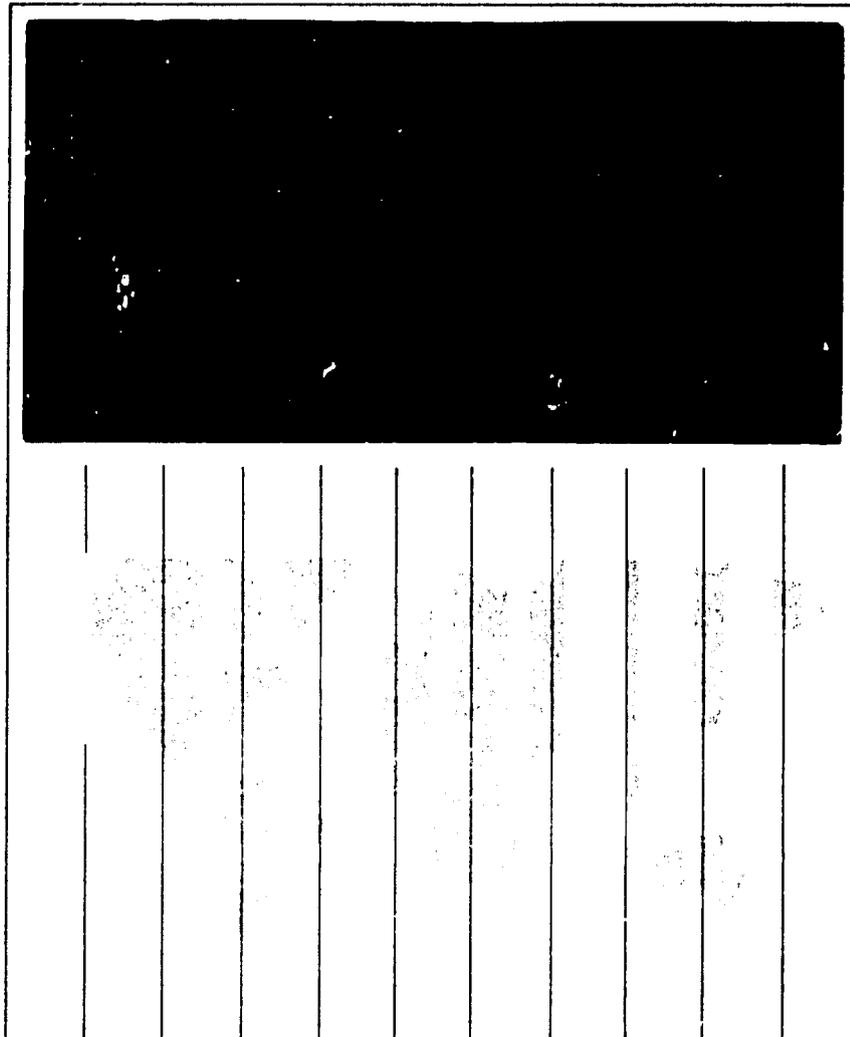


UNITED STATES
AGENCY FOR INTERNATIONAL DEVELOPMENT

THE
INSPECTOR
GENERAL



Regional Inspector General for Audit

RURAL EDUCATION SECTOR PROGRAM

PROJECT No. 532-0009

LOAN No. 532-V-009

USAID/JAMAICA

AUDIT REPORT NO. 1-532-83-6

FEBRUARY 4, 1983

Not all the objectives of the Rural Education Sector Program were achieved. The shortfalls were primarily due to weaknesses in management and monitoring procedures of USAID-Jamaica.

The overall goal of this \$20.3 million project was to improve opportunities and quality of life in rural Jamaica by providing resources and inputs through five different education system components. After being active seven years, this program was allowed to expire on June 30, 1982.

Although some positive project achievements were evident, several problem areas were noted in our review and are discussed in this report: unauthorized program changes, construction and maintenance deficiencies, accounting and support for funds and expenditures, procurement of ineligible commodities, accounting for commodities, and others. Some are repeat findings because audit recommendations were not implemented. This failure was due to the broader problem related to the weakness in management and monitoring procedures.

The report includes 14 recommendations.

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RURAL EDUCATION SECTOR PROGRAM
Project No. 532-0009
Loan No. 532-V-009
USAID/JAMAICA

EXECUTIVE SUMMARY

This is a report covering our review of the Rural Education Sector Program (Project No. 532-0009) which was implemented by A.I.D in Jamaica. The project cost an estimated \$20.3 million; AID and the Government of Jamaica (GOJ) financed equal amounts. The broad goal of the project was to improve opportunities and quality of life in rural Jamaica by providing resources and inputs, through five different education system components, in order to upgrade formal and non-formal education in the rural areas of Jamaica.

This was the second and final audit of the project and was made to evaluate program results and determine if the project had been carried out in the most effective, efficient, and economical manner. In brief, the conclusions of our audit were the following:

- (a) Our examination showed a mixed picture of the accomplishments versus goals of this project. Positive accomplishments were evident and will help towards the broader goals of the program. However, AID-provided resources were used for purposes outside the scope of the project, without amending the Project Authorization. Changes which alter the description of the project require such an amendment. The project changes included: (a) the conversion of the Passley Gardens Secondary Agricultural School into an Agricultural College; (b) the reprogramming of over \$900,000 to repair schools that were damaged by a severe flood in 1979; and (c) a 50 percent reduction in technical assistance. The result of the changes was that not all of the objectives of the project were achieved (pages 4, 9, 10, and 12)).
- (b) Certain parts of the project could have been implemented in a more efficient and economical manner. However, USAID/Jamaica received inaccurate advise and did not manage or monitor this project in the most effective manner. This represents a patterned type of problem with USAID/Jamaica. USAID/Jamaica needs to reexamine its procedures for monitoring and managing the AID assisted activities and to improve its internal controls of these areas as prescribed in the "Federal Manager's Financial Integrity Act of 1982" (page 4).
- (c) As stated previously, USAID/Jamaica did not monitor this program in an adequate manner. Recommendations made by us in a prior audit report were not implemented. As a result, almost identical findings were noted in this report (page 14).

- (d) About \$919,539 in project funds were diverted to provide emergency repairs to schools damaged by a severe flood in Western Jamaica. Controls and monitoring were inadequate. As a result, AID paid for unnecessary, substandard, and incomplete work (pages 16 and 20).
- (d) Maintenance of completed buildings continue to be a major problem. Our visits showed numerous examples of different types of problems. The reason is that the GOJ is not providing sufficient funding for maintenance and security (page 23).
- (e) Procedures to control sub-obligations and to process reimbursement requests from the GOJ need reexamination: (a) the Mission was accepting copies, rather than originals, as supporting documentation; (b) 38 percent of reimbursed costs examined by us lacked adequate support; and (c) the Mission was not reviewing records maintained by the GOJ in support of expenditures. In addition, USAID/Jamaica will need to deobligate over \$700,000 of funds which were no longer valid obligations at the time the project expired. Also, the GOJ needs to make a financial audit of this project, as required by the Loan Agreement (pages 25, 26 and 27).
- (f) Three types of problems were found in the area of counterpart fund contributions of the GOJ: reports were not being received, currency devaluations were not being taken into account, and shifting between components were being made by the GOJ without consultation with USAID/Jamaica (page 28).
- (g) Management of commodity procurement and distribution under the project was not satisfactory. As a result, neither the GOJ nor USAID/Jamaica was able to determine how much of \$2.7 million worth of commodities had been received and utilized (page 29).
- (h) Without the prior approval of the AA/LAC, USAID/Jamaica authorized the procurement of \$282,867 of ineligible commodities (pianos, kitchen, needlework, etc.). A retroactive ratification for all ineligible commodity procurements has now been made. Nevertheless, there is a need to avoid the recurrence of similar problems in the future and to clarify the appropriate AID Handbooks (page 34).
- (i) Much of the construction work and most of the project commodities were not properly marked with AID emblems (page 36).

The draft report was reviewed by USAID/Jamaica and the Bureau of Latin America and the Caribbean. Their comments were taken into account in finalizing this report. The report contains 14 recommendations.

BACKGROUND AND SCOPE

Background

In 1973, representatives from the Government of Jamaica, the World Bank, AID, and the Canadian International Development Agency made a sector assessment of the Jamaican Education System. The team included specialists from agro-education and general education disciplines. The study identified a series of problems with the education system and recommended actions to alleviate or correct them. They included:

- A need for physical improvement and expansion of the system.
- A shortage of trained teachers and professionals.
- A need for a relevant curriculum development program.
- The lack of appropriate pre-professional vocational programs geared to the needs of youth, the community, and the economy.
- A lack of adequate management, planning information system capability, and a program of inspection and supervision at the Ministry of Education.
- The lack of adequate research, experimentation, evaluation and feedback for system improvement;
- A need for a program of continuing education including community involvement, and support for the educational process.

The design of Jamaican Rural Education Sector Program was based on this sector assessment and addressed a number of the problems.

A \$9.1 million loan was authorized on June 28, 1974 and was signed by the Government of Jamaica on November 13, 1975. On November 25, 1977, the loan amount was increased to \$11.2 million because inflationary pressures had increased start-up costs between the time of authorization and loan signature.

The purpose of the project was to upgrade formal and non-formal education relevant to rural living and employment; to provide facilities, equipment, training, and technical assistance; and to improve management, planning, research, and development capabilities to support this effort. To achieve this purpose loan resources were to be channeled through the five major elements of the project:

- (1) Continuing Education;
- (2) Rural Primary Education;
- (3) Rural Secondary Education;
- (4) Teacher Education; and
- (5) Management, Planning, Research and Development

The above major activities and their implementation status are discussed in more detail in the section entitled "An Overall Assessment of Program Goals and Accomplishments:"

The \$11.2 million AID loan was to be supplemented with an \$11.1 million counterpart contribution from the Government of Jamaica (GOJ). The overall financial plan, as revised, is shown in Exhibit A. A synopsis (in US \$000) follows:

<u>ACTIVITY</u>	<u>GOJ</u>	<u>AID</u>	<u>TOTAL</u>
Continuing Education	\$ 988	\$ 826	\$1,814
Rural Primary	400	1,114	1,514
Rural Secondary	6,448	5,563	12,011
Teacher Education	2,660	2,303	4,963
Management Development	604	1,394	1,998
Total	<u>\$11,100</u> =====	<u>\$11,200</u> =====	<u>\$22,300</u> =====

The GOJ contributed approximately \$10.1 million through March 31, 1982. AID Disbursements for the same period are presented Exhibit B. A synopsis (in US \$000) follows:

<u>ACTIVITY</u>	<u>DISBURSED</u>
Continuing Education	\$ 708
Rural Primary	1,061
Rural Secondary	5,135
Teacher Education	2,009
Management Development	1,136
Total	<u>\$10,049</u> =====

Scope of Audit

The project was first audited in 1979, with \$1.9 million in disbursements. Therefore, this is our second and final audit of this project and it was made to evaluate program results and to determine if the program had been carried out in an efficient, effective, and economical manner. The review covered project activities and disbursements through March 31, 1982, and includes certain information through the expiration of the Project Assistance Completion Date (June 30, 1982). The audit was made in accordance with generally accepted government auditing standards and compared project accomplishments against stated goals in the project paper and implementation letters. We reviewed project files at the Mission and at the Ministry of Education, and discussed project progress and problems with officials at these organizations. We visited 25 schools and facilities where project construction activities took place.

The results of the audit were discussed with USAID/Jamaica officials at the exit conference and a draft of this report was submitted for their review and comment. In addition, the draft report was reviewed by the Office of the Assistant Administrator for Latin America and the Caribbean. All comments were considered in the preparation of the final report.

Our examination of the Rural Education Sector Program showed a number of problem areas which have been found in previous reviews of USAID/Jamaica. Thus, they are indicative of broader implications. In the case of this particular project, the Project Assistance Completion Date (PACD) expired on June 30, 1982, and was not extended. For this reason, the overall assessment section includes a broad recommendation so that USAID/Jamaica will be able to make the required vulnerability assessment of related procedures and practices in other areas of its programs.

FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

An Overall Assessment of Program Goals and Accomplishments

The overall goal of the Rural Education Sector Program was to help improve the opportunities and quality of life in rural Jamaica. This was a broad goal which could accommodate a variety of accomplishments. The more specific objective of the program was to assist the GOJ to use education and human resources in coordination with other sector inputs to bring about a revitalization of the rural areas of the country and to improve the level of self-reliance and economic and civic participation. Thus, the program was designed to upgrade formal and non-formal education relevant to rural living and employment.

At the time of our audit, the Jamaica Rural Education Sector Program had been in existence close to seven years. Its implementation was delayed by the GOH when the loan could not be signed for 17 months after its authorization. During this 17 month period, the Jamaican economy experienced severe inflationary pressures and construction cost estimates became obsolete. Therefore, the original program had to be scaled down and its funding increased. Once the program got underway, \$5.3 million in construction was completed and \$2.8 million in commodities were delivered.

The status of the five components follow:

- (a) The Continuing Education Component had three main sub-goals: to create three regional development centers and 18 continuing education sub-centers, and to provide them with training, materials, equipment and 54 person-months of technical assistance.

The three regional rural development centers were established. Also 15 (of 18) continuing education sub-centers were constructed. The continuing education component did not measure up to expectations for various reasons. As a result, the Ministry of Education stopped funding continuing education activities and planned to merge its activities into the Jamaican Movement for the Advancement of Literacy (JAMAL) program. In addition, only 18 person months of technical assistance were actually provided.

- (b) The Rural Primary Education component had five sub-goals: to develop a new curriculum for rural primary schools, to renovate some schools for experimental programs, to assist in financing school maintenance, to provide 25 schools with electrification, to update inventory of existing facilities, and to provide 60 person-months of technical assistance.

The planned six rural primary education buildings were constructed; each building contains three classrooms. Experimental programs in primary education were initiated. New curriculum methods were developed which incorporated relevant experiences into instructional materials for the classrooms. The curriculum program was so successful that it was expanded to other schools.

The installation work on 21 of the 25 rural primary schools targeted for generators and electrical wiring had been completed. The remaining four generators were to be used at the Agricultural Schools and at the Teacher's College as standby generators.

Only 6.3 person-months of technical assistance were provided.

- (c) The Rural Secondary Education Component was designed to construct two vocational schools, to improve secondary agricultural education facilities and to provide technical assistance and training.

The two planned vocational schools for agriculture and home economics were constructed at Elim and Passley Gardens. Also, most of the renovation work at Dinthill Vocational School had been completed. These schools were in operation at the time of our fieldwork.

Once again, technical assistance fell short. Only 34.3 person-months (of 80 planned) were provided.

- (d) The Teacher Education component was designed to construct and equip a teacher training college, to achieve enrollment of 300 students, to create an education development program, and to provide 84 person months of technical assistance.

The planned Passley Gardens Teacher's Training College was established and in operation. Also, the Ministry of Education had developed new curriculum for the college. However, only 5 person-months of technical assistance was provided.

- (e) The Management, Planning, Research, and Development component was designed to construct and equip an Education Development and Demonstration Center, to improve the Ministry of Education and to provide 69 person months of technical assistance, materials, training, etc.

The planned Education Development and Demonstration Center (EDDC) was completed but final acceptance of the structure had been delayed because of reported design faults.

The program sponsored 17 research projects addressing topics of interest to the Ministry of Education. The research results were presented and discussed at a successful conference sponsored by the Ministry.

However, once again, the GOJ did not receive the needed amount of technical assistance; only 20.8 person-months were provided.

In sum, there were achievements under the project, particularly in the construction of facilities. These accomplishments of the program will help, to some degree, towards the broader goals of the program, i.e., to improve the opportunities and quality of life in rural Jamaica. However, the GOJ did not receive the required number of person-months of technical assistance and the objectives of the continuing education were abandoned. In addition, not all funds were used within the context of the scope of the project; nearly \$2.8 million were used for purposes -- within the broader context of the program goals, but -- outside the scope of the project. In addition, our audit showed a number of areas which requires corrective action by management to ensure maximum effective use of AID resources. For these reasons, it is our opinion that only part of the objectives of this project were achieved as contemplated in the project design.

Perhaps more could have been accomplished and some parts of the program could have been implemented in a more efficient and economical manner. However, this project showed a patterned type of problem which relates to the advise that was given to the Mission together with the management and monitoring practices of USAID/ Jamaica. We believe that there is a need for USAID/Jamaica to reexamine its procedures for monitoring and managing AID assisted activities. In the case of the Jamaica Rural Education Sector Program, USAID/Jamaica did not monitor the project in an effective manner. For instance, some of the problems in our current review represent a repetition of conditions noted in IG Audit Report No. 1-532-79-12, dated June 21, 1979. These conditions existed because USAID/Jamaica did not implement our recommendations in an effective manner and at an opportune time. In addition, USAID/Jamaica made certain management decisions and followed certain courses of action which did not result in the most efficient or economical use of AID's financial resources. The following are some examples of findings which relate to USAID/Jamaica's management and monitoring practices:

- Seven (of nine) recommendations from IG Audit Report No. 1-532-79-12, dated June 21, 1979, were not effectively implemented. As a result, identical findings were found in the following areas: (a) financial management data control systems; (b) control system for AID-financed commodities; (c) requirements of technical assistance; (d) counterpart funds of the GOJ; (e) project reporting; (f) publicity of the project; and (g) financial audits of the project.
- Program resources and outputs costing over \$2.8 million were used for purposes outside the scope of the project without amending the loan agreement;
- Over \$919,539 in project funds were diverted to provide emergency flood damage repairs to schools. The use of this money was not properly supervised and managed, and may have been spent on unnecessary and substandard work;
- Control over commodities delivered to schools and centers were inadequate to insure accountability and their effective utilization;

- Around \$280,000 was used to finance the procurement of ineligible commodities without seeking prior approval from AID/Washington;
- Construction work on some schools and centers showed evidence of poor workmanship and design problems; and
- Maintenance of project facilities and equipment was inadequate and needed improvement.

This is the second time that we have found problems with the Mission in regard to managerial and monitoring practices (see also Audit Report No. 1-532-82-9 on Integrated Rural Development Program issued March 30, 1982). We believe that the Mission's operating practices need to be addressed to improve the efficient and economical use of AID resources. In our opinion, these practices will fail the internal control vulnerability assessment specified by the "Federal Managers' Financial Integrity Act of 1982". In this connection, the 97th Congress passed the Act on January 25, 1982, amending Section 113 of the Accounting and Auditing Act of 1950, in the following manner:

"To ensure compliance with the requirements of subsection (a)(3) of this section, internal accounting and administrative controls of each executive agency shall be established in accordance with standards prescribed by the Comptroller General, and shall provide reasonable assurances that --

- "(i) obligations and costs are in compliance with applicable law;
- "ii) funds, property, and other assets are safeguarded against waste, loss, unauthorized use, or misappropriation; and
- (iii) revenues and expenditures applicable to agency operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the assets.

"(B) The standards prescribed by the Comptroller General under this paragraph shall include standards to ensure the prompt resolution of all audit findings.

"(2) By December 31, 1982, the Director of the office of Management and Budget, in consultation with the Comptroller General, shall establish guidelines for the evaluation by agencies of their systems and internal accounting and administrative control to determine such systems' compliance with the requirements of paragraph (1) of this subsection. The Director, in consultation with the Comptroller General, may modify such guidelines from time to time as deemed necessary".

As stated in the above Act, the "internal control vulnerability assessment" was to be completed by December 31, 1982. Thus, it was an opportune time for USAID/Jamaica to make an honest reexamination of the managerial and monitoring practices that are in effect for all of its program portfolio. The specific areas identified by our review as candidates for such a study include procedures to: (a) process management decisions on changes to the conceptual aspects of the program; (b) control actual implementation of audit report or evaluation report recommendations; (c) control financial obligations, disbursements, and supporting documentation; (d) monitor compliance with the terms of the agreement (Host Country contributions, audit requirements, reporting, etc.); and (e) control, use, and account for commodities.

In responding to our draft audit report, USAID/Jamaica stated that it had made the vulnerability assessment required by our Recommendation No. 1. The assessment demonstrated the Mission's vulnerability to be "fair to good." As a result, USAID/Jamaica was in the process of installing improved reporting, monitoring, and other systems to lower its susceptibility rate. The vulnerability assessment study was not made available to us to ensure compliance with the recommendation. Pending receipt of the study and implementation of actions initiated by USAID/Jamaica to reduce its vulnerability rate, we are retaining the following recommendation:

Recommendation No. 1

USAID/Jamaica should (a) make a special review and vulnerability assessment in the areas of project management, monitoring, financial controls, agreement compliance, implementation of recommendations, and commodity control and usage; and (b) submit its findings and proposed solutions to problem areas to the AA/LAC.

Project Management Decisions

Although most of the planned construction and commodity procurement have been completed, some project objectives will not be achieved because of the significant changes that were made during project implementation. Among these changes were: (a) the conversion of Passley Gardens Secondary Agricultural School into an Agricultural College; (b) the reprogramming of \$990,000 in project funds to repair schools that were damaged by a severe flood in 1979; and (c) a 50 percent reduction in technical assistance. The following subsections of this report discuss these changes. When the project description is significantly altered, AID Handbook 3, Chapter 13, prescribes an amendment to the Project Authorization. This formal procedure was not followed by USAID/Jamaica.

The Mission granted the Ministry of Education permission to convert the Passley Gardens Secondary Agricultural School into an Agricultural College. Based on a legal decision of the Regional Legal Advisor, this permission was given by a simple Letter of Implementation. According to GC/LAC, and the AID Handbooks, such a change - which affects the objectives of the project - required an amendment to the Project Authorization. The modification in the use of a facility from a secondary school to a college will reduce the enrollment potential for secondary education - one of the main objectives of this program.

On March 2, 1982, the Permanent Secretary of the Ministry of Education sought AID's approval for the conversion of the Secondary Agricultural School at Passley Gardens into an Agricultural College. The letter explained that the Ministry had requested AID assistance in strengthening the Jamaica School of Agriculture (JSA), but was advised that studies were needed before any action could be taken. A University of Kentucky Report, published in 1979, advised the GOJ to reorganize and upgrade the JSA; and also recommended that the Government should seek an alternative site for the agricultural college.

In 1980, the present administration was duly elected and began governing Jamaica. The JSA was viewed as a stronghold of anti-democratic thought and no longer effective -- so the present administration closed it down. In addition, the school facilities were needed for the establishment of a police academy.

The GOJ proposed to AID that the Passley Gardens Secondary Agriculture School be converted into an Agricultural College to fill the void created when the JSA was closed. The Ministry stated that the reduction in secondary school enrollment would be more than compensated by increasing the enrollment at the Knockalva School from 200 to 500 students and at Dint Hill to 150 students. Thus, program objectives might not be negatively affected.

The Mission approved the conversion in Implementation Letter No. 74 of March 31, 1982 following a legal opinion rendered by the Regional Legal Advisor which reads, in part:

"... no amendments to any of the project documents are necessary.

The Borrower has carried out the project, and now merely wishes to alter its educational system to educate different levels in different places."

The Regional Legal Advisor further suggested that the GOJ should submit its intentions in writing and AID record its consent in an Implementation Letter.

The above changes altered the purpose of the project in a significant manner. The loan was for five specific activities: Continuing Education; Rural Primary Education; Rural Secondary Education; Teacher Training; and Management Planning. The project did not provide for the improvement of Agricultural Colleges.

AID Handbook 3, Chapter 13, in part, states that "A "substantive" modification is one which results in a major change in:

"Elements of project design that are judged critical to project success. These elements could be aspects of feasibility or relate to project objectives (Outputs, Purpose, Goal), participants, methods, funding, beneficiaries, etc.

"The project description, timing, financing, or essential conditions and covenants cited in the Project Authorization;

"The Project Description, financing level, essential conditions and covenants or other significant project-specific terms in the body of the Project Agreement;

"The overall length of the project."

In the case of the changes related with this project, the AID Handbook prescribes an amendment to the Project Authorization.

In addition, Section 9.03 of the the Loan Agreement prohibits amendments to loan terms by Implementation Letter.

"A.I.D. shall from time to time issue Implementation Letters that will prescribe the procedures applicable hereunder in connection with the implementation of this Agreement. Nothing in such letters shall alter the terms of this Agreement."

Also, the Regional Legal Advisor's assertion that the borrower had carried out the project and was able to alter key components runs counter to Section 8.05 of the Loan Agreement which states:

"Notwithstanding any cancellation, suspension of disbursement, or acceleration of repayment, the provisions of this Agreement shall continue in full force and effect until the payment in full of all Principal and any accrued interest hereunder."

The most expensive of these activities was the Rural Secondary Education, comprising almost 50 percent of project resources. We believe that conceptual changes in the use of loan funds were substantial, and that written approval to amend the loan agreement should have been obtained from AID/Washington.

In response to our draft audit report, USAID/Jamaica reiterated the fact that it had sought and followed the guidance of the Regional Legal Advisor in using the Letter of Implementation procedure. It further stated that the Ministry of Education had worked hard to convert the Passley Gardens Agricultural High School facility into the nation's new College of Agriculture. The College is expected to open in January 1983.

The Bureau of the Assistant Administrator for Latin America and the Caribbean (AA/LAC) and the Office of the General Counsel (GC), also reviewed our draft audit report. In their response, these officials were in general agreement with our interpretation of the facts. In particular, they agreed that approving the conversion of the secondary agricultural school, developed under the project, into an agricultural college, should not have been accomplished merely by issuing an implementation letter; as stated in our report, the agreement or authorization should have been amended. They felt, however, that a retroactive amendment of the agreement would serve no useful purpose because the project was essentially complete. The AA/LAC requested that we make certain modifications to our recommendation. The revised Recommendation No. 2 is stated at the end of the next section.

Project Funds Were Used For Emergency in Western Jamaica.

Over \$900,000 in project funds were diverted from their intended use to the repair of flood damaged schools on the basis of a Letter of Implementation and without amending the loan agreement. Most of the diverted funds came from reductions in funds approved for Technical Assistance and Matching Funds Contribution; this latter contribution was to promote community participation in the construction and maintenance of school facilities. Technical Assistance was reduced by 50 percent for the project in general. The Matching Funds Contribution element for the project was all but eliminated because of a lack of interest in communities and poor economic conditions in Jamaica.

In June 1979, the Minister of Education requested AID assistance in repairing Western Jamaican schools that were damaged by a severe flood. The Minister requested that AID authorize the use of \$835,000 from the Rural Education Sector loan to repair and resupply flood-damaged schools in Western Jamaica.

AID approved the GOJ request on July 3, 1979, by means of a Letter of Implementation, and funds were redistributed in the following manner:

<u>Reprogrammed from:</u>	<u>Reprogrammed to:</u>	
Technical assistance:	Materials & Supplies	
Continuing Education		\$ 60,000
Rural Primary		40,000
Rural Secondary		50,000
Teacher Education		<u>150,000</u>
Subtotal		<u>\$300,000</u>

Matching Funds Contribution:	Construction	
Rural Primary		\$300,000
Rural Secondary		110,000
Continuing Education		<u>125,000</u>
Subtotal		<u>\$535,000</u>
Total		<u>\$835,000</u> =====

Commitments to the Western Jamaica flood repair effort were subsequently increased to \$919,539 along with other adjustments. All funds were used for construction, and no commodities were purchased for this activity. The provision of these funds was part of a coordinated U.S. effort to provide immediate relief for flood damaged schools of Western Jamaica. The effort was well received and appreciated by the GOJ. However, the reprogramming of funds reduced the efforts of three activities in the changed loan plan:

<u>Track</u>	<u>Budgeted Amounts</u>	<u>Reduction</u>	<u>Percent</u>	<u>Actual Funding</u>
Continuing Education	\$993,000	\$211,800	21	\$781,200
Rural Primary Educ.	1,135,000	544,000	50	591,000
Rural Secondary Educ.	<u>5,345,000</u>	<u>163,739</u>	<u>3</u>	<u>5,181,261</u>
	<u>\$7,473,000</u> =====	<u>\$919,539</u> =====		<u>\$6,553,461</u> =====

While the repairs to the flood damaged schools were beneficial to the GOJ, they were not included within the objectives of the loan agreement and the specific purpose of the activities from which the funds were reprogrammed (continuing education, rural primary education, and rural secondary education). In retrospect, a more proper procedure would have been to have secured the authorization from the AA/LAC, as prescribed in AID Handbook 3 discussed in the previous section. However, this was not done.

In response to our draft audit report, USAID/Jamaica did not disagree with our basic premise that the change in the scope of the project required an amendment to the loan agreement. However, USAID/Jamaica pointed out that the nature of the emergency was such that urgent action was needed and taken. Mission staff, at the time, sized up the needs promptly and were able to shift money in a creative manner. A tour of the devastated areas was made on a Saturday by helicopter and by the following Monday the basic enabling actions were taken. As a result, there was a minimum loss of school time for the children involved and the repairs added years of lifetime to the physical plants.

In its response to the draft audit report, the AA/LAC also agreed with our interpretation of the facts and that such changes should have been made by means of an amendment to the agreement. However, as in the previous section, they felt that a retroactive amendment of the agreement would serve

no useful purpose because the project was essentially complete. The AA/LAC agreed to communicate his concern to the USAID/Mission Director in Jamaica on the need for the Mission to follow the provisions of AID Handbook 3 which prescribes the procedures to be followed in the case of changes to project design or implementation.

The following revised recommendation has the intent of applying the lessons learned in this project and avoiding similar problems from occurring in other Missions in the future.

RECOMMENDATION 2

The AA/LAC should brief the conditions found on this project and circulate them to other LAC Missions. The USAID's should be reminded that AID Handbook 3 requires a prior AID/W approval for any substantive changes in project designs.

Sufficient Technical Assistance Was Not Obtained for Project.

The revised plan called for the project to provide 347 person-months of technical assistance that was estimated at \$907,000. As of March 31, 1982, the MOE had received only 84 person-months of technical assistance valued at \$478,278. The reasons for the reduction were increased capital costs and reductions due to reprogramming of \$428,722 in technical assistance funds to other activities. As a result, planned technical assistance was not provided in a number of areas, which further reduced the efficiency and effectiveness of project management and administration.

The original project paper called for 264 person-months of technical assistance costing \$627,000. It became clear within several months after signing the November 1975 loan agreement that additional technical assistance and training would be needed to establish and strengthen the institutional capability of the Ministry of Education by the project's end. Modifications of project design and financial plan were required as a result of significant increases in the cost of the project. Much of the increase was due to the delay in signing of the loan agreement. An additional 83 person-months of technical assistance costing \$280,000 was programmed in the 1977 project paper amendment. This increased the planned funding for technical assistance to \$907,000. As of March 31, 1982, the Ministry of Education had received only 84.4 person-months of technical assistance costing \$478,278. A comparison of planned vs. actual technical assistance follows:

<u>Track</u>	<u>Planned Person-Months</u>	<u>Actual Person-Months</u>	<u>Difference</u>
Continuing Education	54	18.0	(36.0)
Rural Primary	60	6.3	(53.7)
Rural Secondary	80	34.3	(45.7)
Teacher Education	84	5.0	(79.0)
Management/Planning/Research	<u>69</u>	<u>20.8</u>	<u>(48.2)</u>
Total	347	84.4	(262.6)

Technical assistance funds, totalling \$428,722 were reprogrammed to other activities in 1979. Most of this money was reprogrammed at the request of the GOJ and went to the Western Jamaica flood repair program. No evaluation appears to have been made to determine the effects of the reduction in technical assistance funding on the project.

A major focus of the project was to improve the ability of the Ministry of Education to manage its educational resources more effectively and technical assistance funding was critical in meeting the objectives. The net effect of the reprogramming and reductions was that 47 percent of the planned funding and 77 percent of the planned person-months for technical assistance were not provided.

From our review, we believe that technical assistance would have been valuable in several component areas, including such areas as maintenance of schools and equipment, financial management and community relations (to encourage participation in the matching funds contribution program).

Shortages related to technical assistance was also determined to be a problem in our previous review. At that time, the Ministry of Education did not believe that it needed technical assistance in the magnitude programmed. The Ministry of Education was also reluctant to pay the high cost of technical assistance, which often exceeded the salaries of the highest paid ministry officials. Our previous audit report recommended the procurement of technical assistance in the financial areas. However, none was ever obtained.

Since the TDD of the loan agreement expired on June 30, 1982, no recommendation is made. In retrospect, however, USAID/Jamaica and the GOJ should have performed an analysis of the project's technical assistance needs prior to reprogramming budgeted funds into other areas. They should also have documented why these needs had changed since the loan agreement was signed.

Lack of Project Monitoring Adversely Affected Implementation.

The lack of adequate monitoring adversely affected the effectiveness and efficiency of project implementation. Many of the audit findings reported here were problems which could have been corrected if the Mission had been

adequately monitoring the project. For example, this project was first audited in 1979. Our Audit Report No. 1-532-79-12, dated June 21, 1979, included nine recommendations. Of these nine, the following seven recommendations were not implemented in an effective manner:

"Recommendation No. 2

USAID/Jamaica should pursue contracting of technical assistance for establishing a good financial management data control system."

"Recommendation No. 3

USAID/Jamaica should work with the MINED to establish a control system for the receiving, storing, and accounting for AID-financed commodities."

"Recommendation No. 5

USAID/Jamaica should work with the MINED to develop a Technical Assistance program for the remainder of the project to improve financial management, commodity control and maintenance systems."

"Recommendation No. 6

USAID/Jamaica and the MINED should determine the remaining counterpart funding needs and adjust the loan agreement accordingly.

"Recommendation No. 7

USAID/Jamaica should request that the required reports be submitted on time, and that the USAID be put on distribution for the consultant engineer's reports.

"Recommendation No. 8

USAID/Jamaica should request that the loan agreement provision on identification and marking as prescribed in Implementation Letter No. 1, be complied with.

"Recommendation No. 9

USAID/Jamaica should request the MINED to have an audit of project activities made in accordance with the loan agreement and to amend the contract with the AACTE to include right of audit".

Because the recommended actions were not effectively implemented at an opportune time, some of the conditions noted during our prior audit (in technical assistance, commodity controls, counterpart funds, reports, etc.) still existed at the time of our current review.

In addition, little or no monitoring was done on the construction/repair work for the Western Jamaica flood program. As a result, some of the \$900,000 for this program was spent on unnecessary and substandard work (next section). The Mission also approved 12 PIO/Cs and purchased nearly \$283,000 in ineligible commodities without proper prior authorization from the AA/LAC (see page 34).

The need for USAID/Jamaica to reexamine its managerial and monitoring role was previously discussed and the implementation of Recommendation No. 1 of this report would make another recommendation unnecessary.

Construction and Maintenance Activities

Controls Over Western Jamaica Flood Repair Program Were Inadequate.

USAID/Jamaica did not exercise adequate control over the \$919,539 used on the emergency repairs in western Jamaica. The results were that AID paid for unnecessary, substandard, and incomplete work.

As discussed earlier, AID approved the transfer of about \$919,539 to repair and resupply schools damaged in Western Jamaica. As the program evolved, a total of 69 schools were identified as needing assistance and 85 construction contracts were awarded. Since all funding was channeled into construction, no funds were left for supplies and materials. The GOJ negotiated for 2 months of technical assistance; however, this assistance never materialized. The value of the construction work was \$919,539. As of March 31, 1982, the Mission had disbursed \$878,204 for Western Jamaica flood repair work. Additional claims were expected.

In Implementation Letter No. 41, the Mission stated that the disbursements for construction activities in connection with the repair of flood damaged schools would be made in accordance with Section 7.01 and 7.02 of the loan agreement. Implementation Letter No. 1 sets forth procedures for utilizing loan proceeds and states that procedures to be followed when disbursing local currency costs under section 7.02 would be:

"For activities involving construction or remodeling a joint physical verification of progress or completion will be undertaken by representatives of the GOJ and AID, prior to disbursement or final acceptance, depending on the case."

The MOE submitted the construction contracts for Mission approval and obligation. Construction vouchers were then submitted to the Mission for reimbursement. The construction work was inspected and vouchers certified by Regional Building Officers of the MOE -- located in Montego Bay. We found no evidence that AID participated in the final inspection of the Western Jamaica construction work.

We visited 11 of the 69 schools that were repaired under the program. We were told by principals and teachers at these schools that 4 sustained major damage, 6 sustained minor damage, and one school (Savanna-la-mar Secondary) sustained no flood damage. However, all individuals were quick to mention that the work was needed to repair damage from vandalism and general deterioration. In several cases, the schools were not damaged severely by the flood but, reportedly were damaged by the refugees who stayed in the schools after the flood.

It was difficult to determine which repairs were for flood damaged items and which were for non-flood related repairs. However, our analysis of work at the 11 schools that we visited showed that AID paid (a) J\$60,609 for work not related to the flooding; (b) J\$35,802 for poor quality work; and (c) J\$16,764 for incomplete or work which had not been done (Exhibit C).

As mentioned above, Savanna-la-mar Secondary School sustained no damage from the flood, but AID paid J\$48,174 for repairs to the school. At 6 of the visited schools, burglar bars had been installed at a cost of J\$12,435. These bars were new additions to the schools and not repairs. We agree on the usefulness of burglar bars; however, their installation cannot be considered flood related. We found significant quantities of poor quality work at 2 schools, primarily in the paving that was provided. At 5 of the schools, we found that either various items were not provided or the work was not accomplished.

There were several reasons for the situation: (a) no technical assistance was provided when work estimates were being prepared; (b) the Mission did not adequately review contract specifications to identify unnecessary work; and (c) the Mission did not have a representative inspect completed work as specified in Implementation Letter No. 1.

If technical assistance had been provided, the Mission could have instructed the expert to limit the repair estimates to flood damaged items and avoided renovations, maintenance work and additions; this would also have reduced needed reviews of contract specifications. The contracts were not adequately reviewed by the Mission to identify, or at least question, work such as installing burglar bars or adding a garage to a teacher's cottage. Mission presence at the final inspection would have caught some poor quality work and most of the incomplete work and missing items.

The total value of work paid for the 11 schools we visited was J\$373,219. We found 30 percent of this total, or J\$113,175, to be either not related to the flood, of poor quality, or incomplete. If this percentage holds true throughout the flood repair program, then 30 percent of the total expended, or US\$275,862 could have been spent in a similar manner.

Our draft audit report included two recommendations which would result in the following actions: (a) collection of J\$77,373 from the GOJ in line with our audit findings; (b) visit by USAID/Jamaica to a representative number of schools to determine usage of Agency funds; and (c) the collection of additional amounts from the GOJ depending on the findings by the Mission.

In responding to our draft audit report, USAID/Jamaica took strong exception to the practicality and implementability of the two recommendations. Parts of the response are quoted below:

"This audit draft report represents several person/months of effort by some five auditors. It presents a generally clear understanding of the project's design and its implementation. The weighting and degree of emphasis in some sections, however, leads one to question the extent of realism with which the auditors were able to view after the fact either the worst flood in recent Jamaican history or the serious threats to life and personal safety that existed in much of 1979, 1980 and 1981. As an illustration of the latter, it would not have been possible for the auditors to have inspected in 1980 some of the locations they visited in 1982. Even the Jamaican census-takers could not conduct the decennial census in 1980 and it was postponed for two years. There would have been no volunteers from USAID/J's local or American staff to go and check on contractors' performances under those adverse circumstances. The amazing thing, and one in which Jamaica can well take pride, is that reconstruction was indeed done at all, let alone properly under such conditions. In essence then, USAID/J expects that AID/W will recognize that there are some points that are not spelled out in this response in order to keep it an unclassified cable.

"Recommendation 3: The need for speed was not the only reason for the Mission passing responsibilities over to the GOJ at the time of the flood. Audit's "reasons" (second and third paragraphs) for poor quality, etc., appear reasonable, and normally would be accepted. However, there is serious doubt that the Mission should have sent its staff on TDY assistance all over the countryside at this time. An understanding of the contracting situation, of the elements of risk in critical inspection, would tend to preclude such "thoroughness". As it was, the cooperation given the project by the GOJ, and the quality of work done, should be considered in a most positive light. The Mission Controller is constrained by Handbook 19 from issuing a bill for collection against a foreign government unless circumstances and documentation "clearly indicate the incurrence of an indebtedness". Mission requests that this recommendation be dropped from the audit report.

"Recommendation 4: The present GOJ has taken a firm stand to avoid recrimination against the government in power previously (at the time of the flood and the repairs to flood-damaged schools). For USAID/J to visit even a small sampling, as was done by the five auditors, would cost much more in time and money from our limited resources than we would possibly collect. Similarly, to visit more of these schools, to locate contracts, contractors, people who knew the "before and after", would take more time than the Mission or Ministry of Education could spare.

"To visit only two or three schools would not be too difficult in itself, but then to "estimate the total" on sixty schools "and issue a Bill for Collection" would be questionable accounting and poor diplomacy. (see also comment on Recommendation 3 above). USAID/Jamaica respectfully requests that Recommendation 4 be omitted.

Based on the information presented above by USAID/Jamaica, we have modified the wording of Recommendation Nos. 3 and 4. We also believe that the Mission's response presents additional information relative to the security conditions of Jamaica during the time this phase of the project was being implemented. However, these additional facts do not alter the conditions found by us during our examination and no legal basis has been provided for omitting either of the two recommendations from the report.

The facts remain that our audit did disclose serious problems involving the propriety of expenditures reimbursed by USAID/Jamaica. In effect, some work was not accomplished in accordance with the terms of the agreement of the GOJ and USAID/Jamaica. Section 8.06 of the Loan Agreement is clear in this respect: ". . . In the case of any disbursement not supported by valid documentation in accordance with the terms of this Agreement, or of disbursement not made or used in accordance with the terms of this Agreement, AID notwithstanding the availability or exercise of any of the other remedies provided for under this Agreement, may require Borrower to refund such amount ...".

The procedures for collecting such refunds are stated in AID Handbook 19 - the very same handbook cited by USAID/Jamaica. In part, Handbook 19 states that ". . . refunds under AID Loans . . . include claims against a cooperating country or other borrower as the result of any breach or violation of the procurement, utilization, or related substantive aspects of performance under an AID loan . . .". Also, the same handbook (Section 7D2d(2)) states the procedures to be followed for collecting "Claims as a Result of Audit Finding". This section provides the necessary steps for Missions to achieve a balanced diplomatic approach and the settlement of valid claims. For the above reasons, the following recommendation has been modified, but is hereby retained:

Recommendation No. 3

Using the provisions of AID Handbook 19, Section 7D2d(2), USAID/Jamaica should collect J\$77,373 from the Government of Jamaica for costs reimbursed by AID for work that was unrelated to flood damage or for incomplete work.

USAID/Jamaica also presents several reasons why Recommendation No. 5 should be deleted from our report: (a) political, (b) cost/benefit, (c) time and resources, and (d) impracticality of estimating costs or visiting all sites. This position merits further evaluation and consideration during the recommendation clearance process.

However, the Mission's position does not provide a sound justification for audit to delete the recommendation. Our review was made on a sample basis and it showed a series of improperly reimbursed transactions. The full extent and materiality of the problem should be determined by USAID/Jamaica. How the work is done is left to the discretion of USAID/Jamaica.

Recommendation No. 4

USAID/Jamaica should (a) inspect the repaired schools that we did not visit and identify costs reimbursed for work not related to flood damage or not completed; and (b) collect from the GOJ any additional amounts due to violations of the terms of the agreement.

Design and Construction Defects Were Noted in Audit Field Inspections.

During the course of our field trips, we noted a number of construction deficiencies. Some have developed over time, while others were always present and should have been caught and corrected earlier.

GOJ supervision of construction activities was handled by two governmental units: the National Development Agency (NDA) and the MOE Special Project Division (SPD). The NDA supervised the construction of the agricultural schools at Elim and Passley Gardens, the Passley Gardens Teacher College and the EDDC in Kingston. The SPD awarded contracts for work under the rural primary activity, such as (a) construction of six classroom buildings; (b) construction of twenty-one generator plant buildings; (c) wiring of adjoining primary schools; and (d) construction of thirteen classroom buildings for the continuing education activity.

During our field inspections we visited the schools at Salt Marsh, Elim, Passley Gardens Agricultural School, and EDDC building complex. Following are some of our observations:

- (a) There were visible cracks at Salt Marsh. We saw two vertical cracks which divided the building into three sections in both the front and back. The porch had a long horizontal crack in its

front face. We were told that some of the cracks had become evident three months after its occupation, in September 1981. Both the contractor and the Ministry of Education had been informed, but no corrective action had been taken. According to USAID/Jamaica, the cracks were not visible at the time Mission personnel attended the dedication. USAID/Jamaica informed us that the Mission Engineer has a scheduled a visit to this school.

- (b) There were electrical problems and some wood rotting at Elim agricultural school. Much of the wood exposed to the elements was rotting. The NDA construction supervisor told us that the wood was supposed to have been treated to prevent rotting; but, it obviously was either improperly treated or not treated at all. In addition, the voltage in this school was supposed to be 120 volts, but tests by the maintenance supervisor determined the power at 190 volts. The school has a history of a large number of light bulbs being burned out and problems at the slaughterhouse where no more than one piece of equipment can be operated at one time. In responding to our draft audit report, USAID/Jamaica stated that work on the electrical problems will be pursued and that the Mission Engineer would also be visiting the school to assess the extent of damage of the wood rotting.
- (c) At Passley Gardens Agricultural School, there was a noticeable lack of drains around the buildings. Run-off water from the buildings fell directly on the ground and eroded the earth around the building foundation of the building.

Finally, we noticed certain design and construction defects at the EDDC building complex which reduced the effectiveness of space utilization and caused excessive use of electricity and a strain on equipment. During our visit to the building site and in a subsequent review of project documentation, we found that construction defects were noted and while some were brought to the MOE's attention, minimal corrective action was taken. Therefore, attention is again directed to the following problems which are a major concern:

- The building complex was designed to be fully air conditioned. However, the air conditioning unit in the library - the most frequently used place of the complex - has not been in operation since December 1981.
- No air conditioning system was installed in the laboratory room adjacent to the auditorium. The heat from the sun coming through the windows made working in the area unbearable. Minimal use was made of this space.

- The entire complex of buildings had clear glass windows instead of tinted windows. Heat from the sun penetrates into the building interiors and requires the air conditioning units to work much harder than necessary.
- The air conditioning unit was in a room which provided very little space to do any type of repair or maintenance work.
- The distance that rain water must fall from the buildings is well over 10 feet. Splash slabs have been installed to check the erosion. Previously, the water was allowed to splash onto the ground; this created holes and puddles.
- No drains were provided to carry off rainwater. Rainwater was allowed to accumulate in low areas throughout the school complex.
- The windows near the ceiling of the auditorium were covered with cardboard to block out the sun. Design of the windows for this space should have considered the need for shades to block-out the sun light. The shades would have reduced electrical air conditioning costs.
- The fire alarm system was installed after construction was completed. Therefore, the walls had to be penetrated to accommodate the system. The walls were not covered over adequately to hide the retrofitted fire system. The Chief Education Planner had no idea how the fire alarm system worked. He did not have blue prints of the building or the various systems therein.

Our draft audit report included a recommendation for USAID/Jamaica to obtain from the Ministry of Education a plan to assure that construction defects at the EDDC would be corrected prior to making any additional payments. In its response, USAID/Jamaica stated that all the deficiencies have now been corrected to the satisfaction of the consulting architect hired by the MOE for that purpose. Retention of funds will be returned to the contractor. We believe that the intent of our recommendation has been achieved. For this reason, we are only including two recommendations where action is still required.

Recommendation No. 5

USAID/Jamaica should inspect the cracked building at Salt Marsh and take appropriate corrective action.

Recommendation No. 6

USAID/Jamaica should obtain from the Ministry of Education a report on the cause(s) of the construction problems at Elim and Passley Gardens Secondary Agricultural Schools and initiate the corrective action.

The GOJ Is Not Providing Sufficient Funds for Maintenance.

Jamaica has had a history of not providing adequate maintenance to its schools. Our review showed this to be a continuing problem and the lack of maintenance to project facilities and equipment was evident. We believe that the primary reason for this condition is that the GOJ is not allocating sufficient financial resources to this phase of the program.

The original project paper stated that Jamaica had suffered from an inadequate school maintenance program and this inadequacy had an adverse impact on educational effectiveness. The project was to attack the maintenance problem on three levels; (1) Ordinary Routine Maintenance -- This was identified as the most obvious shortcoming in need of improvement; (2) General Repairs -- With the help of technical assistance, the project would develop a program for required school repairs and develop uniform procedures, forms, and a manual for the entire process of maintenance by contract; and (3) Renovation/Remodeling of schools -- for the Continuing Education and Rural Primary Activities. Part of the funds contributed for the Rural Primary Activity were to be used to promote community self-help participation in construction, remodeling, renovation and maintenance of rural primary schools.

The maintenance problem was not addressed by the project because the funding was diverted to other activities -- mainly for repairs to flood-damaged schools. In addition, no maintenance technical assistance was obtained by the MOE. As a result, we found the lack of maintenance to be a continuing problem.

The rural primary and continuing education sub-center buildings visited were in reasonably good condition. However, the schools next to them showed signs of neglect. Without a good maintenance program, most of the buildings constructed under the project could fall into a similar state of disrepair.

Lack of maintenance was not only affecting project facilities but also project equipment. We found equipment that had been broken and was awaiting repair at a number of schools:

- Both Passley Gardens Agriculture School and Teacher Training College had a number of projectors which did not work.
- The rural primary school at Salt Marsh had a broken duplicating machine. The principal notified the MOE about the machine, but he was not sure about what the repair procedure was.
- The cold room and the milking machine at Elim have frequent breakdowns. The school electrician attributed the breakdowns to lack of preventative maintenance.

The generator plants of three schools visited had maintenance and/or security problems:

- Two of the buildings were not locked and therefore subject to vandalism. One, (Mount Joseph) had a broken door that could not be closed. Another (Bellview) had a steel door that was not locked, and children were playing inside during our visit. Russells had a lock on the door, but they had no key. The lock was pried off the door when entry was desired and nailed back onto the door frame afterwards. These generators are expensive pieces of equipment, and if not kept secure, are subject to vandalism and theft.
- Fuel was not being supplied to rural primary schools with generators. All 3 of the schools visited had not received fuel, or funds to purchase fuel, from the MOE. Each school received one full tank when the generators were installed. Some teachers have purchased fuel with their own funds. The generators were not being used very often. The fuel tank at Russells school was full and the generator remained unused because of electrical wiring problems at the school.

Although the MOE had recently established a routine maintenance program for its primary schools, we believe that the overall maintenance program funding was inadequate. Funding actually declined over the past 9 years. MOE annual budget for maintenance in 1973/74 was \$1.7 million, while the budget for 1981/82 was only \$1.29 million. This budget is supposed to take care of the maintenance for over 800 primary schools; 82 secondary schools; 58 high schools; 4 trade & vocational schools; 4 community colleges; and 8 teacher colleges. When the effects of inflation are considered, the prospect of meeting the maintenance requirements does not seem very promising.

The following shows more specific examples of the maintenance plans for three of the schools constructed under the project:

- (a) AID disbursed more than \$3.1 million for construction of the Passley Gardens and Elin Agricultural Schools. In turn, the GOJ has only budgeted \$14,055 for maintenance of the two schools. This amounts to .45 of 1 percent of AID's disbursements.
- (b) AID disbursed about \$1.3 million for the construction of the Passley Gardens Teachers College. The amount budgeted for maintenance by the GOJ for 1981/1982 totals only \$2,249, or .17 of 1 percent.

On the basis of the above analysis, we believe that the present MOE school maintenance program is clearly inadequate and that additional funding is needed.

In responding to our draft audit report, USAID/Jamaica stated that the MOE had sought funding for a comprehensive ministry-wide maintenance program but was only partially successful in their request to the Ministry of

Finance. USAID/Jamaica was to approach the Ministry again for assurance of a budget for adequate maintenance for both project facilities and equipment. We are retaining our original recommendation in this report until such assurances from the MOE have been obtained by the Mission.

Recommendation No. 7

USAID/Jamaica should obtain from the MOE a comprehensive maintenance program, which includes adequate funds for maintaining both project facilities and equipment.

Financial Controls

Mission's Financial Procedures and Controls Are Weak.

There was a need for USAID/Jamaica to make a careful reexamination of its procedures to control sub-obligations and to process reimbursement requests from the GOJ. Our review of the Jamaica Rural Education Program disclosed the following types of problems: (a) 38 percent of the reimbursed costs examined by us lacked adequate support and the requisition orders supporting the vouchers showed no indication that they had either been delivered or paid; (b) the Mission was accepting copies - rather than originals - of internal requisitions and authorizations as supporting documentation; and (c) the Mission was not reviewing records maintained by the GOJ. Similar findings were noted in a previous audit report. Therefore, there are weaknesses in USAID/Jamaica procedures which make it vulnerable to possible violations of the anti-deficiency act and to possible impropriety in the use of funds.

Support for Reimbursement Requests. In order to expedite the processing of reimbursement requests and reduce the paperwork load, the Mission in some instances has been accepting as supporting documentation listings of payments made to contractors and photocopies of the GOJ's internal requisition requests and voucher authorizations. While this procedure may expedite the processing of reimbursement requests and reduce the filing burden on the Mission, we believe that there is a need to establish and implement a procedure to review the records maintained by the various GOJ institutions to ascertain the validity of the supporting documentation, particularly for those claims that were liquidated without adequate support.

Our review of the reimbursement requests included a test check of transactions; we found that a substantial number of claims lacked adequate support. For example, we made a detailed review of two reimbursement requests totaling \$317,162 and found that \$115,864. (about 38 percent) lacked adequate support. The vouchers contained MOE requisition orders for support, but there was no indication that these orders had either been delivered or paid for.

When we attempted to trace our sampled transactions to the records maintained by the GOJ, we found additional problems with the procedures of the

MOE. For example, the Special Project Office of the MOE did not have supporting documentation for some procurement actions and most of the construction payments; construction payments were also made from summary billings; and, the MOE was not able to provide a reconciliation of project disbursements. Based on our tests, we believe there is a need for a complete financial audit to be made of the affairs of this project to ensure that all expenditures are fully supported. As stated later in the report, no audit had been made. Therefore, Recommendation No. 10 should be implemented.

In discussing our findings during the audit and at the exit conference, we were told by Mission officials that periodic financial reviews of the MOE and other GOJ agencies had been made. However, no written reports discussing scope and results of the reviews were prepared. Consequently, there was no information available that could be used to determine the reliability of records and the adequacy of controls of the various GOJ agencies.

The need to improve financial management at the MOE was stressed in our first audit report of this project. In addition, weaknesses in financial management were reported in our audit of the Integrated Rural Development Program (A/R 1-532- 82-9). Weaknesses in AID's voucher approval and payment system were reported in Inspector General's Report No. 0-000-82-38, issued January 27, 1982.

USAID/Jamaica should examine its procedures to review and improve its internal controls relative to financial controls and processing of reimbursements. We believe that current operating practices could expose USAID/Jamaica to vulnerabilities of over-obligation of funds and reimbursement for improper costs. In an effort to improve its financial management, USAID/Jamaica should implement Recommendation No. 1 of this report.

Unliquidated Funds Should Be Reviewed and Some Funds Deobligated.

The unliquidated balance for the project was not disbursed before the terminal disbursement date (TDD) of June 30, 1982. As of March 31, 1982, AID project disbursements totalled \$10,048,024, leaving \$1,124,194 in unliquidated sub-obligations:

Construction	\$263,890
Equipment, Materials & Supplies	541,445
Technical Assistance	32,573
Participant Training	41,502
Research	203,449
Construction	<u>41,335</u>
TOTAL	\$1,124,194 =====

The last GOJ voucher was submitted in February 1982, covering project activities for November 1981. Activities such as Technical Assistance, Participant Training and Research had been completed and the Mission was

awaiting billings. Because of the numerous extensions that have already been granted to GOJ, USAID/Jamaica allowed the TDD to expire and no extension was made. The Ministry of Education proposed that all undisbursed funds be used to pay for construction overruns. We believe that (1) the GOJ should cover construction overruns with its counterpart funds and (2) additional funds should not be applied to construction because they would exceed the budgeted ceilings established in the loan agreement. As of June 30, 1982, any undisbursed funds should be deobligated; this is the intent of the recommendation at the end of this section.

In responding to our draft audit report, USAID/Jamaica stated that it had requested AID/W to deobligate all unexpended funds (about \$715,059) left in the project. It also noted that certain construction costs were in arbitration and their eventual settlement may require about \$170,000 at some future date; in this case, new obligational authority will be sought to settle these claims. Pending completion of the deobligation action, the following recommendation is retained in the report:

Recommendation No. 8

USAID/Jamaica should deobligate project funds which were not disbursed or validly sub-obligated as of June 30, 1982.

The Amount of Host Government Contributions Was Not Clear.

Three types of problems were found in the area of Host Government counterpart fund contributions: (a) improvements were needed in GOJ accounting and reporting procedures as they relate to the sharing arrangement; (b) the contributions need to be adjusted to reflect devaluations of the Jamaican currency; and (c) procedures need to be strengthened to preclude the GOJ from shifting the use of its funds without specific approval from USAID/Jamaica. In sum, USAID/Jamaica needs to review accounting and reporting procedures for the future and reach an understanding with the GOJ on counterpart fund requirements.

The GOJ financial input into the project was to be the equivalent of US\$ 11.1 million. This amount has remained the same even though the loan agreement was amended to increase AID's funding by \$2.1 million. No periodic reports were being maintained by the Mission for GOJ counterpart expenditures. At our request, the MOE prepared a report on counterpart expenditures through December 31, 1981. The report had not been adjusted to reflect the effects of devaluation. We were told by MOE Controller's office that charges for personnel and administrative and operating expenses were estimated. Although the GOJ reported that its expenditures exceeded project requirements, a different picture emerged when the totals were adjusted for the devaluation of the Jamaican dollar.

As of December 31, 1981, the GOJ reported that it had expended J\$14,711,261; this amount was calculated by converting US\$11.1 million at the 1975 exchange rate of J\$.9125 = US\$1.00. If all GOJ counterpart was

disbursed in 1975, this would be correct. However, there have been a number of devaluations of the Jamaican currency since 1975 and the GOJ spent much of its counterpart after several of these devaluations. The exchange rate since May 1979 has been J\$1.77875 = US\$ 1.00.

Therefore, a more equitable way of calculating the dollar value of counterpart disbursements would be to use the exchange rate in effect at the time of the expenditure. Since counterpart reports were not compiled regularly, we used the following formulae to estimate the counterpart contribution:

- (1) All expenditures thru May 31, 1979 were calculated at the 1975 exchange rate of J\$.9125 = US\$1.00
- (2) All expenditures after May 31, 1979 were calculated at the rate in effect - J\$1.77875 = US\$1.00

A comparison of planned and actual counterpart expenditures (in U.S. Dollar equivalent), by activity follows (information is as of December 31, 1981):

<u>Activity</u>	<u>Planned</u>	<u>Actual</u>	<u>Difference</u>
Continuing Education	\$ 988,000	\$ 646,361	\$ (341,639)
Rural Primary	400,000	662,075	262,075
Rural Secondary	6,084,000	6,009,720	(74,280)
Teacher Education	2,501,000	1,784,653	(716,347)
Management Dev	592,000	948,829	356,829
Contingency	535,000	-0-	(535,000)
	<u>\$11,100,000</u>	<u>\$10,051,638</u>	<u>\$(1,048,362)</u>
	=====	=====	=====

On this basis, then, we believe the GOJ contribution was slightly below the planned amount, but within satisfactory and acceptable limits.

An analysis of the project cost components showed that the MOE shifted funds from all components into the Land, Construction and Equipment component. Contributions for Personnel were reduced by almost 80 percent and administrative and operating expense by almost 50 percent.

GOJ Counterpart by Cost Component
As of December 31, 1981
(In US dollar equivalent)

<u>Cost Component</u>	<u>Planned</u>	<u>Actual</u>	<u>Difference</u>
Land, Construction & Equipment	\$ 5,879,000	\$ 8,416,035	\$ 2,537,035
Funds Contribution	605,000	211,008	(393,992)
Personnel	2,156,000	450,030	(1,705,970)
Administrative & Operating Exp.	1,925,000	974,565	(950,435)
Contingency	535,000	- 0 -	(535,000)
	<u>\$11,100,000</u>	<u>\$10,051,638</u>	<u>\$(1,048,362)</u>
	=====	=====	=====

In our first audit of the project, we recommended that the counterpart funding be recalculated to adjust for devaluations of the Jamaican dollar. We found no evidence that such a recalculation was ever done.

The devaluation of the Jamaican currency is obviously distorting the amount of local currency that the GOJ was to contribute towards the project. In addition, the terminal disbursement date of the project has expired and will not be extended. To ensure that the GOJ is making appropriate contributions, we believe that USAID/Jamaica should review Host Country contributions to other AID assisted projects. This should be accomplished when Recommendation No. 1 of this report is implemented.

No Periodic Audits of The Project Has Been Made.

Periodic audits of project activities by the Ministry of Education have not been undertaken since inception of the project. Such audits were required by the terms of the loan agreement.

Section 4.09 of the loan agreement requires that the Ministry of Education's books and records for the project be "regularly audited." In our previous audit report, we found that no such audits were being performed. In response to the report, the Permanent Secretary, Ministry of Education, requested by letter that the Ministry of Finance and Planning have the Auditor General of Jamaica carry out regular audits of the project books and records. The MOE Controller told us that the operations of the MOE were periodically audited by the Auditor General's Office -- as are all GOJ operations.

In our first audit of the project, we recommended that the Mission request MOE's compliance with the audit provisions of the loan agreement. However, outside of Ministry-wide audits, no other audits have been performed. As of March 31, 1982, unaudited program expenditures have exceeded \$20 million.

Recommendation No. 9

USAID/Jamaica should request the GOJ Auditor General to make a financial audit of project books and records covering the duration of the project.

Controls Over Commodities

Procedures to Manage Commodity Procurement and Distribution Were Lax.

Procedures to manage commodity procurement and distribution under the project needed improvements. Controls over receipt and distribution were lax. Standardized property records and controls have not been established. As a result, neither the GOJ nor USAID/Jamaica was able to determine how much of the approximately \$2.7 million worth of commodities had been received and utilized.

The GOJ did not have the necessary staff or the guidelines to facilitate adequate commodity management. For example, at the time of our review, the Ministry of Education had only one person responsible for overseeing the procurement, control and distribution of commodities. In addition, there were no guidelines for the checking and reporting of commodities received.

Commodities were not checked until delivered to end-users. Procedures for checking shipments varied from one recipient to another. Checking had to be done against the packing list because end-users were not given advance notice of what they were supposed to receive. Without a copy of the purchase order, it was practically impossible for the recipients to determine whether the items received were the same as those ordered and paid for.

Because of the lack of guidelines and procedures, deliveries were checked with little supervision, and frequently unpacking was done on an as-needed basis. For example at three schools visited, commodities were still in crates, although the commodities had been received months prior to our visit. One of the reasons for delays in unpacking and checking of deliveries was that the schools were not required to submit to the Ministry of Education timely and detailed reports on shipments. The only requirement was to report any discrepancies or damages; however, the preparation of these reports were significantly delayed. As a result, claims for damages and shortages could not be filed.

Standardized property records and controls had not been established as recommended in our previous audit report. In response to our recommendation, some technical assistance was provided and an attempt to design and implement a system was made. However, in the end, the system was not established. The Ministry of Education did establish an acceptable filing system for the procurement records. Also, with the consultant's help, an attempt was made to reconcile the PIO/Cs with the purchase orders to establish a baseline for reconciliation with actual deliveries and commodity usage. However, the consultant departed before the exercise was completed. The exercise was not continued after the consultant departed. Thus, no overall baseline for the reconciliation of commodities was available at the time of our review.

Attempts were made to have end-users submit on a regular basis uniform receiving reports and commodity usage & control reports. These efforts did not pass the planning stages. The only reports received were for defective or damaged commodities. Unless something was reported by the end-users, the assumption at MOE was that the shipment was complete and in order. Consequently, MOE could not determine if all the commodities purchased were delivered or whether they were being used by the intended end-users. For example, we tried to reconcile MOE records with a sample of commodities reportedly delivered to the schools. A total of \$81,592 in commodities had been shipped under five PIO/Cs to two schools. The schools could not account for the receipt of \$17,599 worth of commodities:

<u>School</u>	<u>PIO/C Number</u>	<u>Line Items</u>	<u>Value</u>
Passley Gardens Teacher College	70145	22	\$ 4,452
	70124	15	5,173
	70126	2	264
	70104	40	6,238
Elim Agricultural School	70092	3	<u>1,472</u>
Total			\$17,599 =====

According to school officials, the commodities in question were never delivered. However, MOE records showed that the goods had been delivered and payment made. The MOE cited two overriding reasons as the causes for the poor commodity management: (a) the lack of adequate personnel to oversee the entire process and to institute the standardized system of records and controls; and (b) the lack of cooperation by the various schools to submit reports and maintain adequate records.

Commodity Controls at Schools Were Weak .

Controls over commodities at the schools were very weak. Schools were not maintaining adequate property control records, and, as a result, they were not able to properly account for all commodities provided to them.

The property control records varied at the three schools we visited. The Elim Agricultural School prepared a listing of all equipment received, the Passley Gardens Teacher College kept only a partial listing of equipment received, and the Passley Gardens Secondary Agricultural School prepared no records on the equipment received. Property control records at the other participating facilities were also inadequate.

Inventories had not been taken at any of the schools. When equipment was distributed within the school, no one was assigned specific responsibilities for it. The location of the equipment was not properly recorded, making it very difficult not only for the school, but also for the MOE to keep track of the use and distribution of the equipment. For example, during our field visits, we had difficulty in locating some of the equipment included in our sample. Since there were no records, sometimes school officials could not remember where the equipment was located. Another problem noted was that equipment had been transferred from one facility to another without proper documentation.

Some of the equipment included in our sample was not in use mainly because of two reasons: (1) manufacturer's defects or incomplete parts, and (2) lack of facilities. We found 8 projectors at Passley Gardens Secondary Agricultural School and the Teacher College that had been broken and were

not working, and a 3M duplicating machine which could not be operated because of a missing instruction brochures. At the Secondary Agricultural School, an industrial serving machine and gas range were not in service because parts were incomplete. Also, some of the equipment and supplies that arrived in the later shipments were not used because the hookups in the laboratory were not working. Audio-visual equipment in at least three facilities was not in use because it came without some parts and instructions. Most of the gymnastics equipment has not been used because there were no facilities. The MOE was not aware of these deficiencies and naturally, no claim had been filed. In instances where claims had been filed, we found that unless corrective action was taken on the first claim, there was no follow up system.

An additional problem noted was the lack of adequate storage and control for the equipment, supplies and tools. Some of these items are highly valued in Jamaica and essential as teaching aids, therefore, appropriate measures for their storage and control should be taken.

We found that some commodities purchased for the Continuing Education Activity had been shifted to other uses without Mission approval. A large amount of equipment and three vehicles were purchased for the Continuing Education Activity. Each of the Continuing Education centers (Elim, Passley Gardens & Dintnill) received one vehicle and commodities including audio visual equipment for their activities. Since the continuing education centers never became operational, the equipment was absorbed by the schools in which the centers were located. Elim and Passley Gardens Agricultural Schools were each using a vehicle but the third vehicle was never delivered to Dintnill and had been used solely by the Director's Office, Special Projects Division, Ministry of Education. We believe the Mission should be involved in any decisions to change the use of equipment purchased with AID funds.

Here Are Our Conclusions On Controls Over Commodities.

Some of the above problems were either cited or anticipated in our previous audit report and relevant recommendations were made; however, very little was accomplished in the area of property control. The need for establishing and implementing standardized property records and controls is obvious. Education is one of the primary objectives of the Jamaican development strategy, and as a result, improved management techniques are needed to accomplish this objective.

Considerable resources have already been spent on equipment and supplies, over \$2.7 million under this project alone. Projections are that the education sector will continue to expand. Therefore, a sound system of property records and controls will be an invaluable tool in the efficient administration and use of equipment and supplies. We feel that immediate action should be taken by the GOJ and USAID/Jamaica to establish and implement an adequate property record and control system to ensure proper accountability of the commodities procured under this project.

Overall, neither USAID/Jamaica nor the GOJ were able to give proper accountability for the distribution and use of the commodities acquired under this project. Although the bulk of the procurement has been completed, it is necessary, we believe, for the GOJ and USAID/Jamaica to ascertain that all commodities purchased have been received and that they are being appropriately used. This is important, not only to determine and recover any shortages, but to establish the basis for a uniform system for property records and controls which will help minimize the possibility of losses and misuse of commodities. It will also facilitate a better management and control of future acquisitions. Our draft audit report included the two recommendations found at the end of this section.

In its response, USAID/Jamaica felt that one recommendation -- calling for a complete reconciliation of purchases and receipts -- should be deleted from the report because it would require many person-months of time to do and also because of the limitation of staff to do the work.

The position of USAID/Jamaica does not provide a sound basis for audit to delete the recommendation from the report. Our review showed very serious deficiencies with the internal controls and monitoring procedures of USAID/Jamaica. In effect, the Mission did not monitor the system in a proper manner at an opportune time. As a result, our audit showed the possibilities of diversion of commodities. For instance, two schools could not say whether they had received 21 percent of the commodities apparently shipped by the MOE. Given this high potential for problems, we believe the task recommended by us is necessary. Without a doubt, the work will take time; however, this effort should have been expended by USAID/Jamaica at the time the project was being implemented.

Recommendation No. 10 and the position of USAID/Jamaica should be carefully evaluated by top Agency management during the recommendation clearance process.

Recommendation No. 10

USAID/Jamaica should obtain from the GOJ a reconciliation of PIO/Cs, purchase orders, receiving reports and usage reports for all commodities, valued at about \$2.7 million, purchased under the project to ensure receipt and appropriate usage.

Recommendation No. 11

USAID/Jamaica should request the GOJ to establish and implement property records and control system for all schools.

USAID/Jamaica Approved and Procured Ineligible Commodities.

Twelve PIO/Cs were issued by USAID/Jamaica which provided for the purchase of ineligible commodities. USAID/Jamaica did not request prior authorization from the AA/LAC as required by the handbooks. Although the transactions have now been retroactively ratified by the AA/LAC, USAID/Jamaica needs to be reminded to improve its internal controls to preclude the recurrence of a similar problem in the future and AA/SER needs to clarify the appropriate AID Handbooks.

The total value of these PIO/Cs was \$282,867. A summary follows:

<u>PIO/C Number</u>	<u>Items Purchased</u>	<u>Value</u>	<u>Subtotals</u>
532-009-9-70081	Home Economics Equipment	\$23,423	
532-009-9-70158	Home Economics Equipment	28,900	
532-009-9-70126	Home Economics Equipment	25,800	\$78,123
532-009-9-70119	Musical Equipment	9,297	
532-009-9-70080	Musical Equipment	3,000	12,297
532-009-9-70094	Kitchen Equipment	15,500	
532-009-9-83045	Kitchen Equipment	83,000	98,500
532-009-9-70092	Needle Work Equipment	4,400	
532-009-9-70093	Needle Work Equipment	4,400	8,800
532-009-9-70145	Physical Ed. Equipment	38,100	
532-009-9-70143	Physical Ed. Equipment	23,858	
532-009-9-70144	Physical Ed. Equipment	23,189	85,147
			\$282,867
	Total		=====

The first ten PIO/Cs were detected in an earlier RIG/A audit and the last two PIO/Cs were identified in our audit. These commodities were to be used in various curriculum at Secondary Agriculture Schools and Teachers College. The PIO/Cs in question were cleared by Mission Director as well as by personnel in the Education, Capital Development, Controller's, and Program Offices. However, consultation with AID/W appears not to have taken place and the Assistant Administrator for Latin America did not authorize the procurement.

When the legality of the purchases was questioned, the Mission stated that "some of these commodities are initially ineligible under AID commodity eligibility listing in HB 25, but are integral components of developing residential agricultural school." The Mission believed that the procurement of the types of equipment mentioned above was highly appropriate and necessary to meet the theoretical and functional goals and purposes of this specialized project. However, some of the equipment was not being used at the time of our review.

During our field visits, we noted that the large physical education equipment at the Passley Gardens Teacher Training College (i.e., trampoline, balance beam, etc.) had not been used. The principal told us that the equipment

was not being used because they did not have a physical education teacher or a gymnasium.

Handbook 15 provides that ineligible commodities may be made eligible under a particular assistance agreement if reference is made to the commodities in the implementing documents under that agreement. We found no such reference in either the project paper or the loan agreement. The Mission approached LAC/DR two times to obtain a waiver of commodity eligibility for the items purchased under the PIO/Cs. Before our review was completed, the LAC/DR sent a cable stating that it was unable to recommend approval of a waiver for the purchase of musical instruments and physical education equipment under the loan. However, LAC/DR stated that it could seek a retroactive ratification for \$185,423 worth of the commodities. When we left Jamaica, there remained \$97,444 of ineligible items for which ratification had not been obtained.

In discussing the ineligible items at the Exit Conference, we informed the Mission that it would not be fair to reclaim the \$97,444 from the GOJ and cited the following rationale. The MOE requested AID to purchase this equipment for them. No objections were made by AID personnel. Their request was approved by four offices within the Mission as well as by the Mission Director. The MOE was not told that the items in question were ineligible until after they were purchased. The GOJ was, in effect, misled by the Mission.

We informed the Mission of our intention to include - and we did include - two recommendations in our draft audit report for the AA/LAC to reconsider the apparent rejection of the post-facto ratification and to consider the issuance of a reprimand to the AID Officers who authorized the ineligible items.

In response to our draft audit report, USAID/Jamaica informed us that the AA/LAC had obtained and granted a retroactive waiver on June 3, 1982, for the entire \$282,867 of ineligible items. In his response, the AA/LAC stated that it was undisputed that the commodities in question were integral components of the developing residential agricultural schools. As a result, the AA/LAC granted a retroactive ratification--slightly different than a waiver--of the procurement transaction. On this basis, then, there would no longer be any financial claims by the Agency either against the GOJ or the USAID Officials.

The AA/LAC and GC also agreed that a prospective approval rather than ratification would have been more appropriate for these commodities. However, the GC stated that part of the confusion might have been due to the fact that the relevant AID Handbooks (No. 1, Supplement B, and No. 15) are somewhat vague on the proper timing for the eligibility determinations to be made by the appropriate Assistant Administrator.

Regarding a possible reprimand to the AID Officers involved, the AA/LAC stated that his staff had reviewed the circumstances involving the approval of ineligible commodities of USAID/Jamaica. Based on this review, he felt the approval had resulted from the broader problem of managerial and monitoring practices discussed in the overall assessment section. He therefore did

not feel that an official reprimand was appropriate. However, both the AA/LAC and GC felt that two actions would seem proper: (a) to send a letter to the Mission Director expressing concern over managerial and monitoring practices with views towards precluding a repetition of the problem in the future, and (b) to provide oral counseling to the responsible individual officers that would be geared towards the future. The AA/LAC will take the needed action to counsel the responsible personnel. Therefore, in line with the AA/LAC request, we have revised our recommendations in the following manner:

Recommendation No. 12

The AA/LAC should communicate his concern to the Mission Director in Jamaica that appropriate managerial and monitoring practices be put in place to ensure that AID-financed projects are carried out properly and that proper procedures are followed.

Recommendation No. 13

The AA/SER examine the provisions of the applicable AID Handbooks (No. 1, Supplement B and No. 15) and clarify them in respect to the need for prospective, rather than retroactive, approvals for normally ineligible commodity transactions.

AID Markings Were Not Evident.

Much of the construction work and most of the project commodities were not properly marked with AID emblems.

Only three of the eight project vehicles that we inspected had the AID "Hand Clasp" emblem affixed. Passley Gardens and Elim Agricultural Schools and Passley Gardens Teachers College did not have permanent signs indicating that AID had contributed to their construction. Temporary signs were in place, but were starting to deteriorate. None of the Rural Primary School buildings, Rural Primary generator plants, or the Continuing Education Sub-centers were properly marked when we visited them.

Section 6.11 of the project loan agreement stated that signs were to be placed at project sites bearing the Alliance for Progress and 'Hand Clasp' emblems. Loan financed goods should also be marked. Lack of compliance with AID marking requirements was mentioned in our first audit report but sufficient corrective action was not taken. We are therefore repeating the recommendation.

Recommendation No. 14

USAID/Jamaica should take steps to assure that the GOJ complies with the marking requirements in the loan agreement.

	Continuing Education		Rural Primary		Rural Secondary		Teacher Education		Management Development		Total	
	GOJ	AID	GOJ	AID	GOJ	AID	GOJ	AID	GOJ	AID	GOJ	AID
Capital Contribution												
Land and Construction	\$75	\$250	\$ -	\$159	\$3887	\$3172	\$1637	\$1420	\$280	\$531	\$5879	\$5532
Major Equipment	-	211	-	290	-	1872	-	750	-	185	-	3308
Contingency	-	-	-	-	364	-	159	-	12	-	535	-
Total	\$75	\$461	\$ -	\$449	\$4251	\$5044	\$1796	\$2170	\$292	\$716	\$6414	\$8840
Non-Capital Contribution												
Technical Assistance	\$ -	\$ 66	\$ -	\$ 45	\$ -	\$ 109	\$ -	\$ 38	\$ -	\$210	\$ -	\$468
Training	-	86	-	76	-	246	-	95	-	183	-	686
Materials, Supplies & Minor Equipment	-	-	-	-	-	-	-	-	-	-	-	-
Western Jamaica Flood Program	-	212	-	544	-	164	-	-	-	-	-	920
Research	-	-	-	-	-	-	-	-	-	285	-	285
Funds Contribution	55	1	120	-	30	-	-	-	-	-	205	1
Personnel	530	-	150	-	700	-	275	-	125	-	1780	-
Admin/Operating Costs	328	-	130	-	1467	-	589	-	187	-	2701	-
Total	\$913	\$365	\$400	\$ 665	\$2197	\$ 519	\$ 864	\$ 133	\$312	\$ 678	\$ 4686	\$ 2350
Grand Total	\$988	\$826	\$400	\$1114	\$6448	\$5563	\$2660	\$2303	\$604	\$1394	\$11100	\$11200
	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====

AID Disbursements
As of March 31, 1982

<u>Project Activity</u>	<u>Continuing Education Disbursement</u>	<u>Rural Primary Disbursement</u>	<u>Rural Secondary Disbursement</u>	<u>Teacher Education Disbursement</u>	<u>Management Development Disbursement</u>	<u>Total</u>
Construction	\$196,489	\$149,229	\$3,108,120	\$1,295,049	\$519,406	\$5,268,293
Equipment, Materials & Supplies	155,708	264,580	1,581,426	593,178	160,068	2,754,960
Technical Assistance	65,674	41,172	88,654	31,762	204,071	431,333
Participant Training	81,851	73,425	218,073	88,744	170,615	632,708
Research	-0-	-0-	-0-	-0-	81,551	81,551
Funds Contribution	975	-0-	-0-	-0-	-0-	975
Personnel	-0-	-0-	-0-	-0-	-0-	-0-
Admin/Operating Cost	-0-	-0-	-0-	-0-	-0-	-0-
Reconstruction (Western Jamaica)	<u>207,006</u>	<u>532,670</u>	<u>138,528</u>	<u>-0-</u>	<u>-0-</u>	<u>878,204</u>
TOTAL	<u>\$707,703</u> =====	<u>\$1,061,076</u> =====	<u>\$5,134,801</u> =====	<u>\$2,008,733</u> =====	<u>\$1,135,711</u> =====	<u>\$10,048,024</u> =====

Analysis of Flood Related Work

<u>School</u>	<u>Unnecessary Work</u>	<u>Poor Quality Work</u>	<u>Incomplete or Missing Work</u>
ROEHAMPTON PRIMARY			
Defective Paving	J\$ -0-	J\$2,686	J\$ -0-
Improperly Installed Storm Drain		2,230	
Improperly Installed Pipe		320	
Incomplete Roof Repairs			375
Garage for Principal's Cottage constructed using materials furnished by principal			300
Grillwork to Principal's Cottage	1,365		
	<u>1,365</u>	<u>5,236</u>	<u>675</u>
	=====	=====	=====
HADDO PRIMARY			
Repaired roof leaks		1,200	
Roof repairs not done			550
Electric repairs not done			600
Painting not done			1,040
New water tank not installed			5,030
	<u>-0-</u>	<u>1,200</u>	<u>7,220</u>
	=====	=====	=====
PETERSFIELD PRIMARY			
Gutters not installed			450
Leaks improperly repaired		720	
Roof repairs not done			646
Latrine repairs not done			216
Burglar bars in canteen	360		
Burglar bars	3,600		
	<u>3,960</u>	<u>720</u>	<u>1,312</u>
	=====	=====	=====
FRIENDSHIP ALL-AGE			
Roof leak in Block 1		200	
Electrical work not done			2,757
Concrete louvers installed instead of aluminum jalousies			2,200
Poor quality paving		4,800	
Burglar bars	1,440		
	<u>1,440</u>	<u>5,000</u>	<u>4,957</u>
	=====	=====	=====

<u>School</u>	<u>Unnecessary Work</u>	<u>Poor Quality Work</u>	<u>Incomplete or Missing Work</u>
BETHEL ALL-AGE (5 contracts)			
Contract 1			
Repaired roof still leaks	J\$ -0-	J\$ 450	J\$ -0-
Contract 2			
Repaired roof still leaks		300	
Painting not done			2,400
Missing wash basin			200
Contract 4			
Repaired roof still leaks		200	
Burglar bars	3,420		
Contract 5			
Poor quality paving		6,160	
	<u>3,420</u>	<u>7,110</u>	<u>2,600</u>
	=====	=====	=====
GRANGE HILL PRIMARY			
Burglar bars	1,030		
	<u>1,030</u>	<u>-0-</u>	<u>-0-</u>
	=====	=====	=====
MEARNSVILLE			
Bars and grillwork for teacher's cottage	1,220		
Poor quality paving		16,536	-0-
	<u>1,220</u>	<u>16,536</u>	<u>-0-</u>
	=====	=====	=====
SAV-LA-MAR SECONDARY			
Various items of work (School reported not damaged by flood)	48,174		
	=====	=====	=====
TOTAL	J\$60,609	J\$35,802	J\$16,764
	=====	=====	=====

LIST OF RECOMMENDATIONS

Recommendation No. 1

USAID/Jamaica should (a) make a special review and vulnerability assessment in the areas of project management, monitoring, financial controls, agreement compliance, implementation of recommendations, and commodity control and usage; and (b) submit its findings and proposed solutions to problem areas to the AA/LAC.

Recommendation 2

The AA/LAC should brief the conditions found on this project and circulate them to other LAC Missions. The USAID's should be reminded that AID Handbook 3 requires a prior AID/W approval for any substantive changes in project designs.

Recommendation No. 3

Using the provisions of AID Handbook 19, Section 7D2d(2), USAID/Jamaica should collect J\$77,373 from the Government of Jamaica for costs reimbursed by AID for work that was unrelated to flood damage or for incomplete work.

Recommendation No. 4

USAID/Jamaica should (a) inspect the repaired schools that we did not visit and identify costs reimbursed for work not related to flood damage or not completed; and (b) collect from the GOJ any additional amounts due to violations of the terms of the agreement.

Recommendation No. 5

USAID/Jamaica should inspect the cracked building at Salt Marsh and take appropriate corrective action.

Recommendation No. 6

USAID/Jamaica should obtain from the Ministry of Education a report on the cause(s) of the construction problems at Elim and Passley Gardens Secondary Agricultural Schools and initiate the corrective action.

Recommendation No. 7

USAID/Jamaica should obtain from the MOE a comprehensive maintenance program, which includes adequate funds for maintaining both project facilities and equipment.

Recommendation No. 8

USAID/Jamaica should deobligate project funds which were not disbursed or validly sub-obligated as of June 30, 1982.

Recommendation No. 9

USAID/Jamaica should request the GOJ Auditor General to make a financial audit of project books and records covering the duration of the project.

Recommendation No. 10

USAID/Jamaica should obtain from the GOJ a reconciliation of PIO/Cs, purchase orders, receiving reports and usage reports for all commodities, valued at about \$2.7 million, purchased under the project to ensure receipt and appropriate usage.

Recommendation No. 11

USAID/Jamaica should request the GOJ to establish and implement property records and control system for all schools.

Recommendation No. 12

The AA/LAC should communicate his concern to the Mission Director in Jamaica that appropriate managerial and monitoring practices be put in place to ensure that AID-financed projects are carried out properly and that proper procedures are followed.

Recommendation No. 13

The AA/SER examine the provisions of the applicable AID Handbooks (No. 1, Supplement B and No. 15) and clarify them in respect to the need for prospective, rather than retroactive, approvals for normally ineligible commodity transactions.

Recommendation No. 14

USAID/Jamaica should take steps to assure that the GQJ complies with the marking requirements in the loan agreement.

APPENDIX B

LIST OF RECIPIENTS

	<u>No. of Copies</u>
Assistant Administrator - Bureau for Latin America and the Caribbean (AA/LAC),	5
Mission Director, USAID/Jamaica	5
Director, - Office of Legislative Affairs (LEG)	1
Assistant to the Administrator for Management (AA/M)	1
Office of Financial Management - (M/FM/ASD)	3
Deputy Assistant to the Administrator for Management (M/DAA/SER)	1
General Counsel (GC)	1
Audit Liaison Office (LAC/DP)	3
Director, (OPA)	4
DS/DIU/DI	4
PPC/E	1
Office of the Inspector General (IG/W)	1
IG/PPP	1
IG/EMS	12
AIG/II	1
RIG/A/Washington	1
RIG/A/Abidjan	1
RIG/A/Cairo	1
RIG/A/Manila	1
RIG/A/Karachi	1
RIG/A/Nairobi	1
RIG/A/NE, New Delhi Residency	1
RIG/A/LA, Panama Residency	1
RIG/A/LA, La Paz Residency	1
GAO, Latin America Branch, Panama	1