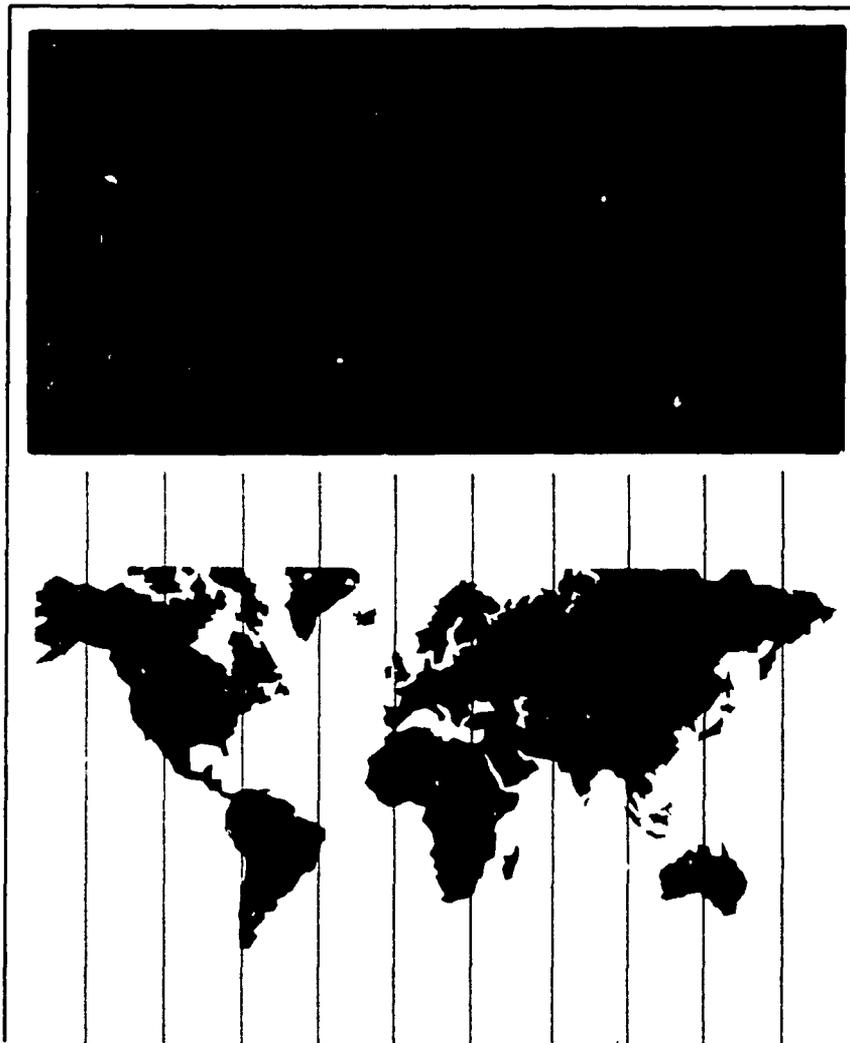


UNITED STATES
AGENCY FOR INTERNATIONAL DEVELOPMENT



THE
INSPECTOR
GENERAL



Regional Inspector General for Audit
MANILA

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**REGIONAL EDUCATIONAL DEVELOPMENT,
ADMINISTERED BY USAID/THAILAND THROUGH
SEAMEO (SOUTHEAST ASIA MINISTERS OF
EDUCATION ORGANIZATION)**

PROJECT NO. 498-0198

USAID/THAILAND

**Memorandum Audit Report No. 2-498-81-15
May 28, 1981**

UNITED STATES GOVERNMENT

Memorandum

TO : Mr. Donald D. Cohen, Director
USAID/Thailand

THRU : Mr. Thomas R. Blacka, Controller

FROM : Geoffrey G. Fritzler, A/RIG/A/M *Geoffrey G. Fritzler*

DATE: May 28, 1981

SUBJECT: Memorandum Audit Report No. 2-498-81-15
Regional Educational Development, Administered by USAID/Thailand
Through SEAMEO (Southeast Asia Ministers of Education Organization)
Project No. 498-0198

INTRODUCTION

The Regional Educational Development Project No. 498-0198 began in 1965 at a meeting of the Ministers of Education from several Southeast Asian countries. The meeting resulted in the eventual formation of an entity called Southeast Asian Ministers of Education Organization (SEAMEO). SEAMEO's membership originally consisted of Thailand, Philippines, Laos, Vietnam, Malaysia, Singapore, Cambodia and Indonesia, but Laos, Cambodia and Vietnam are currently no longer active. The Ministers of Education from the member countries established a Southeast Asia Ministers of Education Secretariat, SEAMES, in Bangkok to administer the SEAMEO organization.

The purpose of the organization is primarily to foster regional cooperation in the educational needs shared by the member countries. This purpose led to the establishment of six regional training centers throughout the member countries, each with a special expertise in that area's needs.

AID's participation in the organization took place through a regional project administered by USAID/Thailand. Although a project number was assigned to this activity, the project was actually administered and accounted for through a series of Letters of Agreement (LOA) which supported specific SEAMEO goals. Since 1973 AID has written 28 LOA's, with a value of more than \$5 million, for the project. More than \$20 million of AID funding has been provided to SEAMEO, through SEAMES, since AID's participation in the project began in 1965. In addition to AID funding, there have been other country donors, and the SEAMEO member countries have themselves contributed large amounts to the project.

AID funding was targeted, through LOAs, to various budgetary line items at each of the six regional training centres, and for support of SEAMES' Operational Budget. Although AID funding (through the Regional Educational Development project) has come to an end, the six regional training centres are established educational institutions, with every prospect that they will continue successfully without AID participation. The six centres and their locations are:

1. SEAMEO Regional Center for Tropical Biology (BIOTROP) in Indonesia,
2. SEAMEO Regional Center for Educational Innovation and Technology (INNOTECH) in the Philippines,
3. SEAMEO Regional Center for Education in Science and Mathematics (RECSAM) in Malaysia,
4. SEAMEO Regional Language Center (RELC) in Singapore,
5. Southeast Asian Regional Center for Graduate Study in Research and Agriculture (SEARCA) in the Philippines,
6. SEAMEO Regional Project for Tropical Medicine and Public Health (TROPMED) in Thailand, Indonesia, Malaysia and the Philippines with a Central Office in Thailand.

In addition to the success of the regional training centers, SEAMES Headquarters in Bangkok appears to be well established, with many ongoing activities and projects at SEAMES as well as the regional centers.

SCOPE

Our audit of the Regional Educational Development project was limited to a financial review of those Letters of Agreement which had not been audited by the Inspector General's Office, and which showed disbursements within the last three years.^{1/}

Our purpose in performing the review was to determine whether the project funds had been properly accounted for and spent in accordance with the provisions of the respective agreements.

Our audit was performed in accordance with government audit standards and included examination of vouchers, supporting documentation and other auditors' reports. We talked with USAID/Thailand, SEAMES and INNOTECH officials, in Thailand and the Philippines, respectively.

^{1/} Letters of Agreement stipulated that records had to be kept for three years from date of last disbursement.

There have been four prior project audits by the Regional Inspector General's (RIG/A) Office during the life of the project. The last project audit was No. 8-498-75-65 in 1975. RIG/A has also performed four limited scope audits since then, which reviewed operations at various individual centers.

Our review covered the period from July 1, 1976 to December 31, 1980.

We discussed the report with Mission officials and their comments were considered and included in the report, as appropriate.

RESULTS OF AUDIT

Our review of the Regional Educational Development project showed that major goals of SEAMEO had been accomplished. The six regional training centers are established on-going concerns, with a central planning/coordinating Secretariat Office in Thailand. Although AID continues to provide small amounts of funding to SEAMEO, for scholarships and program development, its funding through the Regional Educational Development project is complete.

Our review showed that there remained some residual USAID/Thailand activity for the INNOTECH training center in the Philippines, and that there existed several financial questions concerning past INNOTECH operations requiring resolutions. One issue involved the FY 1976-77 operational fund for INNOTECH, and another needed clarification whether or not INNOTECH had met its matching requirements under LOA 198-6021. Those questions are answered under separate headings, below. While these matters are important, in a bookkeeping sense, they are of less interest to the non-financial manager. Accounting terminology has been kept to a minimum.

FY 1976-77 INNOTECH Operating Fund

The SEAMES financial officer maintains that USAID/Thailand failed to provide \$50,567 to SEAMES for INNOTECH's operating budget for FY 1976-77 as agreed to in LOA 198-6021. USAID/Thailand told the officer that there were no funds left in the LOA, but that they were unable to convince SEAMES that the \$50,567 had been paid.

Our analysis of the accounting records and documents at USAID/Thailand showed that the full amount of the operating budget had been made available to SEAMES for the INNOTECH operating fund. The confusion occurred because LOA 198-6021 had originally included an estimated \$25,000 for FY 1975-76 unobligated carryover funds advanced to SEAMES and, under the LOA terms, available for use in later years. In January 1977 the SEAMES Director sent a memo to USAID/Thailand showing that \$56,329 in unobligated FY75-76 funds were held by SEAMES and INNOTECH, instead of the \$25,000 which had originally been estimated.

Upon receipt of the memo showing the actual unobligated funds, USAID/Thailand wrote a "no pay" voucher^{1/} for \$50,567 as a payment for INNTECH's 3rd quarter 1976-77 operating fund.

AID had therefore made available to SEAMES the full amount of the operating budget for INNTECH of \$211,200 for FY 1976-77. By writing three "paid" vouchers for \$160,633, and one "no pay" voucher^{1/} for \$50,567 against disbursed, but unobligated carry-over funds from prior years, the full \$211,200 had been paid (See Exhibit 1).

Part of the confusion resulted from a failure by USAID/Thailand to make a ledger entry, on either LOA 198-6021 or LOA 198-5016 ledgers, showing the "no pay" voucher, or a transfer from LOA 198-5016 to LOA 198-6021. The SEAMES financial officer also said SEAMES did not have a copy of the "no pay" voucher.

Recommendation No. 1

USAID/Thailand send a copy of the "no pay" voucher for \$50,567, together with an explanation of what it was for, to the appropriate SEAMES official.

Recommendation No. 2

USAID/Thailand make ledger entries in Letters of Agreements (LOA) 198-6021 and 198-5016, transferring \$50,567 in unobligated funds from LOA 198-5016 to LOA 198-6021, and deobligating the amount per the "no pay" voucher.

Accounting Ledgers

Our review showed that while the Regional Educational Development project had been assigned a project number, it had not been obligated or accounted for as a single project. Funds were obligated by LOA and accounted for on separate LOA ledgers. No single project ledger was maintained to account for total project 498-0198 funds. In fact, we were unable to find any AID/W authorizing document which established a project no. 498-0198.

It appears that the Regional Educational Development project was not a discrete project, but a series of projects established by LOAs, and grouped together under an activity referred to by this collective term.

1/ "No pay" vouchers are commonly used to effect accounting transfers between different ledgers.

As a result of the fragmented accounting by individual LOA, much USAID/Thailand time and audit time was spent reconstructing the records required for audit, and successful resolution of the various disbursement versus authorization questions. This time could have been saved had a central project ledger been maintained. Project control would have also been enhanced through a more coherent and overall view of project expenditures. For example, part of the problem in resolving the INNOTECH operating budget question, referred to previously was caused by the fact that LOA 198-6021 authorized a total budget amount and also authorized separate LOAs to be established for portions of that budget. This made any attempt to reconcile disbursements from the LOA to the budget amount needlessly complicated.

While this project is completed, there are two other active regional projects which are being accounted for in the same manner. If these projects are also discrete authorized projects, there should be a single project ledger maintained, with subordinate ledgers as required, in accordance with controller guidelines.

Recommendation No. 3

USAID/Thailand insure and confirm that all authorized projects operate under established project ledgers.

INNOTECH MATCHING

Our examination of INNOTECH's expenditures covered the period beginning July 1, 1976 through December 31, 1980, as authorized and funded by LOA No. 198-6021. INNOTECH's highly mobile pre-1976 history limited the practical aspects of our review to that 4-½ year period. INNOTECH began at a temporary location in Singapore in 1970, moved to Vietnam in 1973, shifted to Bangkok in 1975, and subsequently found a permanent home in the Philippines in 1976.

The original grant planned for AID funding of \$1,989,686 to be made available to INNOTECH, but this amount was never authorized and the total amount granted (through subsequent amendments) was \$1,924,667 which included \$172,000 in carry-over funds from LOA No. 198-5016. This amount was further reduced through deobligations and the amount actually disbursed by USAID/Thailand was \$1,873,000, with about \$29,000 in obligations still to be disbursed.

LOA No. 198-6021 separated INNOTECH's budget into three separate cost categories, for matching requirements. Each of

the categories had to be matched by 50 percent from non-US sources. The Government of the Philippines (GOP) agreed to insure matching for two of the categories and the SEAMES (GOT) agreed to insure matching of the third category. The three categories were:

1. Capital and Operating Costs and Expenditures
2. Special Costs and Expenditures
3. Other Costs and Expenditures

Our review showed that during the period July 1, 1976 to December 31, 1980 matching requirements had been more than met by non-USG sources, for two of the cost categories, but had been undermatched by \$21,128 for the capital and operating expense category (see Exhibit 2).

According to Amendment No. 4 to LOA #198-6021, dated August 23, 1978, any unused funds left from the Capital and Operating Expense category during FY 1978-79 could, by exchange of letters between USAID/Thailand and INNOTECH, be applied to subsequent year expenses for the Other category costs. The Other category included research and development (R&D) projects and INNOTECH did expend \$198,304 for R&D during the last six months of the Grant period. No USAID funds for the Other category had been provided during the last six months. This means that the FY 78-79 savings could have been applied on Other category costs if USAID/Thailand agreed.

In December 1979 INNOTECH requested USAID/Thailand that the unused funds be made available for Other category costs, in conformance with the LOA provisions. USAID/Thailand did not answer the request, in definitive terms, and INNOTECH is still not sure what the status of the savings is.

The \$21,128 does not require additional AID funds, it only requires USAID/Thailand to approve the transfer of unused funds between categories, in accordance with LOA 198-6021, Paragraph 9 of Amendment No. 4.

Recommendation No. 4

USAID/Thailand determine, and inform INNOTECH, whether FY 78-79 Capital and Operating Fund savings can be applied to Other category costs incurred in subsequent years.

Regional Educational Development Project No. 498-0198
Managed by USAID/Thailand

USAID/THAILAND DISBURSEMENTS TO SEAMES

FOR

INNOTECH'S OPERATING FUND IN FY 1976-77

<u>Voucher No.</u>	<u>Amount</u>	<u>Voucher Date</u>	<u>Purpose</u>
RV-76-123	\$ 74,960	9-8-76	1st Quarter
RV-77-4	39,930	10-4-76	2nd Quarter
RV-77-29	45,743	3-1-77	4th Quarter
	<u>\$160,633</u>		
No Pay Voucher ^{1/}	<u>50,567</u>		3rd Quarter
Funds Available	\$211,200		
Budget Amount	<u>211,200</u>		
Difference	<u>\$ -0-</u>		

Note: ^{1/} The voucher was not numbered. It was to reduce unobligated funds available at SEAMES and INNOTECH, per Memorandum, dated January 27, 1977, from the Director of SEAMES to USAID/Thailand.

EXHIBIT 2

REGIONAL EDUCATIONAL DEVELOPMENT PROJECT NO. 498-0198
MANAGED BY USAID/THAILAND

INNOTECH MATCHING REQUIREMENTS JULY 1, 1976 TO DECEMBER 31, 1980

LOA NO. 198-6021
50% of Total

<u>Fund Category</u>	<u>Total AID Contributions</u>	<u>50% of Total INNOTECH Expenses</u>	<u>Over (Under) Matched</u>
Capital & Operating Costs and Expenses	\$ 856,875	835,747	\$ (21,128) ^{1/}
Other Costs and Expenses	709,106	1,050,936	341,830
Special Costs and Expenses	307,131	359,453	52,322

^{1/} INNOTECH U.S. dollar expenditures for R & D projects during the period July 1, 1980 to December 31, 1980 was \$198,304. According to Amendment No. 4 of LOA 6021, subject to USAID/Thailand approval, the Operating Fund savings can be used for R & D. No refund is required, assuming USAID/Thailand allows the savings to be used in this manner.

REGIONAL EDUCATIONAL DEVELOPMENT PROJECT NO. 498-0198
MANAGED BY USAID/THAILAND

FINANCIAL SUMMARY OF RED ACTIVITIES
FROM INCEPTION TO DECEMBER 31, 1980

<u>Name of SEAMEO Recipient</u>	<u>Amount Granted (000's)</u>
INNOTECH	\$ 5,930
General Support for SEAMEO	695
SEAMEO Special Funds	3,772
RELC	2,811
TROPED	2,544
RECSAM	2,900
BIOTROP	2,665
SEARCA	<u>2,160</u>
Total Granted	\$23,477
Less: Deobligations	<u>(3,439)</u>
Total Disbursements	<u>\$20,038</u>

REPORT RECIPIENT

USAID/ Thailand

Director 5

AID/W

Deputy Administrator 1

Bureau for Asia:

Assistant Administrator 1

Deputy Assistant Administrator (Audit
Liaison Officer) 1

Office of the Philippines, Thailand & Burma
Affairs (ASIA/PTB) 1

Bureau for Development Support:

Office of Development Information &
Utilization (DS/DIU) 4

Bureau for Program & Management Services:

Office of Contract Management (SER/CM) 3

Office of the Inspector General:

Inspector General (IG) 1

Executive Management Staff (IG/EMS) 12

Plans, Policy & Programs (IG/PPP) 1

Office of Legislative Affairs (LEG) 1

Office of Financial Management (OFM) 1

Office of the General Counsel 1

Office of Legislative & Public Affairs (LDCA) 1

OTHERS

Inspector Generals:

RIG/A/Washington 1

RIG/A/Nairobi (Africa East) 1

RIG/A/Cairo (Egypt) 1

RIG/A/Karachi (Near East) 1

RIG/A/Latin America 1

RIG/II/Manila 1