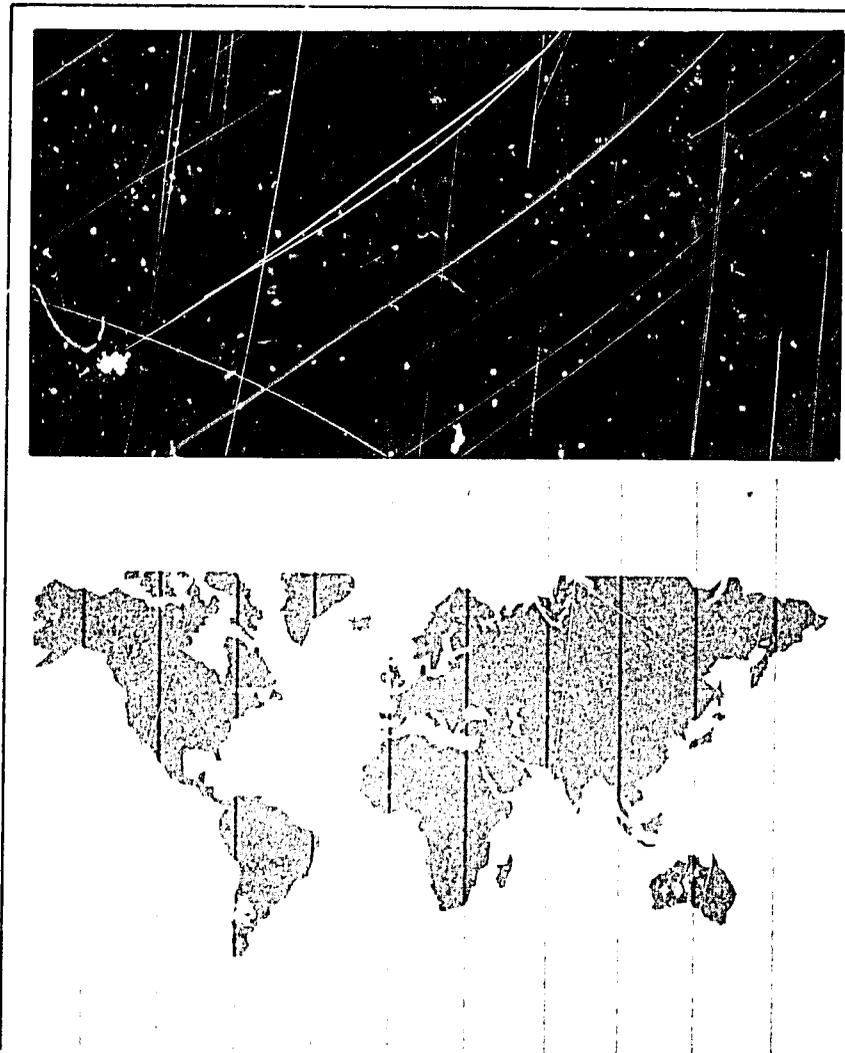


UNITED STATES  
AGENCY FOR INTERNATIONAL DEVELOPMENT

THE  
INSPECTOR  
GENERAL



Regional Inspector General for Audit  
MANILA

CROP PROTECTION PROJECT  
Project No. 492-0288

USAID/Philippines

Audit Report No. 2-492-83-05  
March 21, 1983

Overall, progress has been made to improve the institutional capability of the NCPC and the RCPCs. Most of the technical assistance has been provided, and a majority of the procurement has taken place. Crop protection activities were starting to take place. Progress was also made in the participant training program but the lack of qualified participants for the MS program resulted in reprogramming funds from the MS training to technical training under a Diploma Course. The Project Activity Completion Date (PACD) has been changed twice. Once from September 30, 1982 to September 30, 1983; and recently to September 30, 1984. Both extensions were granted to allow more time for the recruitment and training of the PhD participants. Efficiency and effectiveness of project management, however, was hampered by poor coordination, questionable procurement practices, lack of controls over commodities procured, questionable need for and use of equipment, and a breakdown of internal controls.

## TABLE OF CONTENTS

	<u>Page</u>
EXECUTIVE SUMMARY	1
BACKGROUND AND SCOPE	1
Background	1
Scope of Audit	2
FINDINGS, CONCLUSIONS AND RECOMMENDATIONS	3
AN OVERALL ASSESSMENT OF THE PROJECT	3
Technical Assistance	4
Participant Training	4
Project Commodities	5
NCPC/RCPC Cooperation	5
Project Management	7
PROJECT PROCUREMENT	8
Commodities Distributed to RCPCs	8
Procurement Procedures	10
Local Procurement of Computers	12
Ineligible Commodity Procurement	15
Ineligible Shipping Charges	15
Technical Services Between NCPC and CICP	17
Technical Services Between NCPC and IRRI	18
HOST COUNTRY MANAGEMENT	19
Project Reporting Requirements	19
Project Monitoring and Evaluations	20
Controls Over Project Commodities	21
Airboats Not Delivered for 2 Years	23
Commodity Markings	24
List of Audit Recommendations	
Report Recipients	

## EXECUTIVE SUMMARY

On January 13, 1978, the United States Government and the Government of the Philippines (GOP) signed a \$5 million project loan agreement for the Crop Protection Project. The purpose of the loan was to assist the GOP in the strengthening of the National Crop Protection Center (NCPC) and the seven Regional Crop Protection Centers (RCPC) to research, test and disseminate information on pest control techniques to Filipino farmers. The loan budgeted \$817,000 for technical assistance, \$1,346,000 for training and \$2,837,000 for commodity procurement. The GOP was committed to provide pesos (equivalent of about \$5.6 million) to support the program during this 5-year project.

The purpose of our audit was to evaluate the efficiency and effectiveness of the management and implementation of the Crop Protection Project.

Overall, progress has been made to improve the institutional capability of the NCPC and the RCPCs. Most of the technical assistance has been provided, and a majority of the procurement has taken place. Crop protection activities were starting to take place. Progress was also made in the participant training program but the lack of qualified participants for the MS program resulted in reprogramming funds from the MS training to technical training under a Diploma Course. The Project Activity Completion Date (PACD) has been changed twice. Once from September 30, 1982 to September 30, 1983; and recently to September 30, 1984. Both extensions were granted to allow more time for the recruitment and training of the PhD participants. Efficiency and effectiveness of project management, however, was hampered by poor coordination, questionable procurement practices, lack of controls over commodities procured, questionable need for and use of equipment, and a breakdown of internal controls.

As of August 31, 1982, \$2,956,362 in AID loan funds had been disbursed. Although some progress had been made in developing the capabilities of the NCPC and the seven RCPCs, there needs to be more cooperation between the NCPC and the Bureau of Plant Industry (BPI), the parent organization of the Regional Crop Protection Centers. Little cooperation had taken place between the two organizations prior to our audit (p. 5). One of the major constraints of the project has been the poor coordination between the NCPC and the RCPCs. As a result, research programs were not being coordinated; research results were not being transmitted from the NCPC to the RCPCs, and there was little transmission of Crop Protection technology to the farmers resulting from the Crop Protection Project. We are recommending that a workable Memorandum of Understanding, to include the BPI and NCPC, be obtained (p. 7).

There was a wide disparity between the amount of equipment received by the RCPCs and the amount stated in the Project Paper and Project Loan

Agreement. When we inspected NCPC receipts for equipment delivered to the RCPCs, the total dollar value of the equipment was about \$160,000. We noted that the signed receipts did not include the 12 project vehicles which the NCPC said were delivered to the RCPCs. However, even if the value of the vehicles and two airboats (not yet delivered) were included in the computation, the total value of equipment transferred would be about \$350,000...well short of the target figure of \$775,000.

During the course of our audit, we were presented with four separate lists of equipment delivered to the RCPCs. The four listings are inconsistent and individually incomplete. We crossmatched commodity types in each list and the Project Paper and found very little correlation among the lists.

Some equipment was unopened, unused for almost two years at the time of the audit; other equipment could not be used because necessary accessories were not available; and, several items (an AB Dick Scanning Machine and a hemacytometer) had not been used because nobody at the RCPC knew how to use them and did not believe they were needed for the project. As of August 31, 1982, \$621,191 was programmed for additional equipment procurement. We are recommending that the USAID suspend all further procurement until equipment requirements are assessed (p. 10).

A breakdown of internal controls at both USAID and at the NCPC resulted in a number of problems with project management and procurement. As of August 31, 1982, USAID had committed \$2.2 million for the procurement of project commodities, however, we were unable to verify the integrity of the majority of the procurement because supporting documentation was not available at either USAID or the NCPC (p. 10). We found evidence that NCPC had been eliminating bidders without notifying USAID/Philippines (p. 11). In one case where sufficient documentation was available (for the local procurement of two microcomputer systems), we found evidence of alterations of quotes and other noncompetitive actions (p. 12). After these situations were brought to the attention of cognizant USAID officials, they initiated actions immediately, with some tangible progress. We are recommending that the USAID review the \$2.2 million of procurement, including bidding, awarding, and commodity selection procedures and recover the costs of commodities not procured for identifiable project purposes and in accordance with applicable regulations (p. 12).

In view of these situations, IG offices are continuing a focused review of procurement problems associated with this project as this report is being published.

Routine project management activities were not being followed. After instructing the NCPC to review freight payments for project procurement, USAID received shipping reports identifying \$14,645.00 in ineligible freight charges. However, the reports were filed, and no action was taken to reclaim the payments for ineligible charges (pp. 7, 15). We are recommending recovery be made (p. 16).

A photocopy machine procured under Invitation for Bid (IFB) No. 1 was ineligible for AID financing under the loan terms. NCPC officials could not provide us with documentation supporting over \$1.7 million in procurement under IFB No. 1; accordingly, we could not determine the cause(s) for non-detection of this ineligible purchase under procedures followed. We are recommending that the USAID review commodity procurement under IFB No. 1 and recover the costs of procurements from ineligible sources (p. 15).

No questions were raised when consultants submitted vouchers billing AID for undocumented work on weekends. While the average month has 22 workdays, the billings requested payments for 30 to 31 days per month. We are recommending recovery of any payments to consultants for time not worked (p. 17).

USAID received no final accounting on a technical assistance contract (over a year after contract termination date), yet our review showed there was a potential \$26,670.00 overpayment on this contract. We are recommending a final accounting be obtained and any funds in excess of actual authorized expenditures be recovered (p. 19).

Improvements in management controls over project commodities and vehicles are needed. Commodities account for over 50 percent of project funding, yet adequate controls are not being exercised over the receipt and distribution of project commodities at the NCPC. Receiving reports compiled under procedures in-place were inaccurate, and some commodities listed on the receiving report could not be located. Written records of equipment locations were not maintained. We are recommending that USAID require the NCPC to establish and maintain proper records to account for receipts and control locations and inventories and to store project commodities in secure locations. Improved controls over vehicles is also recommended (pp. 22-23).

In all we made 11 recommendations to USAID/Philippines to correct the problems noted in this report. A draft of the audit report was presented to USAID/Philippines and the USAID's comments have been considered herein.

## BACKGROUND AND SCOPE

### Background

The FAO estimated that insects, vertebrates, plant diseases, weeds, nematodes and mites accounted for infield crop losses amounting to a 35 percent reduction in potential crop yields in Southeast Asia. The yearly projected losses (1976) in terms of the combined food and commercial crop production for the Philippines was P 7.3 billion (U.S.\$1 billion) during the same period. This loss equaled about 1/3 of the Philippine National Budget. The Philippine Government was aware of the need for improved pest management systems for the country's farmers, and on May 19, 1976, Presidential Decree No. 956 was signed, establishing a National Crop Protection Center (NCPC) within the College of Agriculture, University of the Philippines at Los Banos, and seven Regional Crop Protection Centers (RCPC) within the Bureau of Plant Industry (BPI). The functions of the NCPC were:

- To undertake problem analyses, developmental research and the necessary planning required to develop crop protection systems against pests of major economic crops.
- To develop and implement manpower training programs designed to upgrade the pool of manpower required to meet the complex pest control needs of the country.
- To undertake information exchange and extension to provide farmers and the public with coordinated information about the varied facets of pest control and to emphasize the urgent need for safe and effective pest control practices.
- To establish adequate linkage between research and operational phases at the farm level in order to ensure that the changing research needs of operational activities were met and that operational activities were based on the most recent and applicable research findings.
- To provide scientific advice to government planners for the formulation of policies and regulatory programs necessary for dealing with the complex pest control technologies essential for the protection of crops.

The functions of the Regional Crop Protection Centers were the same as those of the NCPC, except that the emphasis was to be placed on applied research for the region, demonstrations and field extension work. As decreed, the locations of the RCPCs are as follows: 1) Dingras, Ilocos Norte; 2) Muñoz, Nueva Ecija; 3) Pili, Camarines Sur; 4) Palo, Leyte; 5) Iloilo City; 6) Malaybalay, Bukidnon; and 7) Tacurong, Sultan Kudarat.

On January 13, 1973, the United States Government and the Government of

the Philippines (GOP) signed a \$5 million project loan agreement for the Crop Protection Project. The purpose of the loan was to assist the GOP in the strengthening of the National Crop Protection Center and the seven Regional Crop Protection Centers to research, test and disseminate information on pest control techniques to Filipino farmers. The loan funds were to be used for three major components listed below. The budget was revised to pay for increased costs in the Participant Training component.

		<u>Planned Budget</u>	<u>Revised Budget</u>
Technical Assistance		\$ 817,000	\$ 500,000
Training:		1,545,000	1,665,000
MS & PhD Specialists	\$1,313,000		
Support for Conferences	33,000		
Commodities:		2,837,000	2,835,000
NCPC & 4 RCPCs	2,479,531		
3 RCPCs	357,469		
		<u>\$5,000,000</u>	<u>\$5,000,000</u>
		=====	=====

The GOP was to provide funds for the construction of the main NCPC training and research building and facilities at the seven RCPCs. Funds for the operation and maintenance of these facilities were also to be provided by the GOP. In addition the GOP agreed to supply the necessary number of participants for training. Until training is completed, the GOP was to provide scientists and other professionals to the NCPC on an interim basis.

The Loan Agreement states that by the end of the project (initially September 30, 1982), the NCPC and the seven RCPCs would be fully organized and have complete physical facilities; core staff of training and research personnel will have completed formal academic training; cooperative and collaborative working relationships will be established between research, extension, the pesticide distribution system and government policymaking organizations and the Centers; the NCPC staff will be actively engaged in training extension technicians and key farmers in latest pest management practices; and the NCPC staff will be actively engaged in conducting priority research according to the short and long term protection needs of the country.

#### Scope of Audit

This was our first audit of the Project. The purpose of the audit was to evaluate the efficiency and effectiveness of the implementation of the Crop Protection Project.

The audit covered project activities from its beginning, on January 13, 1978, through October 31, 1982 and project expenditures through August 31, 1982. The review was made in accordance with generally accepted auditing standards and compared project accomplishments against stated

goals in the Project paper and implementation letters. We reviewed project documents maintained at NCPC and USAID/Philippines and discussed project progress and problems with officials at these institutions and at BPI and an RCPC.

The results of our audit were discussed with USAID/Philippines officials at the exit conference and a draft of this report was submitted for review and comment. USAID/Philippines comments were considered in the finalization of this report.

### FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

#### AN OVERALL ASSESSMENT OF THE PROJECT

The Project Loan agreement was signed on January 13, 1978. The main purpose of the Project was to help establish a plant protection/pest control research, development and training system which would respond to the needs of small farmers. The AID loan was to provide \$5 million to help build the infrastructure for the Philippine Crop Protection System. USAID inputs were divided into three major components: (1) Technical Assistance; (2) Participant Training, and; (3) Commodity Procurement. The GOP was committed to provide the peso equivalent of \$5,619,000 to support the crop protection program during the 5 year project. As of August 31, 1982, the Project funding status was:

	<u>AID FUNDING</u>		<u>GOP FUNDING</u>	
	<u>Budgeted</u>	<u>Actual Expenditures</u>	<u>.Budgeted</u>	<u>Allotments 1/</u>
Technical Assistance	\$ 500,000	\$ 304,456	\$ 172,000	\$ -
Participant Training	1,665,000	938,980	35,000	-
Commodities	2,835,000	1,712,946	-	-
Other	-	-	5,412,000	-
<b>Total</b>	<b>\$5,000,000</b>	<b>\$2,956,382</b>	<b>\$5,619,000</b>	<b>\$4,175,394</b>
	=====	=====	=====	=====

1/ GOP reports did not provide a breakout of actual expenditures.

The GOP funding was used for the following project inputs:

- Construction of the main NCPC training and research building (still ongoing);
- Construction of seven Regional Crop Protection Centers;
- Provision of annual operation and maintenance budgets for the NCPC and the RCPCs;
- Provision of manpower to meet supporting nonprofessional staff requirements of the Crop Protection Centers for all research, training and extension activities;

-- Provision of qualified personnel to staff the Centers.

The Project Activity Completion Date (PACD) has been changed on two occasions. Once from September 30, 1982 to September 30, 1983; and recently to September 30, 1984. Both extensions were granted to allow more time for the recruitment and training of the PhD participants.

Overall, progress has been made to improve the institutional capability of the NCPC and the RCPCs. Most of the technical assistance has been provided; the participant training component has been progressing very well; and a majority of the procurement has taken place. Crop protection activities were starting to take place. For example, NCPC has conducted 5 crop protection courses at the Bulacan Farmers Training Center; the results from 6 experiments have been published in the 1981 NCPC Annual Report; in 1982 NCPC had 56 ongoing research projects. However, the ability of the NCPC and the RCPCs to work together in a cooperative Crop Protection Program has not been demonstrated. In fact, there has been very little cooperation between the two organizations.

#### Technical Assistance

The budgeted cost for technical assistance in the Project Paper was \$817,000, which was to provide 135 person/months of assistance to the project. The dollar amount planned for technical assistance was subsequently reduced to \$500,000, and total person/months committed as of August 31, 1982, were 84. All of the areas of expertise mentioned in the Project Paper have been provided by the technical assistance teams. The difference in person/months resulted from a reduction in time required for two long-term consultants. The technical assistance was provided under two major contracts--one with the International Rice Research Institute (IRRI) and the other with The Consortium for International Crop Protection (CICP).

#### Participant Training

Participant Training was one of the more successful project components. As of August 31, 1982, 21 participants were in the U.S. working on their PhDs. One has completed her coursework and is now working at NCPC. The GOP had some difficulty finding qualified candidates, which caused some delay in this component. The PACD has been moved to September 30, 1984, in order to enable all of the PhD candidates to complete their degrees.

Revisions had to be made to the MS in-country training program because a sufficient number of qualified participants from the regions could not be found. Participants from the RCPCs could not meet the UPLB entrance requirements for the MS program. The NCPC and GPI developed a Diploma Course in Crop Protection to take care of the training needs of RCPC participants. This 10 month course provided basic training in crop protection techniques. The Diploma Course was held at UPLB and was considered to be very successful by Project officials. However, in our review of the Project files, we found no documentation justifying the reprogramming of funds from the MS training to technical training offered in the Diploma Course.

As of August 31, 1982, the project funded two sessions of the Diploma Course, which trained a total of 33 participants. UPB continued to offer the Diploma Course on a regular basis and BPI has sent additional students to this course with its own funds.

Because of these changes, out of the 50 MS graduates originally planned, only twenty participants have either completed or are in the process of obtaining their MS degrees (6 have received degrees; 4 are writing their thesis; 7 are doing course work; and, 3 are doing course work, but are no longer receiving funds from the project).

### Project Commodities

The procurement and subsequent control of project commodities has been the most troublesome component of the project. General NCPC and USAID administration over the bidding process was poor. A complete review of commodity procurement action was not possible because neither NCPC nor the USAID could provide much of the bid documentation.

We found a number of problems surrounding the procurement, receipt and control over project commodities, including:

- Questionable bid selections
- Ineligible commodity procurement
- Payment of ineligible freight charges, and
- Poor controls over commodities at the NCPC.

These problems are discussed in detail later in this report.

In view of its apparent significance the IC was continuing the review of the procurement problems associated with this project as this report is published.

### NCPC/RCPC Cooperation

One of the major constraints of the Crop Protection Project has been the poor coordination between the NCPC and the RCPCs. As a result, research programs were not being coordinated; research results were not being transmitted from the NCPC to the RCPCs, and there was little transmission of Crop Protection technology to the farmers resulting from the Crop Protection Project.

The Crop Protection Coordinating Committee (CPCC) was to be the coordinating body for research, training and administrative activities between the NCPC and the RCPCs. The CPCC was also supposed to coordinate the activities of the NCPC/RCPC network with other crop protection programs in the Philippines. The Director of the NCPC as well as the USAID Project Manager told us that the CPCC met only once and no effort has been made to reactivate the committee.

At the time of our review, there was very little cooperation between the NCPC and the RCPC's. Both NCPC and BPI acknowledge this fact, and their reasons

for the lack of cooperation were similar. The Director of NCPC stated that the staff of the RCPC's were still being trained, and that they were not prepared to cooperate yet. The Crop Protection Coordinator for the RCPCs believed that NCPC was not fully developed to undertake cooperative efforts. However, each of the above organizations maintained that they themselves were capable and prepared for cooperation.

As far back as 1976, the division of authority, between the UPLB and BPI, was a major concern of project planners. In fact when AID/W received the Project Review Paper on Pest Control, USAID was told that memorandum of agreements should be completed prior to the finalization of the Project Paper and that their texts and a full discussion of their significance should be included. The Project Paper only contained the text of a draft memorandum of understanding between NCPC and BPI.

The Project Authorization, dated August 19, 1977, stated that "Prior to execution of the Project Agreement, as authorized above, the Cooperating Country shall furnish in form and substance satisfactory to A.I.D., a signed copy of the Memorandum of Understanding between the National Protection Center (NCPC) and the Bureau of Plant Industry (BPI)."

The Project Agreement was signed without a Memorandum of Understanding being completed or signed. However the Project Loan Agreement did require that the Memorandum of Understanding be signed as a condition precedent to the first disbursement under the Loan. The Loan Agreement was signed on January 13, 1978, and the Memorandum of Understanding between BPI and UPLB was signed on May 8, 1978. This agreement has not led to much coordination and cooperation between the NCPC and BPI.

A new Memorandum of Understanding has been circulated by NCPC since November 1981. The new document provides for the joint participation of 4 additional organizations: The Philippine-German Crop Protection Programme; The Philippine Council for Agriculture and Resources Research and Development (PCARRD); the Fertilizer and Pesticide Authority, Ministry of Agriculture; and the Agricultural Research Office of the Ministry of Agriculture.

The new Memorandum of Understanding would do away with the Crop Protection Coordinating Committee and make NCPC responsible for coordination. The Memorandum has been circulating for about a year, and only one organization had signed it.

In October 1982, a CACP consultant was attempting to start a joint NCPC/RCPC experiment. Although the RCPC we visited was interested and willing to participate in the experiment, no funding was available for joint/cooperative experiments. The NCPC had not budgeted funds for joint experiments either. After our visit to the RCPC, NCPC submitted a funding request to PCARRD for the financing of the experiment that the CACP consultant developed. USAID/Philippines subsequently reported that the funding for the joint NCPC/RCPC experiment had been provided. This is the first joint research project to evolve. USAID also stated that all future joint experiments will

be funded by PCARRD. The proposed Memorandum of Understanding would make PCARRD responsible for recommending the NCPC/RCPC budget for research activities to the GOP Office of the Budget and Management. USAID expects that PCARRD, in the discharge of its responsibilities, will assure GOP funding for NCPC/RCPC approved research.

In addition, the amount of research information being provided to the RCPC's was scant. The RCPC we visited had not received any of the training booklets published by NCPC. Only one of the 3 issues of the NCPC "Crop Protection News Letter" arrived at the RCPC. Since these materials are sent to BPI for distribution to the RCPCs, this may be a distribution problem. However, the net effect is still the same -- the RCPC is not benefiting from NCPC basic research. NCPC has not kept BPI informed on research progress. When NCPC research is still ongoing, the BPI does not receive any research information from NCPC activities. NCPC provides information to BPI only when individual research projects are completed.

The key to coordination had been an effective Memorandum of Understanding between the NCPC and BPI. Because that original agreement, (an important component of the project), is not effective, the project has no formal mechanism for coordinating crop protection research activities.

#### Recommendation No. 1

USAID/Philippines obtain an acceptable and workable Memorandum of Understanding which includes the NCPC and BPI, for the coordination of the Crop Protection Program.

In responding to our draft report USAID/Philippines stated that it supports the new Memorandum of Understanding because it involves all parties in the Philippines concerned with crop research. In addition, the PCARRD's Crop Research Division Director is a member of the Advisory Board which reviews NCPC's research plans and priorities and has been instructed to give highest priority to strengthening PCARRD/NCPC working relationships. In December, 1982 the Bureau of Plant Industries (BPI), the organization to which the RCPCs are attached, became a member of PCARRD's research network. As such, USAID expects improved research coordination between NCPC and RCPCs with PCARRD serving as a "catalytic agent".

The current PCARRD/NCPC/RCPC working arrangement, plus the proposed overall Memorandum of Understanding, will assign responsibility to PCARRD for reviewing and recommending the NCPC/RCPC budget for research activities to the GOP Office of the Budget and Management. USAID believes that this approach represents a viable way to attain the desired objective.

#### Project Management

USAID management of the Crop Protection Project needs to be improved. Many of the problems we found should have been detected and corrected earlier in the project. Even when problems were detected, USAID did not follow-up with the

NCPC at times. For example, USAID sent letters to NCPC requesting an accounting of freight charges, in order to identify ineligible payments for shipping. NCPC supplied some shipping reports which listed all shipping payments. However, USAID filed the reports, instead of identifying ineligible payments and initiating fund recovery procedures. Lack of adequate monitoring and internal controls has raised questions about the integrity of the \$2.2 million in Project procurement. Documents were in the project files which clearly showed discrepancies, yet the discrepancies were not acted upon. For example, submitted quotes did not match NCPC summaries. In another case voucher documentation showed that consultants were being paid for working 30 and 31 days per month, which means they worked every day of the month including Saturdays and Sundays.

It appears that several changeovers in project managers contributed to the management problem. The Project had three different managers since 1980 and there was also a period, during which there was no official project manager.

Manager I	1978 - Sept. 1980
No Official Manager	Sept. 1980 - Jan. 1981
Manager II	Jan. 1981 - July 1982
Manager III	July 1982 - Present

To sustain institutional memory through management changeovers, USAID should develop a Project Manager's Checklist to be used by project officers during implementation and any changeovers in project management. In December 1982, the USAID Program Office requested all technical offices to review their projects to ensure that all conditions stipulated in the project agreements, implementation letters, and contracts, are being carried out. The USAID Controller issued a Project Review Checklist to assist in these reviews. In light of these actions we have not made any recommendations on this subject.

#### PROJECT PROCUREMENT

Procurement practices at NCPC need to be improved. We found problems in a number of phases in the procurement cycle: (1) There was a significant shortfall in both the quantity and the value of commodities that have been procured for the RCPCs. (2) We were unable to verify the integrity of the majority of the procurement because supporting documentation was not available at either NCPC or USAID/Philippines. (3) Among the documentation we were able to locate, we found that some questionable procurement decisions were made; ineligible commodity procurement; and freight charges were paid to ineligible shippers.

#### Commodities Distributed to RCPCs

There was a wide disparity between the amount of equipment received by the RCPCs and the amount stated in the Project Paper and Project Loan Agreement. As far back as May 2, 1980, in a letter to the NCPC, USAID expressed its concern over whether the basic equipment needs of the RCPCs were being met.

In the May 2 letter, the Project Manager stated that according to the Project Paper and the loan agreement, approximately \$775,000 in project funds should be used to procure equipment for the RCPCs. He requested that the NCPC and BPI submit a jointly prepared list of equipment which was to go to the RCPCs. We found no evidence that USAID pursued the matter.

When we inspected NCPC receipts for equipment delivered to the RCPCs, the total dollar value of the equipment was about \$160,000. We noted that the signed receipts did not include the 12 project vehicles which the NCPC said were delivered to the RCPCs. However, even if the value of the vehicles and two airboats (not yet delivered) were included in the computation, the total value of equipment transferred would be about \$350,000...well short of the target figure of \$775,000.

During the course of our audit, we were presented with four separate lists of equipment delivered to the RCPCs:

- A. NCPC Distribution of Commodities from the first procurement (IFB #1). The list shows commodity distribution between the NCPC and the RCPCs.
- B. Invoices/receipts for equipment delivered to BPI.
- C. BPI List of equipment distribution to individual RCPCs.
- D. BPI List of Equipment for Delivery by NCPC

The four listings are inconsistent and individually incomplete. We crossmatched commodity types in each list and the Project Paper and found very little correlation among the lists.

NCPC purchased more low cost items, such as beakers, test tubes and filters, instead of the more expensive equipment, such as tools for auto maintenance, grinders, centrifuges, hand lenses, and tape recorders. In the one RCPC we visited, they were supposed to receive teaching packages from NCPC which contain cassette tapes and slides. However, the RCPC had not been issued a cassette tape player to use in its presentations, and the slide projector it received was missing its lens.

We compared all four of the distribution listings combined, against the 185 line items in the Project Paper, and found that only 84 items (45 percent) in the Project Paper appeared in any of the 4 listings. Even when commodity types specified in the Project Paper appeared in one of the distribution lists, the number of commodities delivered was usually less than the number stipulated in the Project Paper.

Subsequent to our audit, USAID/Philippines requested and received an accounting of equipment received by NCPC and by the RCPCs. By February 1983 the seven RCPC's have received commodities valued at \$356,194.03, not including banking and freight charges.

The problem of RCPC equipment needs was further highlighted when, at one of the RCPCs, we found a significant amount of equipment not being used. A van and pick-up truck were used infrequently because high gas consumption made the vehicles too expensive to operate. The RCPC received 172 cases of glassware, and filters, most of which were stacked in the storage room, unopened, for almost 2 years. This same RCPC had received an AB Dick Scanning machine and a Heamacytometer. No one at the RCPC knew how to use these machines and they did not believe they were needed.

As of August 31, 1982, \$621,191 was programmed for additional equipment procurement. However, we believe that USAID/Philippines should insist that the NCPC and BPI perform a needs assessment before any more equipment is procured for this project.

Recommendation No. 2

USAID/Philippines suspend all further procurement for the Crop Protection Project until it receives assurances that the equipment needs of the RCPCs are met.

USAID informed us that no further procurements would be undertaken until a needs assessment is completed. The Project Manager, in conjunction with NCPC and BPI/RCPC is reviewing and assessing project commodity procurement in relation to equipment currently considered as necessary to attain Project objectives.

Procurement Procedures

As of August 31, 1982, the USAID had committed \$2.2 million for the procurement of project commodities. We were unable to verify the integrity of the majority of procurement because supporting documentation was not available at either USAID or the NCPC. On the small amount of local procurement where some documentation was available, we found discrepancies in documents as well as noncompetitive procurement practices.

The NCPC was responsible for most of the procurement under AID Host Country Procurement procedures. USAID/Philippines reviewed and approved all final awards. As of August 31, 1982, procurement funds were committed as follows;

Invitation For Bid #1	\$1,765,162
Invitation For Bid #2	404,244
Local Procurement	<u>37,689</u>
Total	\$2,206,774 =====

The first Invitation for Bid (IFB 1) resulted in the procurement of \$1,765,162 in commodities from 30 different suppliers. The NCPC Bid Awards Committee made recommendations for award to USAID--most of which were approved. Subsequent to the bid awards, USAID re-reviewed the Bid Summary Sheets

prepared by the NCPC and discovered a number of errors which were attributed to poor compilation of the bids into different lists. We were unable to review the award decisions in IFB 1 because neither USAID nor NCPC could provide either the bid documents or the Bid Analysis Sheets.

At the time IFB 2 was issued, USAID Order No. 1431.2.1 required that project officers follow a number of management procedures for assisting the GOP in bid evaluation and awards. These requirements were not followed when USAID handled IFB 2. Project officers were required to:

- Attend commodity procurement bid openings
- Obtain a set of all bids submitted
- Conduct an independent evaluation of the bids, and
- Request the GOP to prepare an evaluation summary in accordance with Handbook 11. Documentation to accompany the GOP evaluation includes: (a) an abstract of the bids; (b) a statement that the contract will be identical to the terms in the IFB; and, (c) a statement explaining the rejection of any low bids which were determined to be non-responsive or the reasons for finding a firm to be not responsible.

In IFB 2, one of the bidders had protested his disqualification from the bid process. NCPC had ruled that the bidder did not satisfy the bid requirements because it could not provide local support. What is disturbing is the fact that the NCPC only submitted an abstract of 4 bidders to USAID and the complaining bidder was not included in the abstract. NCPC was withholding bids from AID review if it decided that those bids did not meet the requirements in IFB 2. USAID only became aware of the disqualification after the bids were awarded. Had USAID been aware of the disqualification, it might not have been in agreement with NCPC's interpretation of the bid documentation.

We attempted to review the documentation for IFB 2, but USAID was unable to locate the Bid Analysis Sheets submitted by NCPC. NCPC also had difficulty locating all of the bid summaries, and could only provide summaries for two of the three schedules (Schedules B and C). Since the Bid Analysis Sheets provided to USAID are different from the NCPC Bid Summary Sheets, we could not determine what information USAID received when it approved the NCPC bid award recommendations. Therefore, of \$2,169,406 in host country procurement from IFBs 1 and 2, such documentation as available at either the NCPC or USAID was inadequate to permit an audit of the bidding process.

After this situation was brought to the attention of cognizant USAID officials, they initiated actions immediately, with some tangible progress. They have agreed with the need to review the procurement under IFBs 1 and 2 in view of the insufficiency of documentation available for audit review and questions regarding the integrity of the \$2.2 million committed for procurement. Pending completion of the USAID review, we are retaining the following recommendation.

### Recommendation No. 3

USAID/Philippines review the \$2,206,774 of procurement including bidding, awarding, and commodity selection procedures and recover the costs of commodities not procured for identifiable project purposes in accordance with applicable USAID and AID regulations.

#### Local Procurement of Computers

We were able to obtain sufficient documentation to review NCPC's local procurement of two Apple II Plus computers and accessories. Although some documents were also missing in USAID files, this review led us to two basic conclusions: (1) the procurement of the two computers was not related to the project and should not have been approved; and (2) NCPC did not follow sound procurement practices.

On September 18, 1981, the Director of NCPC sent USAID a letter request to purchase an Apple II computer system and did not stipulate the quantity. The NCPC request stated that, "In as much as computers have today become (sic) indispensable tools of research, business, and education, NCPC wishes to purchase a microcomputer system to be used mainly for instruction purposes at the university\*\*\*The senior staff of the Agricultural Research Center, UPLB Computer Service Unit and professors of the Departments of Statistics and Mathematics will be the main users of this proposed system in connection with their computer programming courses\*\*\*for undergraduate and graduate majors. \*\*\*We believe that obtaining such a system in a university environment as ours will be surely be a big boost especially to the instruction capabilities of our academic departments."

Based on this NCPC letter request, USAID approved the procurement of a micro computer system. However, the letter request made no mention of how the computers are related to the project, or how they would be used in the project. NCPC already had a computer (procured under JFB 1) which was capable of handling most of its research analysis, and UPLB already had Apple computers in its Computer Center. When we inspected the Apple Computers purchased under the Project, they were installed in a room with 8 other Apple computers. We do not believe that the procurement of the Apple computer systems should have been approved because they are not being used for project activities.

On October 7, 1981, USAID approved the procurement of a micro computer system costing about \$2,500, but cautioned the NCPC that competitive procurement practices must be followed. The Project Manager told the NCPC to prepare specifications and offer the procurement locally to ascertain the lowest responsible source. By letter dated November 12, 1981, NCPC informed the USAID that they needed two computers and furnished quotations from suppliers of Apple II computers. There is no evidence that the NCPC solicited quotes from other than dealers of Apple II computers although the USAID had instructed them to obtain competition in the October 7, 1981 letter approving purchase of one micro-computer. By letter dated November 19, 1981, NCPC requested USAID concurrence for the purchase of two Apple II

computers "... awarded to (Vendor C)". In response, the USAID on December 9, 1981, concurred with the "proposed purchase" of two Apple II computers but did not require additional justification for the second computer system. We are making no specific recommendation here because IG offices are currently reviewing procurement problems. However, we suggest the USAID review this Apple II computer purchase to determine whether the NCPC complied with the October 7, 1981 letter approval by USAID requiring the purchase be competitive.

The NCPC obtained quotes from three local computer firms and submitted a Comparative Price sheet to USAID. In its cover letter for this submission, NCPC stated that Vendor C had the lowest price. The cost of the computer systems rose to \$6,568 (P53,204) each. A review of the Comparative Price sheet provided by NCPC and the actual quotes, reveals that the Comparative Price sheet presented prices much lower than shown on the original quote from the winning bidder (Vendor C). The prices listed on the Comparative Price sheet for the other two companies (Vendors A and B) do agree with their original quotes. The comparison shows that the original quotes from Vendor C are the highest of all the prices submitted:

	COMPARATIVE PRICE SUMMARY Prepared by NCPC			ORIGINAL QUOTE FROM VENDOR C
	Vendor A	Vendor B	Vendor C	
CPU(48K)	P17,480.00	P16,606.00	P15,750.34	P17,603.33
Disk Drive w/ Controller	8,250.00	7,838.00	7,229.47	8,080.00
Disk Drive w/o Controller	7,000.00	6,650.00	6,823.15	7,626.00
Monitor Color 13"	7,569.00	6,000.00	7,194.05	7,569.80
PASCAL Language System	5,500.00	5,225.00	5,899.31	**
Printer (EPSON MP-80)	13,000.00	13,000.00	13,107.89	14,650.00
Total	<u>P58,799.00</u>	<u>P55,319.00</u>	<u>P56,004.21</u>	<u>P55,529.13</u>
Less: Discount	None	(3%) 1,659.57	(5%) 2,800.21	None
Net Total	<u>P58,799.00</u>	<u>P53,659.43</u>	<u>P53,204.00</u>	<u>P55,529.13</u>

\*\* No Quote

An NCPC official told us that Vendor C prices on the Comparative list were from an earlier quote, and prices subsequently increased because of delays in procurement. The documentation does not bear this out. The NCPC then changed the configuration of options, ordered some items not originally quoted by the other firms, and requested two Apple computer systems costing P112,593.86 (\$13,798.27).

The Comparative Price Summary listed a 13" Color Monitor, while NCPC actually procured a 12" Black and White Monitor. Instead of the PASCAL Language System shown on the comparison sheet, the NCPC purchased a Parallel Interface. USAID had in its possession the original quotes, the NCPC Comparative Price Summary, and the NCPC purchase order. A comparison of these documents should have easily shown that there were discrepancies in the NCPC presentation. Yet, USAID approved the purchase order with different equipment and higher prices. This indicates a total lack of internal controls. The following table presents an analysis of what was presented in the Comparative Price listing and what was actually purchased by NCPC.

	<u>Comparative Price Summary</u>	<u>Actually Purchased</u>	<u>Difference</u>
Apple II Plus (48K)	P15,750.34	P17,603.33	P 1,852.99
Disk Drive w/ Controller	7,229.47	8,080.00	850.53
Disk Drive w/o Controller	6,823.15	7,626.00	802.85
Monitor, Color 13"	7,194.05	-	-
Monitor, Black & White 12"	-	4,187.60	4,187.60
PASCAL Language System	5,899.31	-	-
Parallel Interface	-	2,300.00	2,300.00
Printer (EPSOM MP-80)	13,107.89	16,500.00	3,392.11
Total	<u>P56,004.21</u>	<u>P56,296.93</u>	
Less: 5% Discount	<u>2,800.21</u>	<u>None</u>	<u>2,800.21</u>
Net Total	<u>P53,204.00</u>	<u>P56,296.93</u>	<u>P16,186.29</u>

Since 2 units were purchased, the total price was P112,593.86 (\$13,798.27). In addition to the procurement not matching the Comparative Price Sheet, the price paid for the EPSOM MP-80 printer was P1,850.00 above the quoted price. Vendor C quoted P14,650.00 per unit, while USAID paid P16,500.00. However the amount we questioned on this procurement is P32,372.58. This amount is derived as follows:

Difference between Comparative Price Sheet and Actual Purchase Price	P 6,898.48
Items Purchased for which no competitive quotes were received	6,487.60
Discount stated on Comparative Price sheet but not in Original quote	<u>2,800.21</u>
Total per unit	<u>P16,186.29</u>
2 units purchased x P16,186.29 =	P32,372.58 <u>1/</u> =====

1/ \$3,967.23 at the P8.16 = \$1.00 exchange rate in effect at the time of the transaction--December 1981.

USAID/Philippines has taken a number of actions in response to these audit findings and our initial recommendations. On December 23, 1982, USAID advised NCPC of the apparent irregularities in the micro-computer procurement and requested either satisfactory clarification or repayment of the questioned amount of P32,372.58. USAID/Philippines had given NCPC until February 18, 1983 to submit any further evidence which might refute the validity of the questioned amount. Since NCPC submitted no such evidence USAID on March 2, 1982 offset the P32,372.58 against a subsequent reimbursement claim from NCPC.

On December 15, 1982 USAID advised NCPC of a standard format for submission of all future Bid Analysis Summaries by NCPC. USAID officials stated that no additional procurements would be approved which do not adhere to this format.

As part of the current USAID program of revamping and standardizing its file system for all official project files, the Project Office, with assistance from the Executive Office, was bringing files for this project up to standard requirements and will ensure that project procurement documentation is properly maintained in accordance with AID standards. In light of these actions, and since the USAID has already recovered the amount questioned on the computer procurement we have deleted our original recommendations on this.

#### Ineligible Commodity Procurement

In October 1980, NCPC received a Gestetner 2010 photocopy machine which was purchased under Schedule F.3 of IFB 1. The value recorded in the NCPC receiving listing was \$1,893.84. This Gestetner machine was made in Denmark and is ineligible for loan financing. NCPC officials could not provide us with documentation on the first IFB. Without documentation, we could not determine how procurement of the Gestetner machine from an ineligible country, avoided being detected early in the procurement process.

#### Recommendation No. 4

USAID/Philippines (a) review the procurement of commodities from the supplier of the Gestetner machine under IFB 1, and (b) recover the cost of commodities obtained from ineligible sources.

USAID/Philippines concurs with this recommendation and has instituted a search for the requisite documentation as part of its file updating process. Once obtained, the procurement papers for the subject photocopy machine will be reviewed to determine responsibility for procurement of the equipment from an ineligible origin and take appropriate action regarding cost recovery.

#### Ineligible Shipping Charges

Some project commodities were shipped by non-941 flag and Philippine flag vessels. The freight charges from these shipments were ineligible for AID financing. However AID paid these freight charges through a Letter of Commitment.

On April 7, 1980, AID issued a \$1,644,000 Letter of Commitment to the Bank of America in order to purchase project commodities from 24 suppliers. Subsequent amendments increased the L/COM value to \$1,765,162 and the number of suppliers to 30. The L/COM restricted charges for transportation and insurance premiums to merchants from AID Geographic Code 941 countries...excluding the cooperating country. On September 16, 1980 the Project Manager notified NCPC that shipments were being made on Philippine vessels, and that the L/COM excluded payments for shipments made by vessels from the cooperating country. He instructed the NCPC to have the applicant bank, Philippine National Bank, notify the Bank of America to amend all of the Letters of Credit under the L/COM to conform with the provisions of the L/COM. He also requested NCPC to review all Letters of Credit and freight payments to determine the extent of the problem.

NCPC prepared shipping reports for all shipments made between June 1980 and February 1981. The reports showed that shipments were being made on non-941 flag vessels as well as Philippine flag vessels. A summary follows:

<u>Number of Shipments</u>	<u>Vessel Registry</u>	<u>Total Freight &amp; Insurance</u>	<u>Paid by Loan</u>
1	Germany	\$ 2,784.60	\$ 186.00
3	Denmark	1,920.94	850.80
<u>4</u>	Philippines	<u>9,940.29</u>	<u>9,940.29</u>
8		\$14,645.83	\$10,977.09
		=====	=====

The shipping reports were provided to USAID. However, the reports were filed, and no action was taken to reclaim any payments for freight charges to ineligible shippers.

We asked NCPC why the freight totals for shipments by the German and Danish vessels were different than the amounts attributed to the loan. We were told that the letters of credit did not cover the total cost, and the suppliers shipped the commodities and billed NCPC for the difference. USAID/Philippines should review all freight charges made under IFB 1 to determine the value of freight payments made to ineligible shippers.

Recommendation No. 5

USAID/Philippines recover all ineligible freight charges paid to shippers through the Letter of Commitment for IFB 1.

USAID concurs with this recommendation and has requested and received the necessary documentation from NCPC to determine the extent of the ineligible charges that were paid from loan funds. Under Memorandum dated January 31, 1983, USAID requested assistance from AID/Washington in recovering these charges.

Technical Services Between NCPC and CICIP

USAID has reimbursed NCPC for a host country technical assistance contract in which consultants were paid for weekends. However, there is no evidence that the consultants worked on the weekends.

Through a host country contract, the Consortium for International Crop Protection (CICP) provided technical assistance services to the NCPC. Several short-term specialists were provided for a period of about 90 days each. Vouchers show billings for consultants work totalling 30-31 days per month. The average number of workdays in a month is about 22. Our review of the NCPC voucher documentation showed that three specialists were paid between \$125 and \$150 per day during their stay in the Philippines. These rates were paid for weekends as well as weekdays. A schedule of these weekend payments follows:

<u>Specialist</u>	<u>Paid Days on Weekends</u>	<u>Daily Rate</u>	<u>Total</u>
A	18	\$125.00	\$ 2,250.00
B	26	150.00	3,900.00
C	31	145.00	4,495.00
			<u>\$10,645.00</u>
	Plus: 10% Office Overhead		<u>1,064.50</u>
	<b>Total Payment for Weekends</b>		<b>\$11,709.50</b>
			=====

We asked the Director of NCPC and the CICIP Team Leader, (1) if the consultants were required to work on weekends; and (2) if they actually did work on the weekends. Both responded that no one was required to work on the weekends. The CICIP Team Leader stated that he believed some of the consultants did work on a number of weekends, but he could not recall any specific dates. No time records were kept for the short-term consultants.

Recommendation No. 6

USAID/Philippines take the necessary steps to recover payments to consultants for days not worked.

USAID/Philippines concurs with this recommendation. Accordingly, it requested CICIP's specific certification as to weekend days and holidays actually worked by the consultants during the performance of their contracts. Information has also been requested as to the salary basis and method used for determining each consultant's daily rate. Based on the documentation received the consultant and/or CICIP may be then required to provide reimbursement for any ineligible claims.

For the remaining sub-contract under the CICP/NCPC Contract, USAID has advised CICP that vouchers to be submitted must be accompanied by a certification from the Team Leader which will require maintenance of suitable records as to the specific days that the consultant has worked.

#### Technical Services Between NCPC and IRRI

The project funded a \$190,210 Technical Assistance Agreement between IRRI and NCPC. As of August 31, 1982, \$173,260 has been paid for this technical service contract. It could not be determined whether NCPC benefited from the work performed under this contract. In addition, no final accounting has been provided to USAID--although a year has passed since the contract termination date.

In August 1978 NCPC and IRRI entered into a service agreement in which IRRI would supply an agronomist from its own staff to assist in assembling the results of agricultural research, on an interagency basis and through Filipino counterparts into a more effective national rice extension and pest management program. The consultant spent most of his time working at IRRI and the Ministry of Agriculture to update specific technology packages on rice production. Although the work performed was not outside the scope of the contract, the agronomist had very little interaction with NCPC.

The contract budgeted \$190,210 for dollar expenditures. IRRI records showed that \$173,260 had been received from AID through May 1981. The final progress payment (\$16,950) had not been billed because no final report had been submitted by IRRI (The contract stipulated that the final payment would be made only upon submission of a final report on the agronomist's work). IRRI officials told us that they had not received inquiries about the final report either from NCPC or USAID. The NCPC and USAID decided that a final report was not needed and de-committed the final payout.

The contract stipulates that IRRI should keep accurate and systematic accounts and records in respect to its services in such form and detail as clearly will identify all relevant time charges and costs calculated on the basis of the periods of time actually spent by the agronomist in the services by the Agreement. We found no calculation or documentation of time spent on contract services (no time cards, etc.).

AID was paying for a fixed price contract without having reviewed the calculations used to establish the amount of the progress payments. We found no such analysis at IRRI, NCPC or USAID. Since AID was to pay the progress payments even if no certificate of performance was issued, AID had no way of assuring that anyone was reviewing cost documents, or work performed by the agronomist.

IRRI records only show contract expenses through April 1981. Expenses from April through August 31, 1981, the contract expiration date, had neither been itemized nor calculated. As of April 30, 1981, the status of the IRRI contract was:

Amount received from USAID/Philippines	\$173,260.00
IRRI Recorded Expenses	146,589.95
Difference	\$ 26,670.05
	=====

As of October 31, 1982, USAID did not know the actual cost of the contract. Since Section 7.05 of the Service Agreement lists specific items for which IRRI should be reimbursed, all funds paid to IRRI in excess of actual, authorized expenses, should be recovered by USAID/Philippines.

Recommendation No. 7

USAID/Philippines (a) request a final accounting on the IRRI/NCPC Technical Services Agreement; and (b) recover any funds from IRRI which were in excess of actual authorized expenses.

USAID/Philippines concurs with the recommendation and has requested IRRI to provide the required final accounting for the agreement. As of February 9, 1983 IRRI has provided a voucher and accompanying documents which are currently under review to determine proper actions.

HOST COUNTRY MANAGEMENT

The National Crop Protection Center is the implementing GOP agency for the Crop Protection Project. NCPC needs to improve its management of Project activities. Three areas of major concern center around (1) project reporting; (2) monitoring and evaluation of project activities; and (3) control over project commodities.

Project Reporting Requirements

The NCPC has not been providing USAID with several reports required in the Project Agreement. As a result, USAID has had to rely on informal contacts to keep abreast of Project activities.

Section B.5(a) of the Project Loan Agreement Annex II, states that the Borrower will..."Furnish A.I.D. such information and reports relating to the Project and to this Agreement as A.I.D. may reasonably request..." Page 11 of Implementation Letter No. 1, lists three periodic reports the NCPC was required to submit: (1) Quarterly Progress Reports; (2) Quarterly Shipping Reports; and (3) Annual Reports

As of October 15, 1982--almost 5 years into the Project--only one Quarterly Progress Report had been submitted; two shipping reports were submitted covering shipments for 1980 and early 1981; and no annual reports were submitted which meet reporting requirements. We found several documents in USAID files which indicated that NCPC was reminded of its reporting requirements, but these reminders appeared to have produced little results. The NCPC has been submitting its Annual Report to the Public, to satisfy the AID annual reporting requirement. However, this report is not very timely

(the 1981 report was issued November 1, 1982) and does not discuss the status of the various project components (technical assistance, commodity procurement and participant training).

On December 3, 1982 USAID issued PIL No. 37 reminding NCPC of their reporting responsibilities. On January 6, 1983 NCPC complied with the reporting requirements by submitting (1) a Quarterly Progress Report for October through December 1982, (2) a Shipping Report, and (3) the 1982 Project Annual Report. Because of these actions we are making no recommendation.

### Project Monitoring and Evaluations

The Project Paper called for two special in-depth evaluations to be conducted by independent consultants in 1979 and 1981. These evaluations were to assess the institutional aspects of the project, such as policies, quality of research and research personnel, quality of training and training personnel, research and development management coordination of activities at the Centers with other agricultural programs. No in-depth evaluations have been made, as of October 31, 1982.

The Project has had only one outside review since its inception in 1978. The review was to assess the status of the project and provide recommendations for strengthening the project and accelerating implementation. The report was completed in 1980 and contained 24 recommendations. Some of the recommendations were implemented and others were not. Among those recommendations not implemented at the time of our audit were:

- Activate the Crop Protection Coordination Committee;
- Set up meetings with the NCPC Director and the IRRI agronomist to explore roles for the consultant in the total crop protection program;
- Allocate additional GOP funds for liaison and survey activities by NCPC staff to establish cooperative research and survey potential pest problems;
- A critical need for improved communications and coordination between the NCPC and the RCPCs, particularly at the administrator's level;
- Meetings of the Monitoring/Evaluation Committee should be scheduled and called by the two Co-Chairman at agreed upon regular intervals;
- AID consider another outside evaluation of the Loan Program in about a year.

Most of the above recommendations identify problems addressed in our audit report.

The Project was supposed to have three separate committees meeting on a regular basis to guide NCPC and the RCPCs through implementation. The activities of these committees were described in the NCPC Project Monitoring Plan and other GOP documents. At the time of the Evaluation, Project files indicated that these committees had the following number of meetings:

NCPC Advisory Board	1 meeting in 1978
Crop Protection Monitoring/ Evaluation Committee	1 meeting in 1980
Crop Protection Coordinating Committee	None

After the evaluation report was issued, USAID project files indicated that the 2 committees met, but additional meetings have been infrequent or non-existent. As a result, the Project has received sporadic and fragmented input on planning, monitoring/evaluation, and coordination.

#### Recommendation No. 8

USAID/Philippines take steps to assure that all of the recommendations in the 1980 project review have been adequately addressed.

Since our review USAID had considered the recommendations made in the review report and was in the process of implementing those recommendations which were still applicable.

#### Controls Over Project Commodities

The NCPC needs to improve its management over project commodities. Among the problems we found were:

- Poor controls over the receipt of project commodities
- Slow distribution of some project commodities
- No AID markings on commodities
- Unsecured storage and poor accountability of commodities
- Lack of an annual inventory count

As of August 31, 1982, over \$1.7 million worth of project commodities had been procured, and another \$1.1 million was targeted for commodity procurement. Because commodities account for more than 50 percent of Project funding, we believe that steps need to be taken to improve the management and control over Project commodities.

Inadequate control is being exercised over the receipt and distribution of project commodities at the NCPC. When commodities are delivered to the NCPC, members of the Bid and Acceptance Committee compare the packing slips to the items in the boxes. The commodities are then checked-off against a copy of the Invitation For Bid (IFB) document. The usefulness of this procedure is questionable because: (1) not all items in the IFB document were purchased; and (2) we found items which had been delivered but were not marked in the IFB document as being delivered.

The same IFB document then served as the basis for an NCPC compilation of a receiving report. We also found inaccuracies in this listing. The listing did not include such items as a mini computer, a photocopy machine, and two airboats.

NCPC officials were also unable to locate a number of commodities listed on the receiving report. For example, NCPC officials were unable to show us several pieces of equipment, including microscopes, water distillers, an oscilloscope and analytical balances. We were told that the equipment was "...probably still in the boxes." No written records were maintained showing the location of any of the equipment we requested to see.

Project commodities not in use were stored in three separate locations. One of these locations was in the hallway of the NCPC Laboratory Building. No records were maintained to control the storage of commodities at these three locations, and it would be difficult to detect commodity losses because NCPC does not perform an annual inventory count.

#### Recommendation No. 9

USAID/Philippines require the NCPC to take measures to assure that Project commodities are: (a) properly accounted for upon receipt; (b) stored in a secure location; and (c) controlled through the use of locator cards and annual inventory counts.

USAID/Philippines has initiated actions on the above by notifying NCPC on December 15, 1982 that NCPC is required, by the terms of the project agreement, to properly account for and control all project procured commodities. USAID has received assurance from the NCPC Director that NCPC is seeking assistance from PCARRD in improving their overall commodities control program with particular emphasis on the above areas.

In addition, NCPC also needs to improve controls over the use of Project vehicles. We identified a number of flaws in current NCPC vehicle control practices. Only one of the 14 NCPC project vehicles had markings identifying it as an official GOP vehicle. None of the vehicles had the AID "clasped-hand" emblem affixed. Proper identification of Project vehicles would make it easier to detect nonofficial usage. Subsequent to our review USAID verified that NCPC had marked all project vehicles with the AID clasped-hand emblem.

Only nine of the 14 Project vehicles were controlled. However the controls were minimal. Drivers are assigned to vehicles, and must have an approved trip ticket prior to taking a long trip. Although drivers are usually assigned to only one vehicle, they also drive other project vehicles. Short trips are not controlled and do not require either an authorization or a report on mileage traveled, purpose of trip, or destination. The five vehicles which are not controlled are assigned to individuals at NCPC. These individuals do not have to account for the use of their vehicles.

Without improved controls over the use of Project vehicles, there is a possibility that these vehicles could be used for non-project purposes. For example, NCPC records show that on Sunday, October 31, 1982, all but one of the vehicles were supposed to be in the NCPC parking lot (one vehicle was on approved official business in Manila). However, we only counted 9 project vehicles in the NCPC parking lot at noon on October 31. NCPC officials were not able to provide a satisfactory explanation for the 4 missing vehicles.

USAID/Philippines has the responsibility to monitor project procurement to assure that U.S. public funds are expended in accordance with statutory and AID administrative requirements and that the services and commodities are being procured, delivered and used properly. Annex II of the project loan agreement (Section B.5) states that the GOP will "...Maintain or cause to be maintained, in accordance with generally accepted accounting principles and practices consistently applied, books and records relating to the Project and to this Agreement, adequate to show, without limitation, the receipt and use of goods and services acquired under the Loan."

We believe that USAID needs to work with the NCPC to improve controls over the receipts and use of vehicles and other project commodities.

#### Recommendation No. 10

USAID/Philippines require the NCPC to improve controls over Project vehicles, through better accountability of vehicle usage.

USAID responded to this recommendation by stating that NCPC, as an organization of the University of the Philippines system (UPLB), has the same vehicle control system as the University. USAID/Philippines considers UPLB's current system to be adequate.

USAID is working with NCPC and UPLB to determine if the University control system is being adhered to by NCPC. Once it is determined that the system is being followed and used, the Project Officer will periodically check that the system continues to be enforced by NCPC and will recommend corrective action, if and when appropriate, to both NCPC and UPLB.

We have retained this recommendation until assurances are received that an effective vehicle control system is being implemented.

#### Airboats Not Delivered for 2 Years

Two airboats purchased with project funds, have not been delivered to the RCPCs as stipulated in the Project Paper. The two boats, valued at \$25,260 each, were delivered to NCPC in October 1980. BPI has been frustrated in its attempts to get the boats delivered to the RCPCs. The NCPC told BPI that the boats do not have the proper papers to be moved to the RCPCs in Mindanao. When we asked NCPC officials what was causing the delay, they responded that the BPI has not come by to pick them up.

We believe that two years is an inordinate amount of time for \$50,000 in equipment to remain idle because of poor communication and coordination between the NCPC and BPI. In a tropical climate such as the Philippines, we believe it is quite possible that the boat engines may have suffered some rust damage by remaining unused for such a long period of time. USAID should take immediate action to assure that the two airboats are delivered to the intended RCPCs as soon as possible. Since our review, the Project Officer has been working with BPI and the NCPC to get the airboats transferred to Mindanao, but the transfer has not yet taken place.

#### Recommendation No. 11

USAID/Philippines take steps to assure the timely delivery of the two airboats at Los Banos to the intended RCPCs.

#### Commodity Markings

In addition to Project vehicles not being properly marked, the other project commodities we inspected, both at the NCPC and at an RCPC, did not have the AID clasped-hand emblem affixed, as required in the Loan Agreement.

Section B.8, Annex II of the Project Loan Agreement states that the Borrower should "...mark goods financed by A.I.D., as described in Project Implementation Letters." Section VII of Project Implementation Letter No. 1 stated that "AID Handbook 11 contains procedures for satisfying the requirement that AID-financed commodities be marked with clasped-hand emblem."

NCPC included Handbook 11 marking provisions in its contracts with suppliers. These provisions made the suppliers responsible for assuring that all commodities furnished would carry the official AID emblem(s). Despite these provisions, none of the Project commodities we inspected had the required AID emblems affixed.

In a letter dated December 3, 1982, USAID/Philippines reminded NCPC of the requirements for the marking of all project non-expendable goods purchased under the loan. The Project Officer has verified that proper labels have now been attached to project procured non-expendable goods located at NCPC. He will verify that RCPCs have complied with these requirements during regular field monitoring activities. In view of these corrective actions by USAID, we did not make any recommendations on commodity markings.

## LIST OF REPORT RECOMMENDATIONS

### Recommendation No. 1

USAID/Philippines obtain an acceptable and workable Memorandum of Understanding which includes the NCPC and BPI, for the coordination of the Crop Protection Program.

### Recommendation No. 2

USAID/Philippines suspend all further procurement for the Crop Protection Project until it receives assurances that the equipment needs of the RCPCS are met.

### Recommendation No. 3

USAID/Philippines review the \$2,206,774 of procurement including bidding, awarding, and commodity selection procedures and recover the costs of commodities not procured for identifiable project purpose in accordance with applicable USAID and AID regulations.

### Recommendation No. 4

USAID/Philippines (a) review the procurement of commodities from the supplier of the Gestetner machine under IFB 1, and (b) recover the cost of commodities obtained from ineligible sources.

### Recommendation No. 5

USAID/Philippines recover all ineligible freight charges paid to shippers through the Letter of Commitment for IFB 1.

### Recommendation No. 6

USAID/Philippines take the necessary steps to recover payments to consultants for days not worked.

### Recommendation No. 7

USAID/Philippines (a) request a final accounting on the IRRI/NCPC Technical Services Agreement, and (b) recover any funds from IRRI which were in excess of actual authorized expenses.

### Recommendation No. 8

USAID/Philippines take steps to assure that all of the recommendations in the 1980 project review have been adequately addressed.

### Recommendation No. 9

USAID/Philippines require the NCPC to take measures to assure that Project commodities are: (a) properly accounted for upon receipt; (b) stored in a secure location; and (c) controlled through the use of locator cards and annual inventory counts.

Recommendation No. 10

USAID/Philippines require the NCPC to improve controls over the receipts and use of vehicles and other project commodities.

Recommendation No. 11

USAID/Philippines take steps to assure the timely delivery of the two airboats at Los Banos to the intended RCPCs.

REPORT RECIPIENT

USAID/Philippines

Director 5

AID/W

Bureau for Asia:

Assistant Administrator 1  
Deputy Assistant Administrator (Audit  
Liaison Officer) 2  
Office of the Philippines, Thailand & Burma  
Affairs (ASIA/PTB) 1  
Assistant Administrator for Management 1

Bureau for Science & Technology:

Office of Development Information & Utilization  
(S&T/Mgt) 4

Directorate for Program & Management Services:

Office of Contract Management (M/SER/CM) 3

Office of the Inspector General:

Inspector General (IG) 1  
Executive Management Staff (IG/EMS) 12  
Policy, Plans & Programs (IG/PPP) 1

Office of Legislative Affairs (LEG) 1  
Office of Financial Management (OPM) 1  
Office of the General Counsel (GC) 1  
Office of Public Affairs (OPA) 1

OTHERS

Regional Inspector Generals:

RIG/A/Washington 1  
RIG/A/Nairobi (Africa East) 1  
RIG/A/Abidjan (West Africa) 1  
RIG/A/Cairo (Egypt) 1  
RIG/A Karachi (Near East) 1  
RIG/B/Latin America 1  
RIG/II/Manila 1  
AAP/New Delhi 1