

PDAPP-895

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**FOLLOWUP AUDIT OF
AID-FINANCED PROJECT VEHICLES
IN EGYPT
AUDIT REPORT NO. 6-263-84-4
SEPTEMBER 30, 1984**

**Vehicle management problems continue. USAID/
Egypt has taken limited action to implement
four open audit recommendations to correct
problems involving the utilization and
disposition of AID-financed vehicles.**

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PART I - INTRODUCTION

A. Background

The Regional Inspector General for Audit in Cairo (RIG/A/C) conducted a comprehensive audit of AID-financed vehicles during the period September 1, 1982 through January 15, 1983. The results of this audit were reported in Audit Report No. 6-263-83-2, entitled AID-Financed Project Vehicles In Egypt. The report, issued on February 21, 1983, made five recommendations to USAID/Egypt to correct vehicle management problems.

RIG/A/C has from time to time become aware of USAID/Egypt's difficulties with the management of project vehicles. One car for example, a Chevrolet Nova purchased for the USAID's Urban Health Project, has been a particularly thorny problem. The Nova was diverted from the project in 1981 and remained more or less continuously under the exclusive control of a First Undersecretary of Health until August 1984, in spite of numerous USAID actions to recover the car. (The Nova was not returned to the Urban Health Project until shortly after the First Undersecretary retired.)

As a result of these problems, the Inspector General directed that this followup audit be made to determine if USAID/Egypt had properly implemented the recommendations presented in the February 1983 report.

B. Objective, Scope and Methodology

Our audit was made to determine whether the recommendations contained in Audit Report No. 6-263-83-2 were implemented by USAID/Egypt in accordance with the requirements of Office of Management and Budget Circular A-50, Audit Followup.

To followup on the recommendations concerning vehicle management we interviewed officials of USAID/Egypt and the Government of Egypt (GOE). In addition, we selected 174 vehicles for review. These vehicles were assigned to five projects as follows:

<u>No.</u>	<u>Project Title</u>	<u>No. of Vehicles</u>
263-0038	Cairo Water Supply	17
263-0048	Canal Cities Water and Sewage	48
263-0066	Low Cost Housing and Community Upgrading	30
263-0091	Cairo Sewerage	50
263-0144	Family Planning - Family of the Future	29
	Total	<u>174</u>
		===

We reviewed files and records located at USAID/Egypt and the project sites.

Our review was made during the period September 18, 1984 through September 27, 1984. Our audit was made in accordance with the Comptroller General's Standards for Audit of Governmental Organizations, Programs, Activities, and Functions.

PART II - RESULTS OF FOLLOWUP AUDIT

A. Summary of Review

Four of the five recommendations made in the previous audit report of February 21, 1983 remain open. At the time of our audit, USAID/Egypt had taken limited action to implement the four open recommendations. USAID/Egypt should close the remaining four open recommendations. To do this, USAID/Egypt should require GOE to provide all project vehicles, or implement adequate controls over the utilization and disposition of AID vehicles.

B. Recommendation No. 1

USAID/Egypt make an assessment of all AID-financed project passenger vehicles (including pickups) that will identify problems in the utilization and disposition of project vehicles and establish procedures to resolve the problems identified, and initiate actions with the GOE to resolve those problems.

Current Status

The recommendation remains open.

A report to identify the problems was prepared by a consultant on April 17, 1984. Many problems such as incomplete or inaccurate utilization reports, vehicle licensing, and vehicle disposal were identified in the report. Our followup review showed that these problems as well as the problems identified during the prior audit still exist. For example, on one project 12 vehicles were disposed of by turning them over to GOE Customs in lieu of paying the custom duties owed on the vehicles. According to the project's host-country contractor this transaction was done without informing USAID/Egypt.

In addition, our review showed that problems with vehicle utilization continue. Seven vehicles on one project were found in a warehouse and had not been used since the February 1983 audit. Also, we found that many project vehicles continue to be used for non-project purposes. A project official stated that cars were assigned to GOE and project officials for their exclusive control because they were considered a "fringe benefit" of the job.

As of our review, USAID/Egypt had not established procedures to resolve utilization and disposition problems, nor had they initiated actions with the GOE to resolve these problems.

C. Recommendation No. 2

USAID/Egypt implement control and monitoring systems to assure the proper utilization and disposition of AID-financed project vehicles.

Current Status

The recommendation remains open.

USAID/Egypt hired a consultant to develop an automated system to inventory all AID financed vehicles. The consultant developed a system entitled AIDCARS which inventoried the vehicles as of February 1984. We found several problems with the system input and maintenance of the data. For example, at least 259 vehicles were not included among the 884 vehicles identified by AIDCARS.

Also, we found one project where 20 vehicles procured by a contractor under an AID-financed fixed price construction contract were erroneously included as AID financed. Finally, we found 27 recently acquired vehicles at three of the five projects visited. Because AIDCARS has not been maintained these 27 vehicles had not been accounted for by the system. As of our review, USAID/Egypt had not assigned the responsibility for maintaining AIDCARS.

D. Recommendation No. 3

USAID/E establish guidelines requiring all projects to submit a vehicle utilization plan for review and analysis before authorizing procurement of the vehicles.

Current Status

This recommendation was closed on August 15, 1983.

E. Recommendation No. 4

USAID/E suspend procurement of additional vehicles for the Cairo Water Supply and the Strengthening Rural Health Delivery projects until these two projects demonstrate convincingly a capability to effectively and efficiently utilize additional vehicles.

Current Status

This recommendation remains open.

We were informed by the Project Officers of these two projects that no additional vehicles have been authorized since the February 1983 audit. Also, Recommendation No. 3 addresses the

general procedures needed to authorize procurement of vehicles. Since Recommendation No. 3 has been closed this recommendation could also be closed by management through the audit closure procedures.

F. Recommendation No. 5

USAID/E should consult with the GOE and AID/W and determine if AID-financing of the procurement of passenger vehicles and pickups should continue.

Current Status

This recommendation remains open.

The matter of continued AID financed procurement of vehicles was briefly discussed with GOE officials in October 1983. No decision has been made concerning the issue of continued AID financing.

During our review, we noted several problems which resulted from AID financed procurement of American vehicles. These problems were:

- o Clearance through GOE Customs for licensing
- o Disposal of vehicles
- o Maintenance cost
- o Operating cost
- o Original cost

Project officials informed us of delays in licensing and utilizing AID financed American vehicles because GOE Customs would not permanently release the vehicles. In one instance, vehicles were not released for 18 months after entry into Egypt. Also, disposal of these vehicles presents a problem because of the restrictions imposed by GOE Customs.

Project officials also informed us that American vehicles were usually more expensive to maintain and operate than Fiats assembled in Egypt. Parts and qualified mechanics are not readily available and result in periods of vehicle nonuse (up to three months in one case). Also, gasoline costs are generally higher for American vehicles. Finally, project officials stated that an American vehicle costs two to four times as much as a locally assembled vehicle.

We believe these factors, as well as the administrative responsibilities of project officers to monitor AID resources, be considered by USAID/Egypt in making their decisions whether or not to continue AID financing of project vehicles.

G. USAID/Egypt Comments

We discussed the results of our review with USAID/Egypt officials on September 27, 1984. They provided us with the following oral comments:

We will bring to the attention of GOE officials the problems we have had and continue to have regarding vehicle use and disposition. We will also inform GOE that USAID/Egypt will not finance any future vehicles until the problems are resolved. As to vehicles currently on hand we will improve our system of control and require improved monitoring of vehicles by project officers.

APPENDIX I

LIST OF REPORT RECIPIENTS

Assistant To The Administrator For Management (AA/M)	1
Assistant Administrator/Bureau For Near East (AA/NE)	5
Director, USAID/Egypt	5
Audit Liaison Office (AA/NE)	1
Office Of Egypt Affairs (NE/E)	1
Office Of Financial Management (M/FM/ASD)	2
Directorate For Program And Management Services (M/DAA/SER)	6
Bureau For Program And Policy Coordination (PPC/PDPR/PDI)	1
General Counsel (GC)	1
Office Of Legislative Affairs (LEG)	1
Office Of Public Affairs (OPA)	2
Office Of Evaluation (AAA/PPC/E)	1
Office Of Development Information And Utilization (S&T/DIU)	4
Office Of International Training (S&T/IT)	1
Inspector General (IG)	1
Assistant Inspector General For Audit (AIG/A)	1
RIG/A/Dakar	1
RIG/A/Karachi	1
RIG/A/Latin America/W	1
RIG/A/Manila	1
RIG/A/Nairobi	1
RIG/A/Washington	1
Office Of Policy, Plans And Programs (IG/PPP)	1
Executive Management Staff (IG/EMS)	12
Assistant Inspector General For Investigations And Inspections (AIG/II/W)	1
Regional Inspector General For Investigations And Inspections (RIG/II/C)	1