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**The Non-Formal Vocational Education
Project in Thailand Requires
Additional Action by the Mission
Prior to Making Final Payment**

**Memorandum Audit Report No. 2-493-84-09
September 14, 1984**

UNITED STATES GOVERNMENT

Memorandum

To: Mr. Robert A. Halligan, Director
USAID/Thailand

From: *FAD*
Mr. Frank A. Dickey
Acting RTG/A/M

Subject: Memorandum Audit Report 2-493-84-09
"The Non-Formal Vocational Education Project in Thailand
Requires Additional Action by the Mission Prior to Making
Final Payment"

SUMMARY

This \$500,000 grant project, approved March 31, 1980, did not accomplish its objectives due primarily to a lack of consensus as to the concept and value of "non-formal" education. It was terminated by the USAID effective July 15, 1983.

At the request of USAID/Thailand, we undertook a limited-scope financial audit of project expenditures, and found a number of matters which require the attention of Mission management.

- An estimated three-fourths of the project audio-visual equipment purchases (valued at \$168,000) was still in original boxes and not being utilized. We recommend that USAID/Thailand work with Thailand's Department of Public Welfare to develop a plan to utilize the equipment.
- Documentation for some project expenditures, such as per diem payments, did not reflect actual amounts paid and reimbursed by AID. Other documentation was contradicted by separate project records, such as vehicle trip logs. Also, in the case of some project conferences, no support was available for certain expenditures. We recommend that the questionable or unsupported claims for reimbursement be disallowed.
- Unbeknownst to the USAID, the Royal Thai Government (RTG) purchased with project funds a pesticide containing the chemical dioxin. We recommend that the USAID disallow this particular procurement and inform the RTG about AID procedures for financing pesticides.

The final payment on this project should not be made to the RTG until action is taken on these recommendations.

INTRODUCTION

The Non-Formal Vocational Education Project (493-0295) had the objective of assisting the Royal Thai Government (RTG) to increase the income of farmers in selected land settlements in Northeast Thailand by institutionalizing a system of rural development training among the settlers at the village level. A number of settlers would be chosen, trained at the RTG Northeast Regional Training Center, and returned to their villages to impart their knowledge informally to their neighbors. The trainers would be assisted by extension-workers and mobile teams equipped with various audio/visual equipment. The project was administered by the RTG Department of Public Welfare which has responsibility for the Training Center and the land settlements involved.

The AID grant of \$500,000 was approved on March 31, 1980. The Agreement provided for the following budget: technical assistance \$169,500, participant training \$38,000, equipment \$161,400, training \$83,600 and contingency \$47,500.

Specific AID-funded equipment was to include 8 Toyota pickups each equipped with an extensive set of audio-visual equipment. The technical assistance was to develop a curriculum for the intended training. Under training, the grant provided funding for per diem of various settlers/trainers, mobile team experts, and drivers during training sessions.

As of September 30, 1983, a total of \$406,074 had been reported expended. The remaining \$93,926 has been deobligated by USAID/Thailand.

PURPOSE AND SCOPE

The review was requested by USAID/Thailand officials, in particular the Controller and Project Officer, who wanted a limited scope financial audit of project expenditures prior to approval of final payment on the project. Therefore, we performed a financial audit of project funds, emphasizing accountability for equipment and per diem payments for training sessions and conferences, since such items constituted the bulk of project expenditures. We examined project records at the RTG Department of Public Welfare, the RTG Northeast Regional Training Center, and the RTG Department of Technical and Economic Cooperation, which oversees and coordinates foreign-assisted projects in Thailand.

The review was made in accordance with the Comptroller General's Standards for Audits of Government Organizations, Programs, Activities, and Functions.

PROJECT TERMINATED BECAUSE OF SEVERE IMPLEMENTATION PROBLEMS

USAID/Thailand terminated the project on July 15, 1983, ahead of the scheduled completion date of December 31, 1983. The Mission concluded that "little more may qualitatively be accomplished during the remaining few months..."

The major reasons given for a lack of progress were

- reluctance on the part of many Thai officials to accept the concept of "non-formal" (i.e. not in the traditional classroom) education,
- lack of commitment by the Director of the Northeast Regional Training Center to the project,
- failure to utilize the mobile teams as originally intended, and
- curriculum and texts which were too complex to be easily understood by the farmers.

Conclusion

Since USAID had already decided to terminate the project because it failed to meet its objectives, we did not perform an overall evaluation of the project, but limited our review to financial matters. However, we saw nothing in the course of our audit to indicate that USAID/Thailand's decision was not a prudent one.

PLANS SHOULD BE FINALIZED FOR UTILIZATION OF PROJECT EQUIPMENT

The original project design called for the creation of eight mobile teams which would travel throughout the target settlements to provide training through the use of audio-visual equipment. However, an estimated three-fourths of the audio/visual equipment financed by the project was still in original boxes and not being used.

The equipment was designed to support the eight mobile teams, and was ordered in sets of eight or nine. The mobile teams were not regularly using the audio-visual equipment, even though vehicle logs showed a moderate amount of vehicle usage. For instance, nearly all of the slide projectors, screens, cassette players, film strip projectors, movie projectors, cameras and tape recorders purchased for this project were still in their original cartons.

In all, a total of \$167,911 a/ of equipment was financed with project funds. Major equipment items included:

a/Throughout this report, amounts originally stated in Thai baht have been converted to U.S. dollars at the rate of 20 baht to one dollar, the rate in effect during most project expenditures.

	<u>Quantity</u>	<u>Total Price</u>
Nissan twelve passenger bus	1	\$13,049.78
Toyota mobile passenger trucks	8	43,305.94
Bags of fertilizer	857	11,785.00
Ford pickup trucks	2	9,705.17
Jonan cassette tape recorders	9	1,896.47
Overhead 3M movie projectors	9	7,111.11
Slide projectors	9	6,682.72
Film strip projectors	9	3,029.38
Onan electrical generators	8	7,469.76
Public address amplifiers	8	1,391.14
16mm movie projectors	5	4,539.39
AM/FM portable radios	60	4,571.84
Crusader slide projectors	60	4,410.00
Airconditioners	2	1,794.19
Cassette tape duplicator	1	1,588.83
Blank cassette tapes	2000	2,418.97
Office copier, 3M model 368	1	2,828.55
Olympus SLR camera with lenses	1	1,004.76
Tanin FM/Stereo with speakers	1	490.00

The equipment was not being used for various reasons. The mobile teams were not operating because of inadequate host government funding. The equipment had not arrived on schedule. Finally, much of the equipment was unused because associated educational software items, such as film strips, slide shows, etc., were not available.

At present, most of the equipment is located in a room which is reportedly locked at night. However, the room has only a wooden door with an average size lock. The items in the inventory are ones which could be easily sold or diverted to personal use, and in fact, a small number of blank cassette tapes could not be located.

Conclusion and Recommendation

It is important that the AID-financed equipment be used constructively before it is lost or stolen. It would be unwise to assume that this equipment will remain secure indefinitely. Accordingly, we recommend that

Recommendation No. 1

USAID/Thailand work with the RTG in the development of a practicable plan to make appropriate use of the audio/visual equipment and vehicles.

MANAGEMENT COMMENTS

USAID/Thailand concurs with this recommendation.

CERTAIN PROJECT COSTS SHOULD BE DISALLOWED UNLESS ADEQUATE SUPPORT CAN BE OBTAINED

Conference Expenditures Were Inadequately Documented

In examining conference-related vouchers, we found one (No. 84-526) which was supported by receipts covering only half of the reported \$10,200 in expenses. For another voucher (No. 82-2159), we were unable to obtain supporting documentation for per diem and other items, which reportedly cost \$3,262. Below discusses the circumstances behind these vouchers.

At a conference held near Bangkok, none of the attendees received the \$204 per diem indicated opposite their signatures on their individual payment vouchers. The conference organizers received the total per diem amount that was to have been paid directly to the attendees. The organizers then made arrangements for lodging the attendees with the hotel. However, the hotel receipt for lodging expenses of \$5,100 was only one-half of the \$10,200 reimbursed by AID for this conference. We were told by attendees that the conference organizer used the remaining \$5,100 to buy food, meals and coffee cakes outside the hotel. Nevertheless, these other expenses were not supported by receipts nor by other documentation.

AID also reimbursed lodging and expenses totaling \$3,262 for another conference held at Nakorn Ratchasima, Thailand. The RTG Department of Public Works did not have any supporting documentation for these costs.

Mobile Teams' Trip Records May Not Be Accurate

Each of the eight mobile teams consisted of a driver and two or three agricultural technicians. The teams were to visit the various settlements and provide support for settlers/trainers. We reviewed two vouchers submitted to AID for reimbursement of expenses paid to the mobile teams. On one voucher (No. 249), the two technicians and driver claimed \$725 per diem for a 27-day period from June 19 until July 15, 1983. The team's trip report stated that they visited the the Nakorn Rajsrima Province in a specific vehicle. However, the trip log for the vehicle shows that trips were made to training centers outside Nakorn Rajsrima Province during that period. The other voucher reviewed was adequately supported.

Conclusions and Recommendation

The supporting documentation for some project costs was inadequate or non-existent. The lack of documentation for the subsistence portion of a Bangkok conference and all costs for the Nakorn Ratchasima conference demonstrate unacceptable billing practices. There are also obvious opportunities for abuse in a system which allows individuals to sign for

a specific sum of money, but receive only a portion of that amount. These costs should be disallowed unless receipts or adequate supporting documentation are obtained for the expenses. In view of conflicting supporting documentation, the cost of the mobile team trip should also be disallowed. Accordingly, we recommend that

Recommendation No. 2

USAID/Thailand disallow and deduct from the final project reimbursement (a) the undocumented expenses claimed for the conference held near Bangkok, (b) the undocumented expenses claimed for the conference at Nakorn Ratchasima, and (c) the undocumented expenses claimed for the mobile team trip.

Management Comments

USAID/Thailand concurs with this recommendation. However, the USAID believes additional documentation may exist to support some or all of the questioned costs.

AID PROCEDURES FOR PROCUREMENT OF PESTICIDES SHOULD BE FOLLOWED

The AID policy against financing of pesticides without prior approval from AID/Washington was not followed. The project financed the purchase of a pesticide containing dioxin. Dioxin has been described by scientists as one of the world's most dangerous toxins.

According to the AID Handbook I, Supplement B, Chapter 4, pesticides are not eligible for AID financing under either project or nonproject assistance unless the specific pesticide and its use have received prior approval from AID/Washington. AID also has specific procedures under which such approval can be granted. These procedures, which were not followed in this instance, include the preparation of a separate section in the project paper that should address whether or not the planned pesticide use will have a significant negative environmental impact.

Unbeknownst to the USAID, the RTG purchased with project funds a pesticide containing the chemical dioxin. While project stocks are small (only 10 cc, valued at \$391), the dangers of using dioxin should not be measured in terms of its purchase cost, but in terms of its potential damage to the environment or human life. During a recent conference held in Bangkok, a Thai scientist urged the Thai government to ban the substance stating that "only three ounces of dioxin can kill one million people if consumed".

Conclusion and Recommendation

It would be imprudent, in our opinion, for AID to finance a pesticide containing dioxin. Accordingly, we recommend that

Recommendation No. 3

USAID/Thailand specifically disallow the purchase of the pesticide containing dioxin and advise the RTG of AID procedures regarding pesticide procurements.

Management Comments

USAID/Thailand concurs with this recommendation.

INTERNAL CONTROLS FOR VOUCHER PROCESSING SHOULD BE STRENGTHENED

Vouchers submitted to the USAID by the RTG related to equipment purchases for several USAID/Thailand projects. Combining equipment purchases for more than one project on one voucher increase the chances of accounting errors and cause confusion as to the eventual destination of the equipment.

The use of one equipment purchase voucher for more than one project has three drawbacks. First, the voucher would need to be administratively reviewed and approved by two or more different project officers. This would add to the voucher processing time. Second, the USAID Controller's office charges the equipment vouchers against various Project Implementation Orders. Consequently, the possibility for error increases significantly when equipment purchases for different projects are combined on the same voucher. Third, the USAID acceptance of these "combined" vouchers from the RTG may give the RTG the erroneous impression that the equipment on such vouchers can be used for all the projects identified in the vouchers.

Conclusion and Recommendation

In order to streamline voucher processing and reduce the potential for administration errors, we recommend that

Recommendation No. 4

USAID/Thailand discontinue the practice of allowing the TRG to submit vouchers that combine equipment purchases for different projects.

Management Comments

USAID/Thailand concurs with this recommendation..

LIST OF REPORT RECOMMENDATIONS

Recommendation No. 1

USAID/Thailand work with the RTG in the development of a practicable plan to make appropriate use of the audio/visual equipment and vehicles.

Recommendation No. 2

USAID/Thailand disallow and deduct from the final project reimbursement (a) the undocumented expenses claimed for the conference held near Bangkok, (b) the undocumented expenses claimed for the conference at Nakorn Ratchasima, and (c) the undocumented expenses claimed for the mobile team trip.

Recommendation No. 3

USAID/Thailand specifically disallow the purchase of the pesticide containing dioxin and advise the RTG of AID procedures regarding pesticide procurements.

Recommendation No. 4

USAID/Thailand discontinue the practice of allowing the TRG to submit vouchers that combine equipment purchases for different projects.

REPORT RECIPIENTSUSAID/Thailand

Director	5
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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

Bureau for Program and Policy Coordination

Office of Evaluation (PPC/E/DIV)	4
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Bureau for Management

Assistant to the Administrator for Management Accounting System Division (M/FM/ASD)	1 2
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Directorate for Program & Management Services

Office of Contract Management (M/SER/CM)	3
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Bureau for External Relations

Office of Legislative Affairs (LEG)	1
Office of Public Affairs (OPA)	2

Office of the General Counsel (GC)	1
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Office of the Inspector General

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

Regional Inspector Generals

RIG/A/Washington	1
RIG/A/Nairobi (East Africa)	1
RIG/A/Dakar (West Africa)	1
RIG/A/Cairo (Egypt)	1
RIG/A Karachi (Near East)	1
RIG/A/Latin America	1