u>Expenditures</u>
Publications	\$ 835,541	443,322	249,992	190,488
Operating Expenses	367,260	318,160	250,185	233,744
	<u>\$1,202,801</u>	<u>761,482</u>	<u>500,177</u>	<u>424,232</u>

On a selective basis, we reviewed the obligations and expenditures incurred for publications and operating expenses and found them to be properly supported.



RTAC - Mexico  
Inventory Differences

EXHIBIT A  
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<u>Description</u>	<u>Unit Price</u>	<u>Quantity Per:</u>		<u>Quantity Difference</u>	<u>Dollar Difference</u>
		<u>October 1976 Inventory</u>	<u>June 1975 Records</u>		
Steel Table	15.14	0	1	( 1)	\$ ( 15.14)
Steel Table Gray	46.24	0	2	( 2)	92.48
Table Dining	171.34	0	1	( 1)	171.34
Night Table	22.95	0	4	( 4)	91.80
Table Small Telephone	22.95	0	1	( 1)	22.95
Table Small	33.75	0	9	( 9)	303.75
Table Coffee	55.90	0	1	( 1)	55.90
Table Corner - Triangle	37.96	0	2	( 2)	75.92
Table night Wood	22.95	0	6	( 6)	137.70
Table Side Wood	33.75	0	1	( 1)	33.75
Coffee Tables	38.26	0	11	(11)	420.86
End Tables	32.00	0	1	( 1)	32.00
Rotary Chairs	51.28	0	15	(15)	769.20
Arm Chairs	28.52	0	39	(39)	(1,112.28)
Easy Chairs	145.83	0	2	( 2)	291.66
Sofas	214.07	0	8	( 8)	(1,712.56)
Settees & Benches	26.87	0	2	( 2)	53.74
Wood Cabinets	49.68	0	1	( 1)	49.68
Fan Electric	55.14	0	5	( 5)	275.70
All Dexes - Line - Visible - Flex Rotary	103.68	0	2	( 2)	207.36
Holder & Dispenser Paper	71.25	0	2	( 2)	142.50
Lamp Table	14.82	0	3	( 3)	44.46
 SUB-TOTAL					 \$ (6,112.73)

RTAC - Mexico  
Inventory Differences

EXHIBIT A  
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Description	Unit Price	Quantity Per:		Quantity Difference	Dollar Difference
		October 1976 Inventory	June 1975 Records		
Electric Typewriter	501.85	24	23	1	\$ 501.85
Filing Cabinets - (4) Drawers	52.05	34	53	(19)	{ 988.95
Metal Telephone Stands	21.40	29	40	(11)	{ 235.40
Arm Chair - Wood Frame	35.60	23	0	23	818.80
Arm Chair - Aluminum	35.60	11	0	11	391.60
Desk Typist - RT Pedestal Wood	92.00	1	0	1	92.00
Book Case - 2 Door - Metal	54.95	16	32	(16)	( 879.20)
Card Index - Cabinet - 18 Drawers	67.66	1	0		67.66
Desk Executive Jr. Metal	96.65	24	36	(12)	(1,159.80)
Chair - Typist - Metal	37.80	9	12	(3)	{ 111.60
Calculator Olivetti	582.50	14	16	(2)	(1,165.00)
Black Board - Magnetic - Aluminum	83.15	7	4	3	249.45
Filing Cabinets - Two Drawers	87.00	6	1	5	435.00
Book Case 6 & 3 Sections	67.00	15	17	(2)	( 134.00)
Chair Executive - Metal	50.50	18	0	18	909.00
Desk Executive - Wood	120.00	4	0	4	480.00
Easy Chair Aluminum Frame	48.80	5	0	5	244.00
Calculator - Friden	525.00	3	1	2	1,050.00
Table End Rectangular Wood	27.56	13	0	13	358.28
Chair - Straight - Wood	12.65	11	13	(2)	( 25.30)
Table Coffee - Metal	41.12	7	0	7	287.84
Sofa - (3) cushions	202.70	5	0	5	1,013.50
Push Cart - Chrome Metal	54.95	2	0	2	109.90
Paper Gummed Dispenser	82.00	5	4	1	82.00
Film Projector - Kalart Victor	323.80	5	11	(6)	(1,942.80)
Projector Tripoid - Metal	15.00	1	0	1	15.00
Scale Fairbanks Morse	194.25	2	1	1	194.25
Hand Truck - Dolly Metal	39.90	2	1	1	39.90
Electric Fan	73.65	2	0	2	147.30
Paper Cutter	15.00	3	0	3	45.00
Table Office - Metal	54.60	6	0	6	327.60
SUB-TOTAL					\$ 1,217.88

RTAC - Mexico  
Inventory Differences

Description	Unit Price	Quantity Per:		Quantity Difference	Dollar Difference
		October 1976 Inventory	June 1975 Records		
Heater Petroleum Type	24.00	4	5	( 1)	\$ ( 24.00)
Voltage Transformer	15.00	3	0	3	45.00
Table Metal Terrace	38.00	1	0	1	38.00
Drafting Table Metal	86.47	1	0	1	86.47
Desk Typist Left Compartment Metal	96.65	2	0	2	193.30
Table Conference	90.00	1	0	1	90.00
Film Rack - Metal	60.00	11	0	11	660.00
Overhead Projector 2M	234.00	1	0	1	234.00
Voltage Regulator	10.00	1	0	1	10.00
Projector filmstrip Synchronat	71.00	1	0	1	71.00
Tape Recorder - Grounding	228.18	1	0	1	228.18
Professional Tape Recorder - Ampex	1,895.25	1	0	1	1,895.25
Tape Recorder	841.14	0	3	( 3)	(2,523.42)
Camera	329.11	0	3	( 3)	(987.33)
Fan & Air Circulators	119.97	0	2	( 2)	(239.94)
Steel Desk	81.84	0	2	( 2)	(163.68)
Table Office	58.36	0	15	(15)	(875.40)
Table Cocktail	72.53	0	1	( 1)	(72.53)
Table Side	33.17	0	1	( 1)	(33.17)
Table Glass	16.00	0	1	( 1)	(16.00)
Table Library	25.00	0	1	( 1)	(25.00)
Drawing Board	86.47	0	1	( 1)	(86.47)
Bookshelves Wood	24.60	0	5	( 5)	(123.00)
Bookshelves Wood	86.07	0	2	( 2)	(172.14)
Wooden Bookshelves	122.10	0	2	( 2)	(244.20)
Metallic Shelves	255.64	0	2	( 2)	(511.28)
File Cabinet (2) Drawers	242.97	0	1	( 1)	(242.97)
SUB-TOTAL					\$ (2,789.33)

RTAC - Mexico  
Inventory Differences

EXHIBIT A  
Page 5 of 5

<u>Description</u>	<u>Unit Price</u>	<u>Quantity Per:</u>		<u>Quantity Difference</u>	<u>Dollar Difference</u>
		<u>October 1976 Inventory</u>	<u>June 1975 Records</u>		
Chair Rotary	44.68	0	2	( 2)	\$ ( 89.36)
Typewriter - Underwood	146.37	0	1	( 1)	( 146.37)
Fire Extinguisher	33.83	0	4	( 4)	( 135.32)
Dimex National Kardex	200.64	0	3	( 3)	( 601.92)
Olivetti Typewriter Machine	240.00	0	1	( 1)	( 240.00)
Seal Feed Strapping Machine	60.00	0	2	( 2)	( 120.00)
Seal Feed Strapping Machine	98.80	0	3	( 3)	( 296.40)
Chase Lounge	39.95	0	2	( 2)	( 79.90)
Buffet	228.98	0	1	( 1)	( 228.98)
Chair Dining	32.66	0	1	( 1)	( 32.66)
Armchair	57.55	0	2	( 2)	( 115.10)
Dresser with Mirror	114.96	0	3	( 3)	( 344.88)
Lamp Table Lamp	14.82	0	4	( 4)	( 59.28)
Bookcase Wood	54.11	0	1	( 1)	( 54.11)
Chair Straight	14.54	0	1	( 1)	( 14.54)
Stool	10.00	0	3	( 3)	( 30.00)
Chair Armed	57.55	0	9	( 9)	( 517.95)
Lamp Floor & Table Type	14.82	0	12	( 12)	( 177.84)
Ottoman	27.95	0	2	( 2)	( 55.90)
Sofa (3 pcs.)	157.12	0	2	( 2)	( 314.24)
Bookcase Wood	54.11	0	2	( 2)	( 108.22)
Cabinet Kitchen	31.95	0	1	( 1)	( 31.95)
Chairs	8.85	0	4	( 4)	( 35.40)
Iron Board Metal	19.23	0	1	( 1)	( 19.23)
Washington Machine	80.51	0	1	( 1)	( 80.51)
<b>SUB-TOTAL</b>					<u>(3,930.06)</u>
<b>TOTAL</b>					<u>\$ (9,520.71)</u>

REPORT RECIPIENTS

	<u>Copies</u>
Assistant Administrator - Bureau for Latin America, AID/W	1
Acting Director, RTAC/Mexico	5
Country Officer, ARA/LA/MEX, AID/W	1
Director, LA/OPNS, AID/W	1
Director, OPA, AID/W	1
Director, AAG/W, AID/W	8
Director, AG/OAS, AID/W	1
Director, SER/MO	1
Director, SER/IT	1
AG/OC/PP, AID/W	1
AG/OC/PE, AID/W	1
IIS, Panama	1
Inspector General of Foreign Assistance, Wash., D.C.	1