

**DEPARTMENT OF STATE
AGENCY FOR INTERNATIONAL DEVELOPMENT**

**OFFICE OF THE AREA AUDITOR GENERAL
LATIN AMERICA (SOUTH)**

**REPORT ON EXAMINATION
OF
NATIONAL HOUSING BANK (BNH)
PROJECT AGREEMENT No. 512-11-830-264.1
FOR THE PERIOD
MARCH 20, 1965 THROUGH JUNE 30, 1971**

**AUDIT REPORT No. 2-512-72-23
COPY No. 12**

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REPORT ON EXAMINATION
OF
NATIONAL HOUSING BANK (BNH)
PROJECT AGREEMENT No. 512-11-830-264.1

SECTION I - SCOPE OF EXAMINATION

The Brazil Residency of the Area Auditor General, Latin America (South), has performed a review of the National Housing Bank project. The incomplete condition of the Mission's files, the lack of active monitoring, and the fact that the project is soon to phase out limited the scope of our examination. As such, the review focused on problems related to AID dollar expenditures for U.S. consulting services. This was the first examination of the project and covered the period from its inception on March 20, 1965 through June 30, 1971. Our audit was performed during the period from June 2, 1971, to August 20, 1971.

This report was reviewed with appropriate Mission officials in draft form, and their comments were given due consideration.

SECTION II - BACKGROUND INFORMATION

On August 21, 1964, the Brazilian Congress enacted the National Housing Act, under which a national housing plan and the National Housing Bank (BNH) were established. The BNH, though organizationally located within the structure of the Ministry of Planning, is an autonomous unit. It operates throughout Brazil, using as agents savings and loan banks, government and private banks, and other public and private agencies constituting the housing system. Operations as such are restricted to guidance, general supervision and financial assistance. For the most part, BNH's funding emanates from the "Length-of-Service Guarantee Fund (FGTS)". BNH in turn channels these funds into the housing market by buying the mortgages from its financial agents.

In January 1965 five U.S. housing specialists performed a one month study in Brazil covering the financial aspects of housing, the structure of public and private agencies and, the organization of housing cooperatives. As a result of this study, the Mission, on March 30, 1965, entered into the first of several agreements with the BNH to provide it with financial and technical assistance. About 15 months later, in June 1966, the Mission organized the Housing and Urban Development Office (HUDO) to monitor this and other related projects, as well as to provide direct hire A.I.D. assistance to the Brazilian housing sector. HUDO was phased out in June 1969.

SECTION III - SUMMARY OF EXAMINATION

What evidence we could find suggests that only limited results were realized from this project. This appears in part the result of HUDO's inability to establish an effective program. For example, during the limited existence of this project, \$395,000 were obligated for contract services. Of this, \$92,000 were not used and hence deobligated. Likewise, approximately 25 per cent of the funds obligated for participant services were deobligated (an unusually high deobligation according to the Mission's Training Office). Had the program been established effectively, it is unlikely, at least based on our experience, that these amounts would have been deobligated.

The major accomplishment under this project, insofar as we could determine, was in the area of savings and loan institutions. At the inception of this project no such institutions existed in Brazil. As of April 1971 there were 80 in operation. These results appear attributable in large measure to the Mission's efforts to establish a nationwide savings and loan system modelled after that in the U.S.

About the time HUDO was phased out, in June 1969, the Mission obligated \$80,000 to finance U.S. short term contract advisors on a broad range of activities for the BNH. Such services were to be rendered as the need arose. At the time the agreement was signed, on June 30, 1969, HUDO no longer existed, and monitoring responsibility was assigned to a former HUDO officer in the Mission's Health, Nutrition, and Food for Development Office (HNFD). However, because of his other duties, little or no time was available for this project. In December 1970 monitoring responsibility was trans-

ferred to the Mission's Public Administration Office (PAD). Again, because of similar problems, there was little or no monitoring.

Our review and discussions at BNH revealed that the bank had thus far expended \$58,443. No A.I.D. reimbursement had been claimed for these costs under the project. The reason, according to a BNH director, was due to little contact with the Mission; hence, the bank had no idea how to proceed. We therefore suggest that the Mission determine whether the costs should be reimbursed in full or in part as per the agreement and, accordingly, instruct the BNH how to claim such reimbursement. The unexpended balance should then be reviewed to determine whether it should be deobligated.

RECOMMENDATION No. 1

That the USAID/B (1) review, determine, and reimburse, if eligible, those costs incurred by BNH under the project; and (2) consider deobligation of the unexpended balance.

We noted that \$15,600 was obligated in March 1967 for a U.S. construction specialist. This advisor was to be contracted under an A.I.D. contract (No. AID/csd-22) with the Foundation for Cooperative Housing (FCH). Reference to Exhibit A will indicate that no costs have been posted to date; and, because of incomplete Mission files and BNH data, it is impossible to determine locally whether the advisor was or was not engaged. In March 1971 the Mission asked AID/W for the status of expenditures. No information has yet been received. Hence, we suggest that AID/W PROC/CSD review the matter and advise the Mission if any costs were incurred under the contract and whether the unexpended balance, if any, can be deobligated.

RECOMMENDATION No. 2

That AID/W PROC/CSD ascertain the costs which were incurred under contract AID/osd-22 and advise the Mission of the amount, if any, to be deobligated.

NATIONAL HOUSING BANK - 512-11-830-264.1
 SUMMARY OF PROJECT DOLLAR FINANCING AS OF JUNE 30, 1971
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<u>Contract No.</u>	<u>PIO/T</u>	<u>Date</u>	<u>Obligation</u>	<u>Deobli- gation</u>	<u>Expense</u>	<u>Balance</u>	<u>Comment</u>
PASA-12-43-65	50203	12/17/64	4,000	-0-	4,000	-0-	} Five man team study.
AID/12-241, 2 & 3	50204	12/28/64	14,000	(3,200)	10,800	-0-	
AID/csd-22	50307	5/25/65	60,000	-0-	60,000	-0-	} U.S. Foundation for Cooperative Housing Advisors
AID/csd-22	50385	7/14/65	80,000	-0-	80,000	-0-	
AID/12-344	50326	7/20/65	50,000	(17,000)	33,000	-0-	U.S. S&L Advisor
-	50387	6/29/65	50,000	(50,000)	-0-	-0-	U.S. Financial Specialist - Position not filled
-	70213	10/12/66	19,000	(19,000)	-0-	-0-	Position not filled
AID/csd-22	70295	3/2/67	15,600	-0-	-0-	15,600	U.S. Foundation for Cooperative Housing Advisors
AID/csd-1493	70429	5/26/67	3,000	(700)	2,300	-0-	S&L Advisor
AID/12-576	80303	3/13/68	23,300	(2,500)	20,800	-0-	S&L Advisor
-	ProAg	6/30/69	80,000	-0-	-0-	80,000	Various U.S. Advisors contracted.
Total Contract/PASA			398,900	(92,400)	210,900	95,600	
Participants			112,000	(29,000)	70,000	13,000	
Other Direct AID			342,000	-	342,000	-	
GRAND-TOTALS			852,900	(121,400)	622,900	108,600	

EXHIBIT B

DISTRIBUTION OF
REPORT ON EXAMINATION
No. 2-512-72-23

	<u>COPY No.</u>
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NOTE: All audit work papers are attached to Copy No. 22 which is on
file in the Office of the Area Auditor General, AAG/LA(S).