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Auditor General

AUDIT REPORT

ON

USAID ASSISTANCE FOR

THE COOPERATIVE LEAGUE OF THE USA (CLUSA)

PROGRAMS IN INDIA

Audit Report Number 5-386-81-6

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Area Auditor General Near East
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EXECUTIVE SUMMARY

Introduction

The Cooperative League of the USA (CLUSA) is a confederation of U.S. cooperatives headquartered in Washington, D.C. They have maintained an office in India since 1954. USAID/India has been funding CLUSA/India's local support costs since September 1966. AID's current assistance for CLUSA's programs in India is for a major PL 480, Title II Transfer Authorization (TA), two operational program grants (OPGs) and a local support grant of $203,600. The TA provides 117,500 MT of vegetable oil valued at approximately $110 million (including ocean freight) to be sold by National Dairy Development Board (NDDB), a GOI corporation and a co-sponsor of the project. The sale of the PL 480, Title II commodities for the purposes of this project has been authorized by AID/W under the provision of Section 201 of the Act. AID's General Counsel has determined that the program involved is not a government-to-government program within the meaning of Section 206 of the Act and that it may legally be conducted under the authority of Section 201. The funds so generated are to be used for developing a comprehensive oilseed production, processing and marketing system owned and controlled by the oilseed farmer cooperatives in selected states of India. The two OPGs provide funds totaling $850,000 for technical assistance to: (a) the NDDB for the establishment and efficient operation of the oilseeds projects; and (b) the National Cooperative Development Corporation (NCDC), another GOI corporation, for improving the effectiveness and viability of the existing and future oilseed processing units in the cooperative sector.

Our audit covered the period from inception to June 30, 1980 during which oil valued at about $46 million was provided under the TA and disbursements totaling $385, 194 were made under the three OPGs. The purpose of our audit was to review: the effectiveness and efficiency of program implementation; the propriety and applicability of costs; and compliance with the terms of the related agreements.

Audit Conclusions

Our audit disclosed significant programmatic, implementation, management and financial compliance problems in the Oilseeds Growers Cooperative Project. In our opinion, the project is currently floundering in terms of future support and direction. Thus far, other donor support has not been provided and there is no firm commitment that it will be provided in the future. Host country and other local support has been limited or in some cases, non-existent. There were serious accountability problems inasmuch as total oil sales proceeds were initially not adequately accounted for, substantial sums of sales proceeds currently estimated at up to $81 million were to be used outside normal control areas, large unauthorized withdrawals were made from project cash accounts, bank transfers and sales proceeds were not deposited to the proper accounts, and interest earnings were not properly attributed or deposited in the Special Account. Corrective action on many of these problems has been initiated since the completion of our audit, but much still remains to be done.

Accordingly, we have recommended that AA/Asia should delay approval of further oil inputs or major budgetary changes until completion of the upcoming project evaluation. In addition, we have made several recommendations for corrective action on specific deficiencies found.

The key problems found by us are summarized below and detailed in the following sections of this report:

- Oil quantities called-forward were not realistic in relation to the project needs. Consequently, fund generations greatly exceeded the requirements and a substantial amount of USG provided resources (about $20 million) are currently invested in long term, interest bearing fixed deposits. (See pp. 7 to 11.)

- There has been very limited implementation progress. There are several major issues, such as the lack of other donor resources, the failure of the state governments to provide land for the district farms and agronomic centers and the uncertainity concerning approval of new groundnut processing facilities by the GOI, which will directly impact on the project's success and viability. We have recommended that the upcoming evaluation include a review of all the current project constraints. (See pp. 12 to 20.)

CLUSA/NDDB violated the TA requirement by depositing only a part of the oil sales proceeds in the Special Account until recently. Based on pegged deposit rates being followed, we estimated that up to \$81 million of planned project resources could have accumulated over the life of the project but not subject to normally acceptable control features. We were not allowed to review the use of such residual oil sales proceeds totaling \$11 million which remained in NDDB's general account at the time of our audit. In December 1980 CLUSA reported that all sales proceeds were deposited in auditable project accounts but we noted that deposits of about \$3 million were still not in accordance with the TA. We recommended that project records be verified to ensure that all fund generations have in fact been properly accounted for, and that the \$3 million is deposited in the Special Account. We also recommended that written procedures be developed to control fund deposits. (See pp. 21 to 26.)

About \$20 million of project resources remain invested in long term interest bearing accounts but complete information was not available during our audit regarding total interest earnings. It was evident from our review that interest earnings had not been properly attributed to project resources therefore we recommended that USAID obtain complete details on the application of all fund generations and ensure that all interest earnings are deposited in the Special Account. (See pp. 27 to 29.)

NDDB had not maintained adequate accounting records for empty container sales and funds realized therefrom. Hence we could not determine if potentially substantial revenue from this source was properly accounted for and deposited to project accounts. We recommended that procedures be established to adequately control this revenue source. (See pp. 29 to 31.)

- There were significant violations of the procedures established to control withdrawal of funds from the Special Account. We found withdrawals exceeding $3 million which had not been deposited in the project account and a large withdrawal of about $4.6 million which was not authorized. We recommended corrective action and that procedures be established to prevent future recurrence. (See pp. 31 to 33.)

- Project disbursements totalling about $8 million were questionable as thev were not provided for under the TA. We recommended that USAID/India review the propriety of these disbursements and take appropriate action. (See pp. 33 to 35.)

- Project documents do not provide procedures for control of second generation funds resulting from reflows of project loans and interest thereon. Eventually, such reflows and interest could involve significant amounts therefore we recommended that appropriate procedures be established for the deposit and use of such resources. (See p. 37.)

- CLUSA did not comply with TA requirements relating to the submission of commodity accountability reports; the reporting of losses/damages of Title II oil; and the performance of internal reviews. We recommended that appropriate action be taken to ensure compliance. (See pp. 38 to 41.)

- Progress towards the achievement of project objectives was slow and behind schedule in the case of two of the three OPGs. We recommended that the OPGs' status be reviewed to establish a future course of action and to ensure completion of the various activities as planned. (See pp. 44 to 51.)

This report was reviewed extensively with representatives of CLUSA and USAID. USAID has advised us that they believe the audit recommendations included herein are appropriate and that they have, in several cases initiated action to implement them. To the extent considered appropriate, we have reflected both USAID's and CLUSA's comments throughout this report. The report contains a total of 19 recommendations.

BACKGROUND

CLUSA is a confederation of U.S. cooperatives with headquarters located in Washington D.C. They have maintained an office in India since 1954. CLUSA/India provides liaison with the Government of India (GOI) and various cooperative agencies in India, and in general promotes cooperative development activities.

USAID began funding CLUSA/India's local support costs in September 1966. Funds for this purpose were initially provided under Technical Support, then from Trust Funds, and finally under two AID/W regional contracts. Effective January 1, 1979, CLUSA/India's local program support costs were funded under an Operational Program Grant (OPG) No. AID-386-2135. This OPG provides $203,600 for CLUSA/India's local support costs through December 31, 1981. In addition, since 1978, AID has been providing for CLUSA's oilseed cooperative development program in India. AID's assistance for this purpose comprises of the following activities:

	Activity Description	Amount	Effective Period
(1)	PL 480, Title II Transfer Authorization (TA) No. 386-421.2040-000-9647	$99,757,500*	2nd half of FY 79 to 1st half of FY 82
(2)	OPG No. AID-386-2144	$ 374,800	8/17/79 to 8/16/82
(3)	OPG No. AID-386-2127	$ 475,200	8/30/78 to 8/29/81

*Excludes estimated ocean freight of about $10 million.

Assistance under the PL 480, Title II TA comprises of 117,500 MT of edible oil and has been provided for the Oilseed Growers Cooperative Development Project. The Title II oil will be provided in tranches of 30,000 MT each in FY 79, FY 80 and FY 81, and 27,500 MT in FY 82. Total projected imports over the project's life are estimated at 160,000 MT under Title II and 90,000 MT from other donors. The oil enters India consigned to CLUSA under terms of the Indo-U.S. agreement on a duty free basis and is then turned over to the National Dairy Development Board (NDDB) for sale in the commercial sector to generate local currency funds for the project. NDDB is a GOI organization registered under the Societies Registration Act and is a co-sponsor of the project. The sale of the PL 480, Title II commodities for the purposes of this project has been authorized by AID/W under the provision of Section 201 of the Act. AID's General Counsel has determined that the program involved is not a government-to-government program within the meaning of Section 206 of the Act and that it may legally be conducted under the authority of Section 201.

The purpose of the oilseeds cooperative project is to utilize resources generated from the sale of Title II and other donated oils to develop a comprehensive oilseed production, processing and marketing system owned and controlled by the oilseed farmer cooperatives in selected states of India. The project will extend over an 8 year period (1978-85) and calls for the organization of village level cooperatives. These cooperatives will then be formed into area unions which will own and operate their own network of crushing facilities, solvent extraction plants and cattle feed compounding facilities. Ultimately, the unions will be federated into a national federation of oilseed growers cooperatives. According to the operational plan, some 8,000 villages are to have operational cooperative societies in the 8 selected districts by 1985.

OPG No. 2144 provides funds to CLUSA in support of its program to render technical assistance to NDDB for the establishment and efficient operation of the oilseeds cooperative project. OPG No. 2127 provides support for CLUSA's program to assist the National Cooperative Development Corporation (NCDC), a statutory corporation of the GOI, in improving the effectiveness and viability of the existing and future oilseed processing units in the cooperative sector, by introducing modern management systems and techniques and training of cooperative personnel.

Our audit covered the period from inception of these programs to June 30, 1980 during which time AID had provided 58,665 MT of oil valued at approximately $46 million under the TA and funds totalling $385,194 were disbursed from the three OPGs. The purpose of our audit was to review: (a) the effectiveness and efficiency of program implementation; (b) the propriety and applicability of costs incurred under the OPGs; and (c) compliance with the terms of the related agreements, applicable laws and agency regulations.

Our field work was performed at CLUSA/India's office in New Delhi and at the NDDB office in Anand. Our examination included a review of CLUSA, USAID/India and NDDB records as well as discussions with their cognizant officials and those of NCDC. We also visited selected storage points for Title II oil and the Bhavnagar Vegetable Products plant. The audit was performed intermittently during June to December 1980. A draft copy of this report was reviewed extensively with both USAID and CLUSA. To the extent considered appropriate, their comments and written responses have been reflected in this report. Except as noted, USAID considered the audit recommendations appropriate and, in several cases, has initiated action to implement them.

AUDIT FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

I. OILSEEDS GROWERS COOPERATIVE PROJECT, TA NO. 9647

A. CURRENT PROJECT STATUS

There is little tangible evidence to persuasively indicate that the Oilseeds Growers Cooperative Project will successfully reach the objectives currently targeted on. As of June 30, 1980 USG resources totalling $46 million (not including about $9 million estimated sea freight) were already provided against the total of approximately $110 million committed by the USG. In our review of the utilization of the $46 million of resources already provided we found significant programmatic, progress, management and financial compliance problems that in our view have not been adequately responded to by either CLUSA or NDDB, the two co-sponsors of the project:

The project, in our opinion, is currently floundering in terms of future support and direction. In effect it appears the project will become bi-lateral in nature rather than multi-lateral --- planned resources of 90,000 MT of vegoil from other donors have already been reduced by over 63% to 33,000 MTs and there are firm commitments for only 3,000 MT or about 3% of the multilateral donor resources initially planned. Thus far, none of the multi-donor support has arrived in country.

Further, as of January 1981, we found no reasonable assurance that the other 30,000 MTs of other donor commodities, referred to above, will be made available; there are currently no firm commitments to provide the resources. At the same time, Host country and other local support for the project has been limited or in some cases, nonexistent. For example, (a) Indian state governments have failed to provide virtually all the large land requirements for district farms and agronomic centers which are clearly critical to project success and (b) at the local level there is insufficient support for state federations of local cooperatives as evidenced by CLUSA's recent request to provide at least 51 per cent of the share capital funding from project resources provided by the U.S.G. USAID and CLUSA have not agreed with us in citing this as an example of lack of local support. They stated that the 51% funding proposal was recommended so as to give NDDB effective control of the federations during their early years and also to provide a broader economic base to help with their economic viability.

Regardless, we continue to believe that cooperative ventures must be producer owned and generally locally controlled if they are to represent the grass roots interests implicit in a cooperative movement. In sum, massive infusions of capital and control at a centralized and national level is more a creation of big business rather than the development of a locally supported cooperative effort.

In terms of financial management and compliance issues, we found serious accountability problems that resulted from misunderstandings of U.S.G. requirements by USAID, CLUSA and NDDB. For example total commodity sales proceeds were initially not adequately accounted for, large unauthorized withdrawals were made from project cash accounts, bank transfers and sales proceeds were not deposited to the proper accounts, and interest earnings resulting from the investment of large cash accumulations had not been properly attributed or deposited in the project special account. Corrective action on most of these deficiencies has been started but much remains to be done. We have addressed the remaining issues further on in this report with several recommendations for corrective action.

We concluded early on in our review of this project that it should be subjected to an intensive review to redefine priorities and project direction. USAID/India also arrived at this position independently and agreed with our position and has since reached agreement with AID Washington and CLUSA/NDDB on the scope of an evaluation which is currently planned to be performed in February or March 1981. However, in the meantime USAID has also reviewed CLUSA/NDDB requests for additional call-forwards and for major realignment of budget categories. At the end of December 1980 and mid-January 1981, USAID partially approved CLUSA/NDDB's requests and recommended to AID/W that an additional call-forward of 10,000 MT of commodities and that most requested budget changes be approved. Thus far, AID/W has approved the additional call-forward of 10,000 M/T of commodities but no action has been taken on the requested budget changes.

To some degree, we believe USAID's approvals are premature in light of the fact that a major project evaluation will be undertaken in the near future. We also question the project's need for further resources at this time in light of the fact that about Rs. 162 million (or over 41% of the project's cash generations thru November 1980) remain invested in interest bearing accounts. Much of this investment, equal to over U.S. $20 million, was invested for periods of five and one quarter years but according to CLUSA, can be obtained earlier if needed. We agree that this major project has the potential to significantly impact on the oilseeds industry in India but we also believe there are clear needs for expert evaluation of project direction and for a resolution of the many problems surfaced in this report before major budget changes are approved or before further large resource transfers take place. Accordingly, unless there is convincing evidence available that the project will be irreparably damaged, we believe AID/W should delay further call-forwards or major budgetary changes until such time as project direction and priorities are firmly established.

Recommendation No. 1

The Assistant Administrator/Asia should delay approval of further project commodity call-forwards or major project budgetary changes until the impending project evaluation is completed. (USAID/India officials have not agreed with this recommendation. They stated that their recommendation to AID/W was based upon detailed and careful consideration where they determined that the project required additional oil to (a) generate sufficient cash resources to continue project activities and (b) support the NDDB/Federations' marketing network which requires a continuous supply of oil. They also felt that the revised budget items should be approved to ensure that project progress is not obstructed during the interim period when the project is undergoing evaluation.)

B. COMMODITY CALL FORWARD AND FUND GENERATION

1. Title II Oil

The procedure for determining oil quantities to be called forward was unrealistic. As a result, fund generations were far in excess of the project's actual needs during the period and a great deal of the excess funding currently is invested in long term, interest bearing fixed deposits.

Under the established procedure NDDB submitted expenditure budgets for the project to CLUSA. CLUSA then computed the oil quantity required to generate the funds and submitted call forwards to USAID/India periodically. During FY 79 and FY 80 CLUSA requested 61,500 MT of commodities to generate funds equal to the projected expenditure of Rs.338.1 million through March 31, 1981. The quantity was computed by using an estimated selling price of Rs.5,500 per MT. Against this, USAID approved call-forwards for 60,000 MT. The quantity actually shipped was 58,665 MT and after excluding shipping losses, 55,893 MT was received by NDDB.

CLUSA officials stated that they had reviewed the project expenditure budget prepared by NDDB and NDDB informed us that the budget was based on a best estimate of expenditures considering the activities expected to be undertaken during the budget period. NDDB would not show us either the basis adopted to develop the project budget or the related working papers, hence we are unable to comment on the reasonableness of the budget estimates. However the following discussion shows that both the estimates and the call-forward quantities were far in excess of project requirements. Further, the basis of Rs.5,500 per MT used to develop the budget and call-forward quantity was unrealistic as actual sales prices were much higher.

As of June 30 1980, NDDB had realized Rs.268.5 million from the sale of 31,258 MT of oil. At the average selling price of Rs.8,590 per MT, the total quantity of 55,893 metric tons received by NDDB would realize Rs.480.2 million. Thus, the amount to be realized would greatly exceed the budgeted expenditure of Rs.338.1 million excluding the Rs.50 million operating reserve requested by NDDB but not approved by CLUSA. Moreover as of June 30 1980, the actual eligible expenditure of Rs.10.7 million, (excluding Rs.58 million in fixed deposits) was only four percent of the Rs.268.5 million realized from the sale of oil as of that date. Thus the actual expenditure rate was considerably lower than that projected and for which the oil was called forward.

In approving the call-forward requests, USAID did not determine whether or not the quantity that was to be provided by other donors would be forthcoming. According to the operational plan, other donors were to provide a total of 90,000 MT earmarked as their contribution by 1979-80, but they actually did not provide anything which we believe contributed to the early delays in implementation of this project. USAID should have monitored this because other donor contributions are an integral part of the total project financing plan and would have directly affected the Title II oil quantity to be provided. USAID officials have not agreed with this particular conclusion. They stated that "other donor contributions were not that relevant to the approval of call forwards since the TA does not tie U.S. oil shipments to such contributions." They felt that "If the USG's intent was to approve shipments conditional to other donor contributions, the TA would have so stated." In our view, this latter position by USAID is somewhat at odds with Congressional intent which we believe clearly indicates that multi-lateral support for projects such as this should clearly be fostered to the degree possible.

Commenting on these findings, CLUSA stated that the bufferstocking aspect of the project requires stocks of oil to be available to react to market conditions. CLUSA also cited other reasons such as the seasonal nature of in-country oil needs, the difficulty of receiving shipments during the monsoon season, and a concern that AID would want to purchase the oil when prices were lowest in the U.S. CLUSA also stated that the oil is not being used merely to generate project funds but also to develop a marketing system.

USAID India officials explained that the first call-forward was approved by them for initiating the project. The second call-forward left the delivery schedule to be decided by AID/W and CLUSA/W. USAID/India agreed that the arrival schedule must be reviewed here in India to preclude overstocking and to coincide with actual budget requirements. However, because of the unique nature of this project, they felt there could be reasons for large buffer stocks at any one time. USAID India acknowledged that NDDB did not incur expenditures as expected despite the fact that generated funds were available. They also advised us that CLUSA has recently submitted a revised budget on the basis of which USAID India has requested AID/W approval for additional uses of the funds. These additional uses include the purchase of groundnuts and investments in the share capital of state federations, items which CLUSA indicated were critical to move the project ahead. USAID India indicated that it is in continuous dialogue with CLUSA over the revised budget and the process would be closely coordinated with future calls-forward.

Subsequently, on December 30, 1980, USAID/India approved a partial call-forward of 10,000 MT of oil against CLUSA's request of 30,000 MT for FY 81. The approval was contingent upon NDDB depositing all sales proceeds in the special accounts and agreeing to the proposed project evaluation. In approving the partial call-forward, USAID/India also felt that there was a need to support the NDDB/Federation marketing network which requires a continuous supply of oil. USAID/India plans to review CLUSA's requirements for an additional call-forward in FY 81 after completion of the upcoming evaluation.

2. Other Contributions

According to the operational plan, total contributions of oil during the project's life were to be 250,000 MT. Of this, AID was to provide 160,000 MT and the remaining 90,000 MT was to come from unidentified donors. But, there was no specific commitment or assurance available regarding the other donor contributions when the project was being negotiated or at the time when it was approved by AID. NDDB's project proposal to the GOI indicated that Canada had agreed to supply 30,000 MT and another 60,000 MT would be donated by other countries. Thus, it appears reasonable to conclude that the projection about other oil inputs was an unsupported estimate for which AID should have considered making the U.S.G. contributions contingent upon receipt of the inputs.

To date, only the U.S.G. has firmly committed 117,500 MT of commodities for the first three years of the project. No other donors have provided any oil although their entire contribution of 90,000 MT was to be provided by 1979-80. NDDB has received a commitment for 3,000 MT of rapeseed oil worth about $3 million from Canada, and they expect to receive the shipment by March 1981. NDDB officials stated that Canada could not provide the quantity envisaged because the rapeseed oil did not meet the required Indian specifications. They were hopeful that Canada would provide the projected quantity of 30,000 MT ultimately but added that this would depend on experience with the first shipment.

CLUSA has recently informed USAID/India that "a total proposed program of 33,000 MT oil is likely to be forthcoming from Canada over the next three years. . ." Thus, the originally envisaged contribution of 90,000 MT will not be forthcoming nor is there a firm commitment from Canada for the remaining balance of 30,000 MT.

3. <u>Project Financing Plan</u>

The operational plan projected fund generations of Rs. 880 million from the Title II oil input of 160,000 MT, and Rs. 495 million from the 90,000 MT oil to be provided by other donors. In other words, the projected generations from these sources were to be Rs. 1,375 million. These generations were computed at a standard selling price of Rs. 5,500 per MT. However, as stated earlier, the actual selling prices were much higher. At the current average per ton rate of Rs. 8,590, the sale proceeds would be Rs. 1,374.4 million for just the Title II oil and this alone would equal the total projected generations from the sale of all imported oils. In addition, the 90,000 MT of other donated oil would have realized Rs. 773.1 million at the current average rate. Thus, if the entire 250,000 MT were received a total of about Rs. 2,148 million would have been generated and there would be a surplus of Rs 773 million compared to the initial projected requirements for the project.

It is pertinent to mention that to generate the projected Rs. 880 million at current prices, only 102,445 MT of Title II oil would be required as against the TA quantity of 117,500 MT and the total of 160,000 MT planned during the projects' life. We realize that funding needs of the project may have changed due to inflation, and the actual selling prices in the future may be more or less than the current average rate. Nevertheless, we believe there is a need for USAID to review the overall project funding in relation to the oil to be provided by the other donors and the trend of selling prices that have prevailed thus far. USAID should determine whether the 160,000 MT of oil will still be needed to generate the required funds, and whether the U. S. contribution should be predicated upon the other inputs.

CLUSA has recently submitted a revised fund generation statement and budget. On that basis, USAID India requested AID W's approval for new uses of project funds in addition to the original 7 line items approved in the operational plan. These new uses are for: a revolving fund for the procurement, storage and marketing of oilseeds; investment in share capital of state federations; procurement support to new cooperative federations to meet interest payments on money borrowed by them from commercial banks; extending cooperative support to other areas such as fisheries, commodity bio-gas plants, and water management; and management training for graduate students committed to work in project areas. USAID India has deferred approval of another line item concerning project funding of operational losses of NDDB during the first four years of the project until further review during the upcoming project evaluation. Details of the original and revised fund generation and budget statement are furnished in Exhibit A.

We do not believe these major new uses (involving Rs. 349 million or about $43 million) of project funds should be approved until the completion of the upcoming evaluation because of several unresolved questions which directly impact on the project's future viability and direction. These include the lack of other donor support and the absence of any significant commitment that other donor support will be provided in the future; the failure of the state governments to provide land for district farms and agronomic centers; and the ambiguity regarding NDDB's market intervention program. In addition, CLUSA has not yet provided an operations research study report which is critical for formulation of project strategies and policies, for projecting a detailed implementation plan, and for USAID/India's future monitoring purposes.

CLUSA's revised proposal also included substantial change to one of the original line items. An additional investment of Rs. 303 million is envisaged for purchase of processing facilities without clarifying the current uncertainty regarding GOI approval of new groundnut processing facilities. CLUSA claims that approval for new facilities was obtained as a result of the project being approved by the GOI and that only industrial licences are now required but here again, there is no indication of whether the licences will actually be issued.

Resolution of all the above factors, plus establishing adequate financial controls, is in our view necessary before any further call-forwards or budgetary changes are authorized. Both these subjects are discussed in greater detail in the following two report sections.

C PROJECT IMPLEMENTATION

Some progress has been made towards project objectives, but the accomplishments thus far have been limited in relation to the established targets. Delay in project initiation, unrealistic programming and lack of other donor inputs at an early date have been factors contributing to the limited progress. Presently, we believe project viability is questionable and that resolution of the many problem areas discussed below should be specifically addressed by the various experts participating in the impending evaluation of the project.

1. Project Planning

According to the operational plan, the project comprises of 9 major activities and is to be implemented in two phases. In the first phase, operations are to be initiated in eight selected districts. The second phase will complete implementation in the eight districts and initiate operations in twelve additional districts. Achievement benchmarks shown in the operational plan were to be used to evaluate the project at the end of the first phase which was originally expected to be completed by the end of CY 1979 or early CY 1980. Due to initiation delays the planned two to three year period will now extend to mid 1981 or mid 1982

The operational plan was revised on December 1, 1978 when it was obvious that the project's initiation would be delayed because none of the projected 110,000 MT of oil (Titel II 50,000 MT, and other donated oil 60,000 MT) had been received. Because of the delayed start and some changes in the project, CLUSA furnished a revised operational plan on January 25, 1980 USAID India has not yet approved the revised plan pending resolution of certain matters, such as deposits of oil sales proceeds and CLUSA's monitoring and evaluation procedures. According to this revised plan the first phase is now scheduled for completion in mid CY 1981 or mid CY 1982.

The project's goals are broad and interim benchmarks have not been established for many activities as indicated in the following section AAG/Washington Audit Report No. 81-8 dated October 23, 1980 recommended that this be done. Further, USAID India also stated that a detailed and adequate project implementation plan is required and it will insist that this be incorporated in the revised operational plan

2. Project Progress

According to information available in the progress reports and data provided by CLUSA/NDDB, the status of the nine major activities at the time of our audit was as follows:

(a) Project Authority and Cooperative Structure

NDDB has assigned project managing authority to the Oilseed and Vegetable Oil Wing (OVOW). Except for the secretary, none of the key managerial positions which were to be filled by the end of the first phase have been filled. Instead, NDDB's staff is currently performing the functions of several of the key positions

Model by-laws for village cooperatives and state federations have been developed. Gujarat and Madhya Pradesh (M. P.) States have established federations and another four states to be covered by the project have initiated action towards the creation of an institutional structure for implementation of the project.

(b) Village Grower Societies and Demonstration Plots

84 cooperative societies covering 300 villages have been established in Gujarat and M. P. States and 125 demonstration plots are in action. Per the operational plan, 850 villages were to have operational cooperatives with an anticipated 850 demonstration plots at the end of the first phase but no interim benchmarks were established. Thus, on a straightline basis, about 425 of each should have been operational by this time since about half of the revised first phase time period has elapsed.

(c) District Farms and Extension Services

Eight district farms of about 300 to 400 hectares each were to be operational at the end of the first phase. In each district farm some 300 ha were to be reserved for seed multiplication, and 50 ha for demonstration of improved cultivation methods. Each farm was also to have other facilities, such as a laboratory, tractors, and sprinkler systems for irrigation During the first year of the project, three such farms were to be started. Against this, one small farm of 18 ha has been established and CLUSA advises an additional 71 ha farm was provided in another area. Thus, very little progress has been possible to date with respect to seed multiplication and demonstration of improved cultivation methods. Moreover, it is doubtful whether the small farms provided thus far will be economically viable units or will serve the purpose intended.

CLUSA stated that the lands for district farms were to be provided by the state governments and that NDDB has contingency plans to commercially purchase such farms if necessary. They also feel that considerable progress has been made in demonstration of improved cultivation methods which they said was done at the village level rather than at the district farms. Nevertheless, there have been very limited local land inputs to this critical project area which clearly will have a significant impact on project success unless resolved soon.

(d) Processing Facilities

One or two existing processing plants with crushing and solvent extraction facilities were proposed to be acquired in the first year of the project. The processing facilities acquired were to purchase 70,000 MT of groundnuts from village cooperatives. Two such plants were acquired under the project, but only 3,888 MT of groundnuts were procured from village cooperatives as of the audit date Moreover, the processing plants acquired were of questionable viability or involve heavy investment on repairs.

One of these plants, Bhavnagar Vegetable Products (BVP), is under liquidation and NDDB acquired interim management rights in December 1977 as a result of Court orders. NDDB has since operated the plant under a lease which has been extended from time to time. According to available information, BVP was incorporated as a company in November 1945. By the end of 1975 the entire capital of BVP, its reserves and surpluses were wiped out, and it stopped manufacturing activity. BVP's audited annual report as of December 31, 1975 showed a loss of Rs. 20.2 million and total debts, comprising of loans and current liabilities, of Rs. 31.6 million. Thus, NDDB's decision to acquire interim management of the plant at a fixed compensation of Rs. 3.6 million per annum plus 37-1/2 percent of BVP's net profits appears to be unsound.

The BVP plant has incurred further operating losses of Rs. 12.8 million since NDDB's assumption of management through March 31, 1980. This loss has been charged to project funds by NDDB which, in our opinion, is highly questionable. NDDB told us that actions necessary to make BVP an economically sound and profitable operation will be taken after the High Court's decision. NDDB stated that its own engineers had made an assessment of the BVP plant, but they would not show us a feasibility report on the plant or their analysis of its condition that had been prepared prior to assuming BVP's management. Hence, we have no idea about the future prospects of this plant. Moreover, BVP does not enjoy a cooperative status, which was a precondition for project assistance. The question of who will ultimately own and operate BVP is also unclear at this time. USAID/India agreed with us and stated that it has asked CLUSA to provide an economic feasibility study on BVP's present and future operations, and on the plant's relationship to the project.

The other plant, purchased under the project at a total cost of Rs. 5.6 million, is Lotus Oil Mills at Jamnagar. NDDB's technical report of January 1980 estimated that an additional total capital investment of about Rs. 2.1 million would have to be made for repairs and renovation of buildings and equipment. However, an August 1980 report of NDDB showed that only the Mill's first phase renovation will cost Rs 4.4 million, or more than double the estimate. There will be additional similar costs for the second phase for which estimates were being worked out. CLUSA stated that the increased renovation costs are for additional facilities and to make the mill more efficient. Nonetheless, the proposed outlay will probably exceed the mill's acquisition cost and we question whether project funds were soundly invested. We feel that because of the substantial additional investment in renovation costs that the mill's economic viability should be reviewed. USAID India agreed and stated that it is requesting a specialist for this purpose as a part of the proposed evaluation team.

In addition to the above processing facilities, the GOI has given a letter of intent to the MP federation authorizing them to establish a soybean processing plant. The Gujarat federation has also applied for a licence to set up a groundnut processing plant and a hydrogenation plant. However, in view of the GOI's declared policy that such groundnut processing plants will be approved in the small sector only, it is uncertain whether or not the licence will be granted. The GOI had in fact turned down a similar application from another state. NDDB informed us that they have sought the state government's intervention and were confident of getting the GOI approval for the Gujarat federation's proposed plant. CLUSA stated that the NDDB project proposal approved by the GOI included such plants and they felt that this point would be in NDDB's favor should problems develop in obtaining approval for new facilities. CLUSA further stated that the GOI policy apparently refers only to oil mills and not to extraction plants which are contemplated by the project. They also said that the Gujarat state government has decided that only cooperatives would be allowed to build new processing plants.

CLUSA's response is vague and we believe that rather than bank upon assumptions, USAID/India should determine what impact the GOI's policy will have on the project. A favorable resolution of the problems in this area is critically important because 40 percent of the total direct investment of the project is planned on such facilities.

(e) Operations Research, Monitoring and Information

An Operations Research Group (ORG) was to be formed as soon as possible after project implementation started to conduct an operations research study in the project areas. The ORG was formed and five expatriate consultants were provided under OPG No. 2144 at a cost of about $54,000. NDDB officials stated that they could not derive full benefit from the consultants' visits as they were unaware of the existing technology in the U.S.A. NDDB felt that the consultants' visits would have been more useful if they were made after the NDDB team's visit to the U. S., which is yet to materialize. According to CLUSA, the NDDB team's visit was deferred because of the delay in OPG approval and the extreme urgency of getting the study completed expeditiously. NDDB informed us that the recommendations made by the consultants have been incorporated in the integrated report prepared by them. CLUSA and NDDB showed us the consultants' individual reports but they have consistently refused to provide the integrated ORG report stating that it was confidential and was yet to be formalized. NDDB officials, however, informed us that they have not fully accepted the consultants' recommendations because: (a) data on technology and plant specifications was insufficient; and (b) they want to see for themselves the by-product (dal) processing which is still in the pilot stages of development in the U.S. They stated that a final decision on the recommendations would be made after their personnel completed their trip to the U. S. which is tentatively scheduled for April 1981. Further, the ORG report has not been furnished to USAID India either. This report is important to NDDB to formulate project strategies and policies for the project, and for guidelines to monitor and retrieve information on the project. It is also critical for USAID's monitoring and evaluation that they know NDDB's strategies and policies on project implementation. Accordingly, USAID should promptly obtain a copy of the ORG consolidated report prior to approving the revised operational plan. USAID India has agreed with us and stated that they have repeatedly asked CLUSA to provide a copy of the report, but this has not been done so far.

A Continuing Information System was to be set up to monitor production and supply of vegetable oil in the project areas and in the major demand centers. According to NDDB, this system has not been established so far. CLUSA, however, stated that the system has been established and was used to do a detailed market survey (to find out consumption pattern of oils) in four cities. However, according to CLUSA's project monitoring report, the survey was done as a start to the ORG study. It was done as a part of collecting data on milk and milk products. We do not believe that the surveys can be considered as the establishment of a system. Moreover, the system was to monitor production and supply in the project areas, and not only for studying consumption patterns. If any system was established and used for the stated purposes, we were not shown any evidence to establish that accomplishment.

(f) Marketing

The project envisages procurement and marketing of imported and indigenously procured vegetable oils in such a way as to contribute to the stablization of supplies and prices at levels which will be fair to the consumers and growers. The NDDB project proposal states that the current overall deficit in veg-oils fluctuates from 300,000 tons to 800,000 tons annually. It estimated that if OVOW has control of 200,000 to 400,000 tons annually this will be a sufficient quantity to enable vegoil supplies and prices to be stabilized.

The operational plan projected a procurement of 154,000 tons of oil from domestic and external markets during the first year of the project. NDDB, however, did not procure any oil reportedly because of lack of funds and the delayed start of the project. According to CLUSA, the fact that a two fiscal year supply of U.S. donated oil arrived during a nine month period also precluded the need for additional oil procurement. Hence, marketing activities have thus far been limited to only the Titel II oil. The sales were made to consumers through the cooperatives and federations (18,177 MT) under the retail distribution program at prices fixed by NDDB, and to wholesalers under the market intervention program (13,081 MT). The market intervention activities, under which there are no restrictions imposed on price or location and the buyers/sellers quote their own prices, are undertaken when there is insufficient demand and stocks pile up. Thus, the project's contribution, if any, to the stabilization of oil supplies and prices would have been very minimal thus far. Further, it is doubtful if the project can have a significant impact on supplies and prices in the near future because NDDB's market intervention activities will be quite limited in relation to the total market.

CLUSA stated that NDDB can keep oil prices within an acceptable 5 to 6 percent price range by controlling a 15 percent share of the market. While CLUSA's statement may be true, the market intervention program and the impact it can have on prices and supplies needs to be evaluated. USAID/India stated that it is actively reviewing the entire concept of market intervention. Further, the proposed evaluation team will have a marketing expert to assist in this analysis and dialogue with CLUSA.

(g) Research in Product/Process Development and Packaging

NDDB has created a Product and Process Development Unit within OVOW. Some work has reportedly been done in developing a dal analog and blending of groundnut and soybean oils. However, research on the major items mentioned in the operational plan has not been started.

(h) Area Agronomic Centers

The operational plan anticipated establishment of three area agronomic centers during the first two years of the project; one in the first year and two more in the second year. None of the center's have been established to date but the M. P. federation is considering establishment of a center.

CLUSA stated that only one agronomic center was to be started during the first phase, and the two others were to be started during the second phase. CLUSA contended that due to a typographical error the word year was mentioned in the operational plan. USAID/India agreed with CLUSA. However, CLUSA's contention is not supported by the NDDB proposal to the GOI on which the operational plan was based. The NDDB proposal clearly stated that two more centers would be started "during the second year of the project (1979-80)." Moreover, the project Budget Direct Investment Schedule in Appendix B to the operational plan also showed that funds were budgeted for the two additional agronomic centers in the second year, and not in the second phase of the project.

(i) Manpower Development

The operational plan projected that 1500 man months of training would be provided for employees and participants in the eight major activities by the end of the first phase, to be followed by additionally scheduled training as required. According to CLUSA, 282 man months of training had been provided as of September 30, 1980.

In sum, there has been very limited implementation progress in several key and critical areas. There are several major issues which will directly impact on the project's success and viability. These issues include the absence of any major commitment of other than U.S.G. resources, the failure of the state governments to provide land for the district farms or agronomic centers, the uncertainty regarding approval of new groundnut processing facilities by the GOI, and the ambiguities concerning NDDB's market intervention program.

Overall there has been no real indication that either the GOI or the state governments are willing to support implementation of this project. We believe the almost complete failure by the states to provide land for the farms and agronomic centers is indicative of limited interest and support. Further, if the federal government does in fact prohibit or seriously limit the establishment of processing facilities, the projects' chances for success are relatively limited. At any rate, it is urgent that these issues be resolved promptly and they should be closely reviewed by the project evaluation team. At the moment, we don't know if the issues exist because of poor planning and lack of clearances before the project was approved for AID funding or if a real problem does in fact currently exist.

Recommendation No. 2

The Director, USAID/India should require CLUSA to furnish, within 30 days of the issuance of this report, the ORG report and the economic feasibility report on the BVP plant.

Recommendation No. 3

The Director, USAID/India should require the project evaluation team to review current project constraints including a review of the viability of the two processing plants acquired to date and NDDB's market intervention program. The team should also review whether or not the other oil inputs, the land for district farms and agronomic centers, and GOI approvals for new groundnut processing facilities will be provided as envisaged and if not, the impact the lack of these resources will have on project viability. USAID/India should take appropriate action regarding the project's future, based on the evaluation team's findings. (USAID has indicated that most of the above items are included in the proposed evaluation scope and that they will ensure that adequate attention is given by the evaluation team to any of the above items not specifically included in the scope.)

D. FINANCIAL MANAGEMENT

1. Special Account

Contrary to the provisions of the TA, only part of the funds generated from the sale of Title II oil were deposited in the Special Account. Subsequent to completion of our field work, CLUSA reported that the remaining funds were also deposited in auditable project accounts as of December 23, 1980. However, we noted from their report that some deposits were still not in accordance with the TA and interest earnings from project funds are still not properly accounted for.

According to the TA and the operational plan, all sales proceeds from Title II oil were to be deposited by NDDB in an auditable Special Account. NDDB, however, deposited the sales proceeds at a fixed rate of Rs. 5, 500 per MT of oil sold, whereas the rates actually realized ranged from Rs. 8, 315 to Rs. 10, 980 per MT. The residual sales proceeds over and above the Rs. 5, 500 per MT rate were deposited in NDDB's general account which was not subject to USG audit.

The above issue of accounting for the excess fund generation is of major importance simply because of the magnitude of funds involved. For example, based on current selling prices and the planned level of USG and other donor commodity inputs, we have calculated that a total equivalent to $81 million of excess generations would have been accumulated over the life of the project that would not have been deposited to the project's special account. Almost $52 million of that amount would have been generated from USG provided resources but not subject to the usual budgetary controls or normal monitoring requirements of the USG. Under initial procedures, the funds in question were apparently going to be deposited in NDDB's general account to be used for unspecified project purposes but there has been no real explanation of what they intended to use the funds for. In our view, it has been evident from the very beginning of this project that funds generated in excess of the planned deposit rate would be substantial in total amounts. Accordingly, we asked USAID to explain why this lack of accountability was accepted, how this massive reserve and uncontrolled funding was to be used and accounted for, and if there was any evidence available to substantiate the intended use.

USAID advised us that they were unable to answer our questions because we assumed (1) that they accepted a lack of responsibility for the excess funds generated and (2) because we assumed such generations were evident. They pointed out that there has been a considerable change in their staff since inception of the planning for this project and that their files give a different picture than our first assumption indicates. Specifically, they felt the files clearly document their position that there is no lack of accountability in the formal records and that they acted promptly in bringing the matter to AID/W's attention after it was pointed out to them by AAG/W auditors in January, 1980. They said, "In retrospect USAID clearly was remiss in not having procedures which would have required financial and programmatic review of CLUSA/NDDB accounting procedures beyond that given by the FFD office. This is particularly true since this was a new project with an institution which previously had not been accountable for AID or PL 480 funds. Unfortunately this was not done."

"In conclusion, USAID did not anticipate generations in excess of project requirements and expected to fully account for all funds. USAID still has no intention of generating funds in excess of those required for the approved projects. However, there have been changes in what CLUSA/NDDB perceived to be the ground rules, and normal modifications in project design occurring from implementation experience. A revised OP and AID evaluation are required to determine what the approved budget should be. These required actions are underway."

For the most part, USAID's above comments do not clarify how these funds were to be used or controlled but, as the following analysis shows, the matter has essentially been corrected and is not expected to create future problems.

As of June 30, 1980, CLUSA had received and turned over to NDDB 55,898 MT of Title II oil. Of this, NDDB had sold 31,258 MT as of that date for Rs.268.52 million ($34.65 million). 1/ NDDB, however, deposited only Rs.171.92 million ($22.18 million) in the Special Account and Rs.11.17 million ($1.45 million) in the project operating account controlled by OVOW. The balance of Rs.85.43 million ($11.02 million) was reportedly deposited in NDDB's general account and not subject to normal USG monitoring and control mechanisms.

1/ Conversion Rate: $1 = Rs.7.75.

According to CLUSA, the Rs. 5,500 deposit rate per MT was based on NDDB's October 1977 project proposal to the GOI and it was discussed between CLUSA and USAID/India. CLUSA's internal memo dated May 3, 1979 showed that any amounts realized either excess to or less than Rs. 5,500 per MT were to be considered NDDB's contribution to the project and deposited in the project operating account controlled by OVOW rather than the Special Account. This procedure clearly contravened the TA provisions and there was no rationale for the residual funds to be shown as an NDDB contribution. Moreover, NDDB and CLUSA did not even comply with this adopted procedure as only Rs. 500 per MT of the excess sales proceeds in the NDDB general account were actually transferred to the project account. As of June 30, 1980 the remaining funds due from the NDDB general account totaled Rs. 85.43 million ($11.02 million) and these were not identified as project resources. There were no project controls maintained over these resources, no budgetary control and there still has been no adequate explanation as to how or for what purpose this large amount was to be utilized. Further, NDDB would not show us its general account records, hence we could not verify the current status or location of the funds.

This violation of the TA provisions relating to deposits of all sales proceeds in the Special Account was pointed out in February 1980 by AAG/Washington (Audit Report No. 81-8, 10/23/80). In September 1980 AID/W confirmed the primacy of the TA over any other understandings and required that all sales proceeds over and above the Rs. 5,500 per MT rate for both prior and future sales be deposited in a second auditable Special Account. A recent CLUSA letter advised USAID/India that NDDB has instituted the second Special Account as of December 23, 1980, and the status of fund generations through November 30, 1980 was now as follows:

<u>TOTAL FUNDS GENERATED</u>

From sales of Title II oil	Rs. 390,567,777
From sales of empty drums	823,685
From penalties collected from dealers for failure to lift oil as per contract	85,575
From interest earnings	588,747
From other miscellaneous receipts	79,401
Total	Rs. 392,145,185

DISTRIBUTION OF TOTAL FUNDS GENERATED

Deposited in first Special Account at Rs. 5,500 per MT		Rs. 251,540,897
Deposited in the Project Account as		
(a)	Indian contribution @ Rs. 500 per MT	22,867,354
(b)	Empty drum sales proceeds	823,685
(c)	Interest and miscellaneous receipts	753,723
Deposited in second Special Account as:		
(a)	Cash	159,526
(b)	Fixed deposits to be deposited upon maturity	116,000,000
		Rs. 392,145,185

Thus, the total fund generations have now reportedly been deposited in auditable accounts. However, we have not verified the sales proceeds or deposits since June 30, 1980 and thus are unable to comment on the accuracy or otherwise of the amount deposited, or of the accuracy of the preceding financial statement in general, since much of the activity occurred subsequent to our field audit. We, however, noted that the following deposits totaling Rs. 23,621,077 are still not in accordance with TA requirements:

(a) Rs. 22,867,354 representing oil sales proceeds at the rate of Rs. 500 per MT which have been deposited in the Project Account rather than the Special Account as required by the TA and subsequent AID/W ruling mentioned above. Further, the TA stipulates that CLUSA's written approval is necessary before withdrawals from the Special Account can be made for identified project expenditures. Such direct deposits in the Project Account would bypass this approval requirement.

(b) Rs. 79,[illegible]01 mainly representing insurance claim proceeds, and shown as other miscellaneous receipts in the CLUSA statement, were again deposited in the Project Account. This is contrary to the TA which requires that such proceeds be deposited in the Special Account.

(c) Rs.674,322 representing funds generated from sources other than drum sales, such as interest earnings and penalties, was also deposited in the Project Account. The TA's intent dictates that such program related generations should be handled in the same manner as the sales proceeds and deposited in the Special Account. Their use would then be subject to the same procedures and controls as those prescribed for Special Account funds.

At our request, CLUSA did provide us details of the fixed deposits totaling Rs. 116 million, such as their term, rate of interest, and they also determined from NDDB that the certificates are free of any encumberances. Most of the fixed deposits are invested for a five to six year period and most are earning interest at the rate of 10 per cent per annum. However, based on the information provided, we determined that interest earnings were not accurately accounted for. A more detailed discussion of interest earnings and recommendation for corrective action is presented in part 2 of this section.

Accordingly, USAID/India should ensure that all fund generations are deposited in compliance with the requirements of the TA, and obtain complete details of fixed deposit earnings since inception of the project. In addition, the TA should be amended to reflect the change regarding the establishment of a second Special Account. Further, since the NDDB general account should not be used for the deposit of the projects sales proceeds, USAID/India should ensure that adequate procedures are developed to guarantee that oil sales proceeds are promptly deposited in the project's two Special Accounts.

Recommendation No. 4

The Director, USAID/India should schedule a review of project records to determine that all project fund generations as of November 30, 1980 have in fact been properly accounted for. In addition, USAID/India should require that fund generations totaling Rs. 23,621,077 be deposited in the Special Account, and obtain a report evidencing that the transfers have been made.

Recommendation No. 5

The Director, USAID/India should take necessary action to amend the TA to reflect the institution of the second Special Account and to clarify the procedures to be followed for depositing all oil sales proceeds in the two Special Accounts. Specific written procedures should be developed to ensure that all funds generated are promptly deposited in a manner acceptable to AID.

CLUSA Comments to Section D 1:

We find this section to largely ignore past history, contain unsubstantiated innuendos, and be misleading as to actual events and therefore we must take strong exception to it.

Using a pegged value for donated commodities was used in Operation Flood (on which the OGCP is modelled) and has been accepted by many other donors to NDDB (WFP, EEC, Canadians, etc.). The rationale for this is that the commodities are worth a certain basic value - procurement costs plus shipping costs - and any funds generated in excess of this value by sale in India are actually coming from the Indian consumers and therefore should not be officially subject to donor control. It should be noted that th Rs. 5, 500 /MT basis was discussed with and concurred with by USAID and AID/W officials and therefore NDDB and CLUSA were operating in good faith in agreement with the understanding on this basis concurred with by all parties.

This section also completely ignores the fact that NDDB is a public trust subject to innumerable audits and that there has been no indication of any misappropriation of funds.

(Audit Note - The presentation of the above comments from CLUSA does not imply either USAID or audit office concurrence therewith. The reader should also note that we were not permitted to audit NDDB general account records and that we have not made any allegations regarding misappropriation of funds nor do we have any indication that such a problem exists.)

2. Interest Earnings on Sales Accumulations

Known interest earnings totaling Rs. 1,074,971 realized from the investment of project funds had not been deposited in the Special Account at the time of our audit. There were other interest earnings from investments made out of the oil sales proceeds not transferred to the Special Account, but the exact amount thereof is not known since we were not allowed access to NDDB general account records.

During August 1979 to July 1980, NDDB invested a total of Rs. 85.5 million with nationalized Indian banks as short term deposits (Rs. 27.5 million) and fixed deposits (Rs. 58 million). The details are:

From Special Account Funds	Rs. 71 million
From Part of the oil sales proceeds retained in NDDB's General Account	14.5 million
	Rs. 85.5 million

Our review disclosed that as of September 14, 1980, NDDB had received Rs. 1,240,355 as interest on these investments, including Rs. 16,078 on the investments made from the NDDB retained funds. Of these interest earnings, NDDB deposited Rs. 130,192 in the Special Account and Rs. 35,192 in the Project Account. The balance of Rs. 1,074,971 was deposited in the NDDB general account, whereas it should have been deposited in the Special Account. We also noted that an additional amount of Rs. 262,391 had accrued as interest on these investments through September 30, 1980. NDDB had not reported the interest earnings to CLUSA as of the audit date nor had CLUSA assured that such revenue was deposited in the Special Account. Thus, CLUSA has not exercised adequate control over interest earnings of the project.

NDDB's annual financial report as of March 31, 1980 showed that they earned interest totaling Rs. 3.7 million during April 1, 1979 to March 31, 1980. We do not know how much of this interest was earned by NDDB on the investments made from the oil sales proceeds retained by them as NDDB did not show us the general account records. However, our analysis of NDDB accounts, per their annual report, showed an increase of Rs. 99.2 million in interest bearing accounts during the year. This increase, according to our analysis of the annual financial accounts, was largely due to the retained sales proceeds. Thus, it would be reasonable to conclude that most of the interest earned during the report period was on the retained sales proceeds invested by NDDB and, if so, that amount should be deposited to the project Special Account.

Commenting on our finding, CLUSA stated that the interest earnings deposited by NDDB in the Special Account and the Project Account were correct as per the basis used during the audit period. CLUSA felt that the remaining interest earned on the retained funds was not required to be deposited in the Special or the Project Account under the basis used at that time. We do not agree with this since there was no rationale for NDDB to have retained any interest. Further, CLUSA did not state anything about whether or not the total interest earnings on all oil sales proceeds will now be deposited in the Special Account. In view of the recent decision that the total funds generated from the sale of Title II oil should go to the Special Account, all the related interest earnings should also be similarly deposited.

According to the recent status of project funds furnished to USAID/India by CLUSA, Rs. 116 million of the residual oil sales proceeds were lying in fixed deposits as of November 30, 1980. CLUSA later furnished us details on these fixed deposits and informed us that they were not encumbered. The status of the fixed deposits of Rs. 116 million was as follows:

Deposits Made During	Duration (Months)	Rate of Interest	Amount (Million Rs.)	Estimated Interest Received Or Accrued (Million Rs.)
11/79 to 8/80	63	10%	82.00 1/	Rs. 5.5
7/80	39	8.5%	8.00 2/)	
2/80 to 6/80	12	7%	26.00 2/)	1.4
			116.00	

1/ Fixed deposit plan under which interest earnings are automatically reinvested and also then earn interest at the same rate.

2/ Interest assumed to be paid quarterly.

Our computation showed that these deposits would have earned or accrued simple interest of about Rs. 6.9 million as shown above. Approximately Rs. 1.4 million of that amount probably has been paid to NDDB in addition to the Rs. 1.2 million which was received, as mentioned earlier, on other fixed deposits. Thus, against estimated interest receipts of approximately Rs. 2.6 million, NDDB transferred only Rs. 588,747 to the Project Account as of November 30, 1980. At the moment, we do not know if NDDB accounting records reflect the approximate Rs. 5.5 million of estimated interest earnings shown on the Rs. 82 million indicated above as being in an automatic reinvestment plan. Actually, the earnings specified of Rs. 5.5 million should even be higher because our computation was based on simple interest earnings whereas these particular investments would be earning interest on a compound basis.

Given all the uncertainties indicated above, we believe it is imperative that USAID/India verify the interest earnings to date and ensure that such earnings are deposited in the Special Account(s) or are adequately accounted for in the Project's fixed deposit accounts. USAID/India agreed that there is a need to keep adequate track of interest earnings and has told CLUSA that any interest earned should be deposited in the Special Account.

Recommendation No. 6

The Director, USAID/India should obtain complete details from CLUSA/NDDB on the application of all funds generated from the sale of Title II oil since inception through November 30, 1980. This data should include all funds regardless of whether they were held by NDDB or deposited to project accounts. Such details should list all the investments made out of the total oil sales proceeds and the interest earnings thereon. USAID/India should verify the accuracy of these details to NDDB records and verify that all interest earned to date on these investments is deposited in the Special Account. Further, USAID should require this action to be completed within 30 days of the issuance of this report.

3. Empty Container Sales

NDDB has not maintained adequate accountability records for empty container sales and funds realized therefrom. Section G of the TA provides that proceeds from the sale of empty oil containers will be used to finance project costs such as transportation, storage and packaging, and other expenses that may be authorized by AID. The TA is silent about where the sales proceeds should be deposited.

Under the procedure followed by NDDB, containers were disposed of in two ways: (a) some were sold along with the oil and their price was included in the total oil sales price; and (b) the balance of the oil drums were received back from the purchasers and separately sold by NDDB.

NDDB did not maintain adequate accounting records for the total containers received from the U.S., those sold under the above two procedures, and those still on hand. They only furnished us an accounting up to the period ending March 31, 1980 for containers separately sold by NDDB. Further, the support for even this limited information was not available, hence we could not verify its accuracy or reconcile their accountability for empty containers.

According to available data, NDDB had realized Rs. 550,921 from the sale of 5,550 empty drums as of June 30, 1980. Of this amount, only Rs. 42,006 were deposited in cash in the project account. The balance of Rs. 508,915 was deposited in the NDDB general account and later accounted for in the project account through adjustments of the accounting records. NDDB officials stated that since they had a credit balance in the project books, this made no difference. However, we found that as of June 30, 1980 NDDB had a debit balance of Rs. 687,348 in the project books.

Subsequent to the completion of our audit, CLUSA informed USAID/India that NDDB had deposited Rs. 823,685 in the Project Account as empty container sales proceeds. Since they did not furnish any other data, such as the number of drums received and sold under the various types of sales, we could not determine the completeness or accuracy of the deposit.

NDDB has sold a total of 160,684 oil drums through retailers and wholesalers as of June 30, 1980. At the average selling price of Rs. 100 per drum, the total potential revenue from these drums would amount to about Rs. 16 million or about $2 million. We realize the actual revenue would be less since some oil sales were made with drums. Nevertheless, considering the large amount involved and the potential revenue from this source, we believe USAID should obtain a complete and up to date container sales accountability and, in conjunction with CLUSA and NDDB, formalize procedures regarding accountability and deposits of container sales proceeds.

Recommendation No. 7

The Director, USAID/India should obtain an up to date accounting for container receipts and sales, require NDDB/CLUSA to establish procedures for accountability and deposit of container sales proceeds, and require that current and future container fund generations are deposited in accordance with such procedures.

4. Withdrawals from the Special Account

There have been significant violations of the procedures established to control withdrawal of funds from the Special Account. We found withdrawals which had not been deposited in the Project Account and large withdrawals which were not authorized.

The TA provides that when funds from the Special Account are required by NDDB's Oilseeds and Vegetable Oil Wing (OVOW), a written request will be submitted to NDDB and CLUSA indicating: (i) the proposed use of the requested funds in broad areas; and (ii) that except for a mutually-agreed-upon operational margin, funds previously received from the NDDB's Special Account have been fully utilized as demonstrated by documented proof of expenditures in NDDB-OVOW files. After receiving the request and upon the joint written approval of CLUSA and NDDB, funds are to be promptly transferred to the OVOW Project Account.

Our review disclosed the following violations of the established procedure:

(a) During July to December 1979, NDDB withdrew Rs. 27.39 million from the Special Account. This amount was deposited in NDDB's own bank account rather than the OVOW Project Account. OVOW officials explained that since the project bank account was not established until January 23, 1980, the amount was deposited in NDDB's bank account. However, they did not furnish any reasons for the delay in establishing the project bank account, In the project records, the amount of Rs. 27.39 million was shown as a debit to the NDDB account. Of this amount, Rs. 26 million was invested by NDDB in interest earning fixed deposits and the balance was being used for project expenditures incurred by or through NDDB. OVOW officials stated that project fund generation started after June 1979 but NDDB had initiated project related action before that in consultation with CLUSA under the preproject action plan. NDDB was, therefore, reimbursed for the funds used by them for the project. They further stated that it would not have made any difference to the Special Account if the money had been transferred to the Project Account and from there to the NDDB account.

We found OVOW's explanation unacceptable and unsubstantiated. First, the routing of funds through the Project Account was required by established procedure. Second, according to the details provided to us, preproject expenses amounted to only Rs. 791,624 until March 31, 1979. Thus, there was no support for OVOW's claim that the Rs. 27.39 million (of which Rs. 26 million was in fixed deposits) were repaid to NDDB on account of preproject costs.

(b) OVOW's withdrawal request of Rs. 109.36 million was approved for only Rs. 59.36 million by CLUSA. However, OVOW withdrew Rs. 96.13 million, or Rs. 36.77 million (about $4.6 million) more than the approved amount, as of September 30, 1980. Of this Rs. 36.77 million, OVOW had reported Rs. 14.17 million to CLUSA in its semi-annual reports for the period ending June 30, 1980 and the balance of Rs. 22.60 million withdrawn in August and September 1980 was yet to be reported to CLUSA in a subsequent report.

Commenting on our findings, CLUSA stated that: (a) we have considered preproject expenditures up to March 31, 1979 only whereas the project did not officially begin until July 1, 1979; (b) it has not yet accepted NDDB's semi-annual report for the period ending June 30, 1980, hence the status of any withdrawals for this period is yet to be finalized; and (c) reports are due semi-annually and the August/September 1980 withdrawals were not due to be reported as yet.

We have based our statements on the preproject costs on the data furnished to us by NDDB. Moreover, CLUSA's explanations do not alter the fact that very substantial unauthorized withdrawals were made. It was evident that CLUSA's control over project funds was ineffective to prevent the unauthorized withdrawal of funds from the Special Account.

Recommendation No. 8

The Director, USAID/India should require CLUSA/NDDB to correct the unauthorized withdrawals from project accounts by either having the funds restored to the Special Account, or by approving the fund withdrawals for use in future project activities based upon OVOW requests prepared in the required format.

Recommendation No. 9

The Director, USAID/India should require CLUSA to establish control procedures over the project Special Accounts that will effectively prevent unauthorized withdrawals of funds in the future.

5. Project Account

(a) Project Disbursements

A total of Rs. 85.3 million had been transferred to the Project Account as of June 30, 1980 as follows:

Transfers from Special Account (includes Rs. 27,393,000 paid to NDDB and not deposited in the Project Account).	Rs. 73,529,105
NDDB-OVOW Contribution at Rs. 500 per MT	11,168,298
Sale of Empty Containers	550,921
Insurance and other Recoveries	71,418
Accounts Payable	16,263
TOTAL SOURCES	Rs. 85,336,005

Of this amount, disbursements totaling Rs. 62.0 million had been made as of June 30, 1980. The balance is represented by a bank balance of Rs. 23.3 million.

Rs. 25.2 million of the expenditures were questionable as there was no provision therefor under the TA and the operational plan. Details of such questionable costs are furnished in Exhibit B. In addition to these questionable costs, we observed that in August 1980 OVOW transferred Rs. 40 million (about $5 million) to NDDB reportedly for working capital provided by NDDB to BVP. This transfer is questionable on the grounds that BVP does not enjoy cooperative status which is a precondition for assistance from project funds.

CLUSA disagreed with us about the ineligible disbursements, and their comments are included in Exhibit B. USAID/India, however, agreed that based on the approved operational plan and the TA provisions, our findings are correct. USAID/India stated that the project operation plan and the budget are being revised and will be thoroughly reviewed. Meanwhile, USAID/India has recommended to AID/W several changes which, if approved, will regularize some of the questioned expenditures.

Regarding the use of project funds for unauthorized purposes, we noted that CLUSA has not accepted USAID/India's prerogative of prior approval before unplanned expenditures were made. CLUSA has stated that the governing documents do not provide for prior USAID/India approval and that an amendment of the TA would be necessary for this purpose. Meanwhile, CLUSA said it can only take note of USAID/India's objections while continuing with the necessary action. According to available correspondence, CLUSA has since proceeded to authorize withdrawal of funds for the purpose of establishing revolving funds which is not an approved use for project funds. This was done after specific USAID/India's instructions to the contrary.

In our view, this action by a USG grantee who has received grants in excess of $100 million is a rather serious matter that should be quickly resolved. To avoid similar unauthorized uses in the future, consideration should be given to amending the TA to require prior AID approval for major uses of project funds that are not specifically provided for in the TA or related documents. In answer to our draft report USAID felt our statements in this and the preceding paragraph "were unduly harsh and to a very great extent uncalled for." They stated that a December 1980 AID/W cable "takes cognizance of the unique situation the project found itself in as a result of the incompatibility between project documents and actual and planned project implementation. The cable offered three options but indicated AID/W's preference for the third which provided for CLUSA/NDDB to continue project disbursements for proposed uses subject to refund in the event any such proposed use being disapproved later." Here again, we believe this is a questionable procedure because there is no apparent funding source to reimburse expenditures that are later found to be unacceptable. Accordingly, we continue to believe this matter should be quickly resolved.

<u>Recommendation No. 10</u>

> The Director, USAID/India should review the propriety of the questioned disbursements totaling **Rs. 65.2 million** (Rs. 25.2 million plus Rs. 40 million) and require restoration to the Special Account of disbursements ruled to be ineligible for project financing. Further, USAID/India should amend the TA to require prior AID approval for any major uses of project funds that are not specifically provided for under the TA.

In addition to the questionable disbursements mentioned above, there were other questionable costs included in the expenditures incurred under approved action items. These are detailed under (b) and (c) below.

(b) <u>Survey Charges</u>

As of June 30, 1980, OVCW had charged Rs. 62,994 to project funds as survey charges for the Titel II oil shipments received. Section 211.9(c) of AID Reg. 11 provides for reimbursement of survey charges incurred by voluntary agencies by the Commodity Credit Corporation (CCC) on receipt of the surveyor's invoice. Accordingly, CLUSA forwarded the surveyors' invoices to CLUSA/W, but did not know if the amounts were reimbursed by CCC. The reimbursements received from CCC should be determined and restored to the project funds to avoid duplication of charges. Also, procedures should be established to handle similar charges in the future to avoid any possibility of duplication.

Commenting on the finding, CLUSA stated that it knows the amounts reimbursed to CLUSA/W by CCC and is establishing a procedure with AID and NDDB to handle such reimbursements. CLUSA, however, did not specify the amount reimbursed by CCC to date or describe the procedure it is establishing. Therefore, we have no way of knowing that any such charges have been or will be restored to project accounts. We believe that an accounts receivable should be set up for such costs and appropriate adjustments should be made when reimbursements are received from CCC.

USAID/India agreed with the finding and stated that it will review this matter.

Recommendation No. 11

> The Director, USAID/India should require that survey charges paid from project funds be accounted for as Accounts Receivable from CCC and ensure that such expenditures are not reflected in project costs. USAID/India should also obtain a report on survey charges incurred from project funds and CCC reimbursements received to date and verify that appropriate adjustments have been made in project records.

(c) CLUSA Monitoring Costs

The NDDB/CLUSA agreement provides for reimbursement of CLUSA's project monitoring costs from funds generated from the sale of Title II oil. According to project records, such monitoring costs totalled Rs. 493,859 as of March 31, 1980. These comprised of the rupee costs of CLUSA/India (Rs. 219,702) and dollar costs of CLUSA/W (Rs. 274,157). Supporting documents for CLUSA/W costs were stated to be available in the U.S. and were therefore not verified by us.

We reviewed the expenditure of Rs. 281,612 incurred by CLUSA through June 30, 1980, including Rs. 219,702 adjusted in the project books through the date of our audit. Our review disclosed questionable costs totaling Rs. 11,095 and unsupported cost of Rs. 1,400. Details of these costs, alongwith CLUSA's comments, are furnished in Exhibit C.

USAID/India stated that CLUSA's explanations appear reasonable, but each item will have to be reviewed. USAID/India has agreed to do this and will take appropriate action.

<u>Recommendation No. 12</u>

The Director, USAID/India should review the questioned and unsupported costs and require fund restoration to the project of any costs found to be ineligible.

6. <u>Reflows of Loan Proceeds</u>

OVOW had loaned Rs. 2.8 million as of the audit date to Gujarat Oil Growers Cooperative Federation (GOGCF) for the purchase of an oil mill located at Jamnagar. The total cost of the mill is estimated at Rs. 5.6 million. Under OVOW's established procedure, 30 percent of the total amount will be given as a grant and 70 percent as a repayable loan. The loan will be repayable in semiannual installments over 20 years, with a five year grace period. The loan will require interest at the rate of 8-1/2 percent per annum and interest for the first 5 years will be capitalized and added to the loan amount. We were advised that th loan agreement between OVOW and GOGCF was in process of being finalized at the time of our audit. OVOW officials could not state the purpose for which loan reflows and interest, when received, would be used, nor is there any provision in the project documents as to how such second generation funds should be used.

Additional similar loans are likely to be provided by OVOW to the cooperatives and state federations out of the project funds. Eventually, such reflows and interest could be substantial and formalization of procedures regarding their deposit and future use should be developed. One possible use might be to provide a permanent funding base for the national confederation of state federations that is to be created under the project. Such use might well ensure the perpetuation and effectiveness of the project.

<u>Recommendation No. 13</u>

The Director, USAID/India should, in conjunction with CLUSA/NDDE, establish procedures for the deposit and use of proceeds realized from project loan reflows and interest thereon.

COMPLIANCE WITH TA PROVISIONS

1. Reporting

The Transfer Authorization requires submission of semiannual reports on the Special Account and on commodity accountability. Our review disclosed the following deficiencies in CLUSA's reporting:

(a) Special Account Report: Advances were reported as documented expenditures; an expenditure of Rs. 98,000 was reported twice; the report amount of Rs. 11,748 million for "sinking fund" expenditures differed from the Rs. 12.816 million recorded in the project books; and the expenditures in some categories exceeded the amounts approved by CLUSA. Since CLUSA's review was limited to verifying the arithmetical accuracy and comparing line item expenditures with the approved amounts, the discrepancies other than those where the expenditure had exceeded the approved amounts remained undisclosed.

(b) Commodity Accountability Report: USAID India waived submission of this report based on CLUSA's request that it was duplicative of the two quarterly Commodity Status Reports (CSRs) that were required. Our review of the quarterly CSRs disclosed that they did not contain information on stocks on hand and stocks sold. Instead the CSRs showed only commodity arrivals, shortages, the quantity for which deposits were made into the Special Account, and the remaining quantity of oil on hand (out of which some would have been sold but proceeds not then deposited to the Special Account. Thus, the information required in the commodity report, and vital for USAID India monitoring activities, was not being furnished. In effect, USAID/India granted the waiver without adequately reviewing the TA requirement, the contents of the quarterly CSRs, or their informational requirements. USAID India agreed that corrective action is required on the reporting system, and that it should not have given CLUSA a waiver. They further stated that CLUSA would be requested to submit the semiannual commodity report as required by the TA.

Recommendation No. 14

The Director, USAID India should require CLUSA to correct the above noted discrepancies in their next semiannual report on the Special Account and to submit the semiannual commodity accountability reports as required by the TA.

2. Losses/Damages

CLUSA had not reported inland losses/damages of Title II oil to USAID/India nor had insurance claim proceeds been deposited in the Special Account as required by the TA. CLUSA stated that since NDDB deposits into the Special Account, under the Rs. 5,500 rate, were related to the ex-shed quantity of oil received (net of marine losses), there was no requirement for NDDB to report the inland losses. However, during our audit we observed that NDDB deposits into the Special Account were related to the actual quantity sold and not to the ex-shed quantity as claimed by CLUSA.

Further, under an agreement with Indian Dairy Corporation (IDC) NDDB arranged for IDC to maintain shipment accounting and loss/damage records for the Title II oil. We found that IDC had not kept any register for port and inland transit or storage losses and damages. Under the procedure followed by IDC, deductions were made for such losses from the bills of transport and warehouse contractors. In the absence of a composite record, it was difficult to determine whether appropriate deductions were made for all such losses. However, IDC did keep a register of claims filed with the insurance companies. According to the register, IDC received Rs. 69,375 against the insurance claims as of June 30, 1980. That amount should have been deposited in the Special Account but it was deposited in NDDB's general account and subsequently accounted for in the project account through inter-adjustments.

We also found that CLUSA did not submit the Damaged and Missing Commodity Reports (DMCRs) to USAID India as required by Section 6D1 of AID Handbook 9. USAID officials agreed that CLUSA should report the inland losses and damages as required by regulations.

Recommendation No. 15

The Director, USAID India should require CLUSA to furnish a detailed report on all inland losses and damages of commodities to date including how any damaged commodities were disposed of, insurance claims filed, recoveries and the disposition of funds realized from such claims and from transport and warehouse contractors.

3. Internal Reviews/Audits

CLUSA has not adequately complied with the internal audit provisions of the TA. They did not conduct internal audits or furnish any internal review reports to USAID as required by Section 211 5 of AID Reg. 11.

During our audit CLUSA showed us some reports which covered the discharge, movement, and storage of Title II oil shipments; project progress; and impending action to implement the project. These reports did not cover several other related matters, such as losses and damages or financial transactions of the project. We believe this inadequate coverage contributed to CLUSA's ineffective control over project activities. For example, NDDB had withdrawn funds far in excess of amounts approved and had not deposited interest earnings in the Special Account but CLUSA had taken no corrective action.

NDDB informed us that their own internal auditors had conducted reviews of the project but they refused to show us the reports stating these were NDDB's internal documents. Clause 6 of NDDB/CLUSA agreement provides that NDDB will "devise and maintain a system to record and control progress on various action items and conduct periodic internal reviews (underscoring provided) and evaluation of progress." Since we were not furnished the NDDB internal review reports, we cannot comment on their adequacy.

CLUSA considered their periodic trip reports to be an effective internal review of the project on a continual basis. They felt that these were better than formal audits as they enabled them to be better informed on project and commodity handling activities. Concerning the internal reviews, CLUSA stated that they had no written agreement with USAID about such reviews as required by AID Reg. 11, Section 211.5 (C) and they concluded that internal review reports were not specifically required to be submitted to USAID either by the TA or the operational plan.

We do not agree with CLUSA's comments; internal review reports are required by the TA and AID regulations. USAID India also disagreed with CLUSA's response and felt that such reviews would be useful and should be regularly scheduled as required. Accordingly, USAID India sent a letter requiring CLUSA to undertake an internal review of the project since inception through December 1981 and submit a report by February 1982. Based on that action, we do not consider a recommendation necessary.

F. RECORDS AND DOCUMENTATION

OVOW did keep adequate accounting records on project funds but we faced considerable difficulty in examining the supporting documents for expenditures charged to the project because of commingling of funds and inadequate filing procedures. According to the established procedures, expenditures were to be made from the Project Account but a substantial portion of the expenditures were incurred by NDDB during the audit period and recorded in the project books through inter-adjustments. This practice made our review time consuming and, to a certain extent, incomplete because NDDB records were not subject to our audit. Moreover, the supporting documents were kept separately from the payment vouchers, and considerable time was taken to locate them due to inadequate cross referencing.

OVOW also sold oil from three different locations - Anand, Ahmedabad and Bombay. The sales records for Anand and Ahmedabad sales were available at Anand, but those for Bombay were not. Hence. information regarding the quantity of oil sold by the Bombay office was not readily available. OVOW regularly obtained information about the Bombay sales in the form of a public accountant's certified statement. However, information about the quantity sold was obtained on an estimated basis. Hence, we could not determine the total quantity of oil sold from inception to June 30, 1980 until the sales register for Bombay was brought to Anand.

In our view, project records and supporting documents should be kept separately and appropriately cross-referenced to the payment vouchers. Similarly, records for the Bombay sales activities should either be kept at Anand or monthly summaries of actual quantities sold should be obtained by OVOW.

Commenting on our finding, CLUSA stated that it is not proper for us to instruct NDDB on how to keep records as long as the required information is available. They said recommendations for improvement in procedures are welcome but requirements to change these procedures to conform to AID practices could be unreasonable unless it is necessary to change those procedures to supply necessary information. USAID/India, however, agreed that it should be possible to modify NDDB procedures to facilitate future audits of project activities.

Recommendation No. 16

The Director, USAID/India should require CLUSA/NDDB to maintain project records and supporting documents in a manner that will facilitate future audits.

II. CLUSA/NDDB OPG NO. AID-386-2144

A. DISBURSEMENTS

As of June 30, 1980 disbursements under the grant were $69,015 from the total grant authorized of $374,800. Against this, CLUSA reported $66,053 in its report for June 1980. The difference of $2,962 was because disbursements made by USAID/India for air tickets of two consultants in March and May 1980 were yet to be incorporated in the CLUSA/W reports. We reviewed disbursements totaling $7,008 for rupee expenditures for which supporting documents were available with CLUSA/India. Documents for dollar expenditures were stated to be with CLUSA/W and thus were not reviewed by us.

Our review of the rupee expenditures disclosed that except for Rs. 2,136, the expenditures were generally eligible. The exceptions comprised of excess per diem payments of Rs. 336 and unsupported lodging costs totaling Rs. 1,800. Details of the expenditures were furnished separately to CLUSA.

B. IMPLEMENTATION

Three of the six OPG objectives were planned for completion by September 30, 1980. These were: (1) an NDDB team visit to the USA; (2) an operations research study; and (3) in-service training. Thus far, only the operation research study has been undertaken.

CLUSA's project proposal envisioned the NDDB team's visit to the U.S. to: become familiar with U.S. cooperative operations and practices; finalize requirements and qualifications for consultants; and discuss the program with the CLUSA/W advisory committee members. Following this tour, the operations research study was to be carried out with the help of expatriate consultants. The study was to look into various problems confronting the Indian vegoil sector and to suggest remedial measures at the start of the oilseeds growers cooperative project as well as to set the initial complete development pattern for the project. Completion of the study is critical for NDDB to frame project strategies and policies.

Unfortunately, the NDDB team's tour has not yet materialized but the operations study was undertaken. The study report and recommendations have not been formalized so far although the project has been in operation for over one year. In addition, no in-service training for NDDB personnel in the U.S. has been provided.

CLUSA commented that although the study report has not been formalized, its results are being used by NDDB. They stated that the NDDB team's study tour could not materialize as planned because of the timing of the arrival of the first oil shipment and the preoccupation of key personnel with the project at that time. Further delays have been caused by the need to resolve several issues in the oil seeds project.

We believe USAID/India should review the impact of this implementation delay on the OPG activities, especially those relating to the team's study tour and the in-service training, to determine a future course of action.

Recommendation No. 17

The Director, USAID/India should require CLUSA to restore Rs. 336 to the grant and furnish documentation for the unsupported costs of Rs. 1,800. In addition, USAID/India should review the OPG project status and determine if any changes in approach are necessary because of delays in implementation. Any such changes, including a revised completion schedule, should be formalized through an amendment to the OPG.

C. REPORTING

CLUSA's compliance with the reporting requirement was generally satisfactory. However, we believe that future quarterly reports should delineate the effect implementation delays are having on the oilseed project and present a revised completion schedule for the various Action Items. CLUSA agreed with this conclusion.

III. CLUSA/NCDC OPG NO. AID-386-2127

A. DISBURSEMENTS

Disbursements from the grant total of $475,200 were $248,394 as of June 30, 1980. Of this, CLUSA/W expended $206,982 and supporting documents were available in the U.S. and therefore not reviewed by us. The remaining $41,412 represented local costs for which documents were available at CLUSA/India. We selectively verified the expenditures and found them to be generally eligible; one exception was the payment of $433 (Rs. 3,468) for R&R travel. This payment was ineligible because the technician left India before completing the required minimum stay of two years at post. CLUSA restored $289 (Rs. 2,313) of that amount to the OPG and has advised that CLUSA/W has recovered the balance of $144 (Rs. 1,155) and that it has been restored to the grant.

B. IMPLEMENTATION

1. Project Progress

Progress towards achievement of project objectives has been slow and is behind schedule. Presently, it seems unlikely that the objectives will be achieved by August 1981, the expiry date of the OPG because the manuals have not been finalized and the training program has not been initiated.

The OPG provides funds for CLUSA's program to assist NCDC in improving the management of cooperative oilseed processing units by introducing modern management systems and the training of personnel. According to the logical framework, the project outputs envisaged under this OPG are: (a) publication and distribution of at least one set of all manuals and materials to each operating unit; (b) the publishing of a training program and schedule covering all concerned personnel of all existing units. A minimum of six professionals were to be well trained in the use and rationale behind the management systems developed and capable of training others and providing consulting services; (c) the completion of an initial training program for general managers. Not less than 35 of the general managers of the existing units were to be trained; and (d) formal employment of systems consultants and trainers by the central organization.

An operational plan was finalized by CLUSA and NCDC at the project's outset. According to the plan, the two OPG funded long-term U.S. experts, after a brief familiarization period with NCDC, were to visit a few oilseed cooperative processing units to study their functions and problems. They were then to be attached to a particular unit where they were to work for four or five months. Thereafter, they were to prepare the first draft of manuals and return to the plants to give trial to the systems developed before finalizing the manuals and preparing the training materials. All these activities were planned for completion by the end of May 1980 to enable the experts to conduct the initial training program from June 1, 1980.

The experts were scheduled to arrive in India in May 1979, but they actually arrived by February 1979. The procedures and manuals, however, have not been finalized or published so far. The experts did not prepare any reports on the work done by them, nor was any other information available to show their actual efforts in relation to the operational plan requirements. Our analysis disclosed that one of the two experts (who has already departed post) spent only 23 days at the plant sites during his stay of over 20 months on the assignment. Against this, the required minimum travel according to the project operational plan was 125 days comprising of an initial 45 days to study the problems and then 80 days to give full trial to the systems developed. However, in answer to our draft report, CLUSA claims the figures cited above were for budget development only and were never intended to be a target.

The mid-point evaluation report of another CLUSA consultant commented that the departed expert's contribution was restricted because: (a) his expertise was too specialized for practical application in Indian plants, (b) he could communicate concepts better through his manual, and (c) he performed very limited field travel. The report further stated that time would tell whether the expert's manual would be used or understood by Indian counterparts or plant chemists, but the consultant was not optimistic on this score. Finally, the report concluded that if the manual is ever completed, the other expert will have to write most of it.

Thus, the major project purposes have not been realized as expected and it appeared unlikely that the manuals will be completed in the near future. NCDC told us during the audit that the manuals would be finalized and published by the end of December 1980. However, this had not been done at the time of finalization of this report in January 1981. NCDC later informed us that the manuals are now expected to be finalized by March 31, 1981.

Because of the delay in finalization of the manual, the training materials and plans have not been developed and the training program has not been initiated, although this was scheduled to begin about June 1, 1980. We believe the lack of progress in the areas covered by the OPG may also be due to CLUSA experts providing assistance in unscheduled areas such as the major soybean development program in M.P., as well as a number of minor areas not directly related to management development. CLUSA, however, stated that the time spent on the soybean program was not very significant and they considered the program to be a legitimate part of the project.

CLUSA did not agree with our conclusions and felt there is a reasonable chance of accomplishing the grant purposes. They stated that delay in the OPG's execution was the major reason for the delay in implementation. Further, the OPG proposal gave durations not dates, and if these durations are added to the August 30, 1978 starting date, the manual was due November 1, 1980. CLUSA felt that the project was a month ahead, and not behind schedule.

CLUSA also stated that the experts are only writing those sections of the manual which fall within their field of speciality. According to them, the departed expert completed his section and ensured that all counterparts were fully conversant with it. They also stated that the training program is to be conducted by Indian personnel and not the U.S. experts. CLUSA also felt that the U.S. experts' participation, although desirable, is not essential or even necessary. In addition, CLUSA hoped that as a practical working document, the manual would not be finalized for a great many years, because if the project results are as intended, the training program and subsequent plant operations and new developments will result in a nearly continuous process of additions to the manual.

We do not accept CLUSA's explanations. The project is clearly behind schedule in relation to established targets. The OPG execution may have been delayed, but the experts actually arrived in India several months before the date estimated in the OPG. Further, page 21 of the project proposal dated February 10, 1978 (which was incorporated in the OPG by reference) states that the initial months of the training program will be conducted by the advisors and the counterparts.

The manual development may be a continuing process, but it does not mean that the manual would continue to be in an incomplete stage for "a great many years." As stated above, the manual has not been finalized and according to current estimates, will not be completed for several months.

USAID/India stated that closer monitoring by CLUSA may have brought out the weaknesses of one of the experts and earlier corrective action might have been possible. USAID views the recent CLUSA evaluation of the OPG as a valuable tool to examine OPG activities.

Recommendation No. 18

The Director, USAID/India should, in conjunction with CLUSA, review project progress and establish a future course of action necessary to ensure completion of the various project elements in accordance with the logical framework targets. USAID/India should also obtain a revised work plan for the remainder of the OPG period and incorporate it in the OPG through formal amendment of the agreement.

2. Indian Team's Visit to the U.S.

Four NCDC professionals visited the U.S. during September 1978 for familiarization and in-service training. The visit was of a much shorter duration that that envisaged because of NCDC internal requirements. Accordingly, an additional visit was to be scheduled but this is currently very uncertain because the GOI has refused permission for the trip. Further, the team's visit to the U.S. was to familiarize them with current U.S. cooperative practices and systems in use and to jointly determine specific systems that could be adopted to plant situations in India. NCDC officials stated that since the duration was cut short, they could not identify any systems for adoption in India except the production of vegetable protein from soybeans. CLUSA agreed that the team's visit was not as effective as desired and the in-service training aspect was minimal.

Three of the four NCDC participants are still with NCDC and are associated with the project. The fourth person retired early in 1979, but is reported to be occasionally available for consultation. CLUSA explained that this person was chosen because he was expected to become the Managing Director of National Association of Cooperative Oilseed Processors (NACOP). It was hoped that NACOP would be formed early during the project and take over as the implementing agency from NCDC. This, however, has not materialized.

3. Contributions to the Project

In addition to the AID grant of $475,200, the grant agreement stated that the following other inputs would be provided for the project:

CLUSA	$233,000
NCDC	149,000
Cooperatives	118,000
GOI	15,200

Information about what specific inputs had actually been provided to date was not available. The CLUSA evaluation consultant's report stated generally that NCDC has met its resource contribution and had provided counterparts to work with the experts, although not on a full-time or continuous basis.

CLUSA stated that since the program is not yet completed, and conditions are changing, it is difficult to come up with meaningful figures at this point. We, however, feel their inputs are important for the project's success and CLUSA should have this information available. USAID/India agreed that it should be completed at an early date and stated the matter will be pursued with CLUSA.

C. EVALUATION

The OPG required that CLUSA undertake, jointly with NCDC and AID, an interim evaluation of the project at the end of 18 months (February 1980). This was later postponed till September 1980. CLUSA conducted the evaluation in September 1980 but the evaluation was not a joint USAID/CLUSA effort.

An August 1980 cable from USAID stated that it was aware informally that significant modifications have occurred in the implementation plan, and that the implications of these modifications should be evaluated. The cable further stated that CLUSA is outlining the modifications in a report to USAID. The report should give a basis for comparison of the stated objectives of the OPG and how the modifications have impacted on project progress to date and their future effect. This report has not been prepared thus far but CLUSA hoped to complete it soon. Further, a joint evaluation of all CLUSA programs is scheduled for March 1981 thus we see no need for a recommendation at this time.

IV. CLUSA PROGRAM SUPPORT OPG NO. AID-386-2135

A. DISBURSEMENTS

This OPG provides total funding of $203,600 for CLUSA/India's local support costs through December 31, 1981. Disbursements totaling $67,784 (Rs. 542,272) [1] were made as of June 30, 1980. Our selective review disclosed that except for Rs 5,675 the costs were eligible under the OPG terms or determinations made by the Contracting Officer for similar costs in a preceeding grant. The exceptions comprised of questionable costs totaling Rs. 4,275 and an unsupported cost of Rs. 1,400. Details are furnished in Exhibit C.

Recommendation No. 19

The Director, USAID/India should review the questioned and unsupported costs totaling Rs. 5,675 and recover any amounts determined to be ineligible for grant financing.

B. IMPLEMENTATION

The purpose of this grant is to provide financial support for CLUSA's New Delhi office in continuing its long-standing program development and backstopping activities for the strengthening of the Indian cooperative sector.

The OPG's goals are very broad and general, hence we cannot comment on the program's achievements. CLUSA's periodic reports show that various activities had been undertaken and that backstopping assistance was provided under the OPG.

V. USAID/INDIA MONITORING

USAID/India's monitoring of the entire CLUSA program was inadequate in the initial stages and until about June 1980. Since then, USAID/India has been very intensely monitoring the program, especially the Oilseeds Growers Cooperatives Project, and has addressed several of the key problems confronting the program.

1/ Conversion Rate $1 = Rs. 8

USAID's monitoring efforts during the initial stages were very limited. Several of the problems reported in our audit report could have been addressed and resolved earlier, but the difficulties continued because of USAID's initial lack of involvement in project activities. For example, the Mission was aware of CLUSA/NDDB's violation of the TA requirement regarding deposits of oil sales proceeds in the Special Account Yet, they did not effectively address this matter until June 1980. Other violations of the TA provisions, such as the lack of reporting on losses and damages and CLUSA's failure to provide internal audit reports also remained uncorrected because of ineffective monitoring.

USAID's files, after about 20 months of operations of the Oilseeds Growers Project, contained only three trip reports. All these reports were descriptive rather than evaluative and, in our opinion, were of limited value for monitoring purposes. The March 1980 report described NDDB's activities, mainly its milk program, and results of meetings with groundnut farmers of one or two villages. It did not comment on the progress of the project. The June and July 1980 reports discussed several project related matters but again did not comment on the lack of progress or suggest corrective action on some known issues. For example, the June 1980 report stated that "NDDB has so far paid Rs. 80 lakhs to the court. Most of that has come from sinking fund/working capital of NDDB - OVOW fund. Sinking fund is primarily meant for buying and selling buffer stock." However, the report did not state USAID's position on the sinking fund or on the acquisition of processing plants of questionable economic viability.

The same limited monitoring was also true in the case of the OPGs USAID/India's evaluation schedule for FY 1980 showed that mid-term evaluations were planned for two of the OPGs (Nos. 2127 and 2135) in December 1979 and January 1980 These were however, not conducted as it was later agreed with CLUSA that the evaluations should be made during the overall evaluation of all CLUSA projects scheduled for September 1980. Even this later evaluation was not made as planned.

USAID India's monitoring of the CLUSA program has substantially improved recently and we believe this should result in better project management in the future. Further, an overall evaluation of the CLUSA program is now scheduled for March 1981

CLUSA/NDDB VEGOIL PROJECT, TA NO. 9647
COMPARISON OF ORIGINAL AND REVISED PROJECT BUDGET

(In Million Rupees)

		Original Budget Rs.	Revised Budget Rs.	Difference Rs.
	INCOME			
1.	Funds generation from PL 480 Title II Oil (160,000 MT)	880.00	1,360.00	480.00
2.	Funds generation from other donors oil (90,000 MT original Revised 33,000 MT)	495.00	280.50	(214.50)
3.	Other income (interest, profit, repayment of loans, member contribution)	429.29	636.80	207.51
	Total Funds	Rs. 1,804.29	2,277.30	473.01
	EXPENDITURES			
	Original Line Items:			
1.	Processing Facilities	596.70	900.00	303.30
2.	Operation Research and Continuing Information System	18.50	20.00	1.50
3.	Market Research and Testing	22.95	25.00	2.05
4.	Oilseed Production and Enhancement Program	624.00	630.00	6.00
5.	Product and Process Development	11.70	12.00	0.30
6.	Manpower Development	30.00	33.00	3.00
7.	Management and Project Implementation	102.87	120.00	17.13

		Original	Revised	Difference
8.	Revolving Fund (Amount available to be determined)	-		
9.	Share Capital to Federation	-	83.00	83.00
10.	Procurement Support	-	210.00	210.00
11.	Co-operative Development	-	3.00	3.00
12.	Management Training	-	3.00	3.00
13.	Operational Losses*	-	50.00	50.00
	Total Expenditures	Rs. 1,406.72	2,089.00	682.28

* USAID approval of this line item deferred until further review in March.

CLUSA/NDDB VEGOIL PROJECT, TA NO. 9647
QUESTIONABLE EXPENDITURES OUT OF PROJECT ACCOUNT
AS OF 6/30/80

	Amount	Note No.
Investment in Redeemable Share Capital of Federations	Rs. 11,000,000	1
Grant to Gujarat Oilseeds Growers Cooperative Federation (GOGCF)	267,344	2
Sinking Fund	12,815,892	3
Preproject Expenditure (excluding salary of NDDB staff deputed to BVP - Rs. 47,305 and advertisement expenditures for BVP products Rs. 55,261)	689,158	4
Advertisement Expenditure for the BVP Product "Prabhat"	252,413	5
Salary of NDDB Staff Deputed to BVP	186,425	6
TOTAL QUESTIONABLE EXPENDITURES	Rs. 25,211,232	

Explanatory Notes

1. There is no provision for investment of project funds in the redeemable share capital of state federations. CVOW explained that this investment was made out of funds earmarked for project monitoring costs, to make the federation financially viable in the initial years. OVCW further explained that these shares are redeemable and funds will become available for project use in subsequent years.

   CLUSA stated that in a project of this magnitude and scope, it is impossible to predict the exact items of expenditure. CLUSA felt that this expenditure was necessary for the development and establishment of the project, and it is therefore allowable.

OVOW's and CLUSA's explanations do not alter the fact that neither the TA or the operational plan provide specifically for such investments.

2. This represents the cost of vehicles granted to the Gujarat Federation under Action Item No. 4, "Oilseed Production and Enhancement Programme". Appendix B, Supplement 1, attached to the CLUSA "Multi Year Operational Plan" provides for grants to village cooperatives under Action Item No. 4 but not to state federations.

OVOW stated that the vehicles were initially purchased by NDDB and subsequently given to the Federation. These vehicles are used by the mobile teams in organization of the village cooperatives and for carrying out extension work at the village cooperative level. OVOW and CLUSA felt that the expenditure was justified. Although there is merit in this explanation, we feel that it is necessary to clarify whether such grants to federations are allowable.

3. This amount represents operating losses of BVP as of March 31, 1980 which OVOW reimbursed to NDDB out of the project funds. The amount includes Rs. 1,462,000 paid as management fees to NDDB for the BVP plant. NDDB acquired the interim management rights of BVP, which is under liquidation, in December 1977 on a lease basis. The Gujarat High Court has since extended the term of the lease from time to time but a final court decision on BVP is still awaited. The total charge is ineligible for project financing since there is no provision for such underwriting of corporate losses in the project documents, nor is it an objective for which Title II resources were provided for the project.

CLUSA felt that our statement about the TA not providing for a Sinking Fund is not entirely accurate. The NDDB/CLUSA agreement, which is incorporated by reference in the TA, states that the project will be generally in accordance with NDDB's proposal to the GOI. The NDDB proposal did provide for a Sinking Fund. CLUSA further referred to the TA statement that project funds will be used to underwrite the investment expense detailed in Supplement 1, Appendix B, of the operational plan, and development and establishment of the project as described in the operational plan and the program approval request. CLUSA, therefore, felt that such usage of project funds was necessary and approved by the TA.

We do not agree with CLUSA as the purpose of the Sinking Fund, as stated in the NDDB proposal to the GOI, was to protect the oilseed growers and cooperatives against losses caused by lower yields and prices. It was not for meeting the operating losses of plants managed by NDDB. Moreover, we also question the underwriting of operating losses from the standpoint of prudent investment of project funds. In addition, CLUSA/NDDB has failed to provide any reasonable basis for project involvement with bankrupt organizations and there is no clear indication that the litigation will be solved in the near future.

4. According to available information, only those preproject costs that were specifically approved by USAID were to be reimbursed from the Special Account. No such USAID approval was available for the costs totaling Rs.689,158 reimbursed from the Project Account todate. We found that CLUSA, in its letter dated July 6, 1978, informed NDDB that USAID's written approval for preproject costs had been received. However, we noted that USAID had not provided any such approval but had stated that such costs could not be approved until all project approvals had been processed.

   CLUSA felt that USAID had agreed in principle to the preproject costs and since all project approvals were eventually obtained, that it was evident preproject costs were acceptable to USAID. However, since USAID has not specifically approved the costs, they are not eligible for project financing.

5. These costs were incurred for promoting a product of BVP and are questionable since BVP is not a cooperatively-owned business eligible for project assistance.

   CLUSA stated that the operational plan provides for existing processing facilities to be acquired initially by NDDB and that it does not state that such facilities will be immediately cooperatively-owned businesses. We, however, believe that these advertisement costs are directly linked with the overall question regarding the BVP plant and that their eligibility for project financing will have to be determined in relation to the eligibility of the overall plant acquisition.

6. OVOW stated that the NDDB staff was transferred for project related training at BVP, but they did not show us any supporting evidence, such as transfer orders describing the nature of training and its specific relationship to the project.

CLUSA/NDDB VEGOIL PROJECT, TA NO. 9647
DETAILS OF QUESTIONABLE CLUSA MONITORING COSTS
AS OF JUNE 30, 1980

QUESTIONED COSTS

1. The following amounts were spent for the purchase and installation of 2 coolers at Mr. John Wingard's residence. The coolers were in addition to the four air-conditioners already installed at his house in accordance with his contract. The additional cost for the coolers is questionable.

Coolers	Rs. 7,440
Pipe	175
	7,615

CLUSA stated that the contract provides for air-conditioners and other household items as may be required. There is no specified number or limitation on other household items. CLUSA further stated that the coolers were made necessary by government restrictions on the use of air-conditioners for non-diplomatic personnel and were desirable to reduce electricity consumption. Nonetheless, since the coolers are in addition to the air-conditioners and there is no specific provision therefore, we feel USAID/India should rule on their eligibility Rs. 7,615

2. An amount of Rs 257 was charged to office expenses for invitation cards in October 1979. In essence the cards are normal entertainment invitations to the residence of Mr. John Wingard which is usually considred a personal expense. CLUSA stated the cards were printed for functions held in connection with the project and are in accordance with NDDB practice for their key officials. We, however, could not find any direct relationship with the project and are therefore retaining it as a questioned cost. 257

3. As of June 30, 1980 a total of Rs. 8,065 had been paid as salaries to the drivers of the project car and the personal car of Mr. John Wingard. Mr. Wingard's employment contract does not provide for a personal driver, therefore the proportionate cost of the personal driver is not allowable. CLUSA stated that the driver of the personal car assigned by NDDB was hired in accordance with NDDB's regulation Moreover, under his contract, Mr. Wingard is required to meet petrol and servicing costs only and the rest of the expenses are to be borne by NDDB since the car is their property. 3,223

Total Questioned Costs Rs.11,095

UNSUPPORTED COST

4. A cash payment to Indian Telephones of Rs. 1,400, included in Rs.1,592, for installation of telephone equipment was not supported with an invoice or receipt. CLUSA has requested a confirmation of the charge but it has not been received thus far. 1,400

Total Unsupported Cost Rs.1,400

EXHIBIT D

CLUSA PROGRAM SUPPORT OPG. NO. AID-386-2135

DETAILS OF QUESTIONABLE COSTS

QUESTIONED COSTS

1.	Represents Christmas and New Year's tips paid to postman, which are not allowable costs.	Rs. 375
2.	Costs paid for the installation and repair of air-conditioners installed at the NCDC consultants' residences are not allowable. Charging of these costs to this OPG is not proper as they should have been funded from the related NCDC OPG. CLUSA stated that there is no provision for such costs in the NCDC OPG budget, hence they were charged to this OPG. However, we noted that the NCDC OPG provides funds for the payment of quarters allowances (rent and utilities) as well as for household appliances. USAID/India agreed that these costs should be transferred.	3,900
	Total Questionable Costs	Rs. 4,275

UNSUPPORTED COST

3.	Represents a cash payment to Indian Telephones for which no supporting document was available. CLUSA has asked the company for copies of the bill and receipt, but these have not been received thus far.	1,400
	Total Unsupported Cost	Rs. 1,400

LIST OF RECOMMENDATIONS

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Recommendation No. 1

The Assistant Administrator/Asia should delay approval of further project commodity call-forwards or major project budgetary changes until the impending project evaluation is completed. (USAID India officials have not agreed with this recommendation. They stated that their recommendation to AID/W was based upon detailed and careful consideration where they determined that the project required additional oil to (a) generate sufficient cash resources to continue project activities and (b) support the NDDB/Federations' marketing network which requires a continuous supply of oil. They also felt that the revised budget items should be approved to ensure that project progress is not obstructed during the interim period when the project is undergoing evaluation.

Recommendation No 2

The Director, USAID/India should require CLUSA to furnish within 30 days of the issuance of this report, the ORG report and the economic feasibility report on the BVP plant. 20

Recommendation No. 3

The Director, USAID/India should require the project evaluation team to review current project constraints including a review of the viability of the two processing plants acquired to date and NDDB's market intervention program. The team should also review whether or not the other oil inputs, the land for district farms and agronomic centers, and GOI approvals for new groundnut processing facilities will be provided as envisaged and if not, the impact the lack of these resources will have on project viability. USAID/India should take appropriate action regarding the project's future, based on the evaluation team's findings. (USAID has indicated that most of the above items are included in the proposed evaluation scope and that they will ensure that adequate attention is given by the evaluation team to any of the above items not specifically included in the scope.) 20

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USAID/India	
Director	5
AID/W	
Deputy Administrator (DA/AID)	1
Bureau For Asia	
Assistant Administrator (AA/ASIA)	5
Office of Bangladesh and India Affairs (ASIA/BI)	1
Audit Liaison Officer	1
Bureau for Private and Development Cooperation	
Office of Food For Peace (PDC/FFP)	2
Office of Private and Voluntary Cooperation (PDC/PVC)	5
Bureau For Development Support	
Office of Development Information and Utilization (DS/DIU)	4
Bureau For Program and Policy Coordination	
Office of Evaluation (PPC/E)	1
Office of Legislative Affairs (AA/LEG)	1
Office of General Counsel (GC)	1
Office of Financial Management (FM)	1
IDCA Legislative and Public Affairs Office	1
Office of Inspector General:	
Inspector General (IG)	1
Assistant Inspector General for Investigations and Inspections (AIG/II)	1
Communications and Records Office (IG/EMS/C&R)	12
Policy, Plans and Programs (IG/PPP)	1
Regional Inspector General for Audit:	
RIG/A/W	1
RIG/A/Nairobi	1
RIG/A/Manila	1
RIG/A/Cairo	1
RIG/A/Panama	1
OTHER	
General Accounting Office (GAO/W)	1
New Delhi Residency	3