PD-AAS-378
42711

MISSION OPERATING EXPENSE BUDGETS

FYs 1980, 1981 AND 1982

USAID/NEPAL

AUDIT REPORT NO. 5-367-82-10

SEPTEMBER 26, 1982

TABLE OF CONTENTS

TABLE OF CONTENTS

AUDIT REPORT

ON

MISSION OPERATING EXPENSE BUDGETS

FYs 1980, 1981 AND 1982

USAID/NEPAL

EXECUTIVE SUMMARY

Introduction

USAID/N's operating expense funds are appropriated and budgeted annually to enable AID to carryout its development assistance program in LDCs. At USAID/N these funds are budgeted to cover various costs in connection with housing, USAID/N office operations and personnel.

For FY 1982 USAID/N's operating expense budget was approved at $3,202,000. As in previous years, the budget was allotted to both USAID/N and AID/W for specific purposes with $1,878,000 approved for USAID/N expenses and the balance of $1,324,000 retained by AID/Washington.

USAID/N staffing included 52 direct hire and project contract Americans, 2 personal service contract (PSC) Americans, 4 project contract TCN employees and 90 direct hire and PSC Foreign National employees for a total staff of 148 as of July 31, 1982.

Purpose and Scope

We reviewed USAID/N's administrative support activities to determine if USAID planning was effective, if operating expense funds were being used efficiently, and if operations were being carried out in accordance with Agency policies, regulations and guidelines that pertain to funding of operating expenses.

We examined USAID/N transactions and implementation of policies and procedures in connection with housing; housing and buildings maintenance and repair services; local procurement; controller operations; foreign affairs administrative support agreement; operation of USAID/N's fuel support services; personal property, warehousing and fire safety precautions; and motor pool operations.

We reviewed USAID/N's records, policies and procedures and held discussions with management officials as considered necessary.

Findings, Conclusions and Recommendations

Our examination of the USAID/N's administrative support activities for FY 1980, FY 1981 and FY 1982, performed on a selective basis, indicated that in general the operating expense funds were well managed. However, we found a number of areas where control procedures were weak. These conditions were aggravated by a shortage of several qualified Foreign Nationals in key positions and limited American Staff to supervise and monitor administrative support activities. The following is a summary of our findings regarding both USAID/N accomplishments and areas where systems and procedures can be improved for a more efficient operation.

Housing Policy and Space Standards

-- USAID/N has adequately complied with the new space standards for limiting the size of rental housing outlined in A-1093 of March 1980. But, as required under A-1093, there was a need to update its housing policy issuance of 1977 and to justify for the records those cases of overhousing. (See pp. 4 - 7.)

Household Furnishings and Equipment

-- Over the last several years, USAID/N has upgraded its household furnishings and equipment to adjust to Kathmandu's designation as a Class 5 post with little cultural activity for participation outside the homes. As a result, morale has improved in recent years. (See pp. 8 - 9.)

Housing and Buildings Maintenance and Repair Services

The mission has a General Maintenance Services (GMS) contract for its houses and buildings funded at $60,900 for one year. There are 24 employees funded under the "regular services" Article II "E" of the contract. The contractor is paid for these services on the basis of equal monthly installments adjusted for absenteeism and regardless of the amount of work done. Other major maintenance work is funded separately and accomplished on a work order basis under Article II clauses "A - D" with labor hours usually negotiated in advance. (See p. 10.)

-- We found that the GMS contract was in need of revision to clearly define what was to be done by the "E" work staff and how their time was to be accounted for. Excessive use was being made of the "E" work staff resulting in much overtime that could be reduced by contracting the work under the work order system during regular hours. The contract was not being well managed and current procedures preclude meaningful reporting and evaluation on the need for overtime and the level and type of staff being procured under the "E" work clause of the contract. (See p. 10 13.)

-- Maintenance van trips were excessive. The trips need to be curtailed yet done with more expertise using a preventing maintenance check list. The list needs to be developed. Emergency-type maintenance for special attention needs clarification. In this connection, the various maintenance activity inputs need to be more effectively coordinated for a more economical maintenance program. (See p. 13 - 14.)

Local Procurement Procedures

-- Small purchase procedures were restrictive. Use of small purchase advances processed through the Office of Financial Management resulted in time consuming paper work and delays in day-to-day operations including payments to vendors. There was excessive use of small value purchase orders with payment by check. At $6.00 per check this payment process was costly and placed an unjust hardship on the vendors who waited weeks for small payments collectible at the USAID/N Cashier's Office.

Consequently, the small purchase procedures need to be evaluated to determine the suitability of establishing a petty cash fund for payment of certain small purchases in cash as outlined in HB 23 Chapter 14-F. USAID/N's small fixed recurring costs such as for leases and contract services, other than personal, need to be reviewed with view to paying such costs in cash. USAID/N's procurement policy issuance No. 19-1 of July 23, 1975 regarding the Cashier operation needs to be updated. (See p. 15 - 18.)

Financial Management (FM) Operations

-- Due to a deficiency in the billing system of the Regional Administrative Management Center (RAMC), Bangkok, billing to USAID/N for check issuing services October 1981 through March 1982 were grossly understated. The RAMC billings were not questioned in the USAID/N's Office of Financial

Management (FM) because it was assumed they were correct. FM had no procedure for reconciling the billings with the number of checks issued by the RAMC. Based on our review USAID questioned the RAMC billings. The RAMC issued a supplemental bill for 794 checks issued without charge since October 1981 and corrected the deficiency in its billing system. (See p. 19.)

-- There were no controls in FM or the General Services for monitoring compliance with the General Maintenance Services (GMS) contract cost limitations such as on funds for "regular" services", other work order services and overtime. (See pp. 20 -21.)

Foreign Affairs Administrative Support (FAAS) Credits

-- USAID/N is not recovering or receiving credit under the Foreign Affairs Administrative Support (FAAS) Agreement for certain operating costs of the commissary being paid by USAID/N. These rental and electrical costs estimated at $5,100 annually have been paid by USAID/N at least since June 1977 when USAID/N executed Lease No. 77-160 for rental of the Rabi Bhawan Complex which includes the commissary building.

In conjunction with the USAID/N Executive Office we reviewed Embassy FAAS charges allocated to AID in connection with the Embassy supported recreation complex. We were able to confirm that USAID/N was being charged about $9,400 per year as its share of the total cost for utilities, maintenance and repairs and guard services paid by Embassy to operate the complex activities. Thus, beginning in FY 1983, USAID/N should obtain an agreement with Embassy for shared support of commissary expenses and if unsuccessful then bill the commissary directly for a fair share of the operating costs as is done with telephone charges. (See pp. 22 - 23.)

Accounting for Gasoline and Diesel Fuels

-- All functions of the gasoline station operation were assigned to the station attendant. Thus, internal controls were lacking. There was a need to upgrade the operations of the station and assign some of the duties of station attendant to another General Services Office employee. (See pp. 24 - 25.)

-- Because the station attendant had no measurement charts accurately calibrated with the dip stick markings, there was no effective system to measure fuel receipts, inventories and losses identified with specific causes on a tank by tank basis. Use of the inaccurate charts caused errors in the records and in recording of inventories and losses. In addition, the format of the daily report on utilization and inventories of fuel stocks was not adequate to facilitate an understanding of daily fuels activity.

It is necessary to take a complete physical inventory of gasoline and diesel fuels, prepare new measurement charts calibrated with the dip stick and establish new records and a reporting system for fuels. (See pp. 26 - 31.)

-- The system in use for preparing receiving reports to support payments for fuel receipts was overly complicated and difficult to analyze and verify activity. Therefore, the system was prone to error and in need of simplification. (See pp. 32 - 33.)

Fuel Dispensing Support Services

-- USAID/N was dispensing duty-free gasoline (gas) for operation of the Lincoln School busses and for personal use of its staff in violation of the Uniform Foreign Affairs Regulations (UFARs). The practice of selling duty-free gas to the Lincoln School and its staff is essentially based on a determination by a former Ambassador, dated April 25, 1979. The determination concluded that the school is affiliated with the U.S. Mission and can be considered an element of the Mission and that the GON, over the years, has come to recognize this link. USAID/N officials feel that the right of the school and staff to receive duty-free gas is implied in the fact that the school and staff have access to the commissary which has been buying and selling USAID/N and Embassy gas for years. This USAID/N practice is also based on the Embassy/USAID/N mutual agreement to provide support services in their geographic areas when it is convenient and economical.

We question these interpretations on the grounds that neither the school nor its staff have duty-free import privileges. Sixty-one percent of the students were dependents of expatriates. The commissary merely handles the accounts for gasoline dispensed by USAID/N. Finally, Chapter 500 (514.1) of the Uniform Foreign Affairs Regulations (UFARs), dated April 3, 1981, limits eligibility for post employee services provided by the commissary. In our opinion the school and staff do not meet the UFAR eligibility criteria generally limited to U.S. Government direct-hire and contract personnel or U.S. Nationals involved in implementing U.S. federally-funded programs.

Accordingly, we believe USAID/N is not responsible for providing fuel support services to the Lincoln School and staff. We have recommended USAID/N discontinue the practice or charge a 10 percent service charge to recover its operating costs. These costs include evaporation and other handling losses which normally increase with the quantity of gas handled. (See pp. 34 - 37.)

-- Procedures for requisitioning and dispensing gasoline from the USAID/N gasoline station were inconsistent and did not assure that all the gasoline dispensed for USAID/HMG sponsored projects had actually been ordered by project officials. (See pp. 37 - 38.)

Fuel Sales Prices and Pricing Controls

-- Because of an increase in the exchange rate on all transactions paid after September 19, 1981, USAID/N and Embassy have been paying less for gasoline and diesel fuel but have not reduced the price of these fuels sold to the commissary and the commissary had not reduced its prices for sales to customers.

As a consequence, USAID/N was making a profit on fuel sales for deposit to operating expense funds. We recommended that USAID/N reduce its prices to cost and refund to the commissary $1,782 for overcharges on fuels from November 1, 1981 to March 1, 1982, when the sales prices charged the commissary were reduced in response to the recommendation. In turn the commissary reduced its prices to its customers but not for the full price reduction given by USAID/N. This allows the commissary to make a small profit on fuel sales which heretofore had been made to customers at cost. (See pp. 39 - 41.)

-- Effective with the month of May 1982, the fuel accounts for authorized AID-funded U.S. contractor vehicles were removed from the ommissary's responsibility as recommended and assumed by USAID/N for billing purposes. This action will relieve the limited ommissary staff and allow AID-funded projects to obtain gas or diesel fuel more cheaply at USAID cost; i.e., minus the commisary's marked-up prices. (See pp. 40 41.)

-- USAID/N had no effective procedures to assure that changes in fuel costs resulting from frequent amendments to USAID/N procurement contracts or changes in exchange rates would be promptly reflected in USAID/N fuel sales. (See pp. 42 - 43.)

-- The USAID/N gasoline station attendant (GSA) was pricing each fuel sales transaction on the daily issue reports, a copy of which was sent to the commissary for billing purposes. Our verification of the GSA computations indicated that the transactions were priced incorrectly by the GSA in 2.6 percent of the transactions tested. This resulted in a net loss to the commissary.

So we recommended that USAID/N discontinue the practice of pricing fuel sales transactions for the commissary as this was not consistent with the duties of the GSA. (See p. 44.)

Personal Property, Warehousing and Fire Safety Precautions

-- Recordkeeping practices for nonexpendable property (NXP) were in need of improvement. Deficiencies found in the NXP controls and recordkeeping could result in undetected losses and difficulty in locating shortages between the records and inventories. (See pp. 45 - 46.)

-- Storage of nonexpendable property was considered substandard. It was not stored to facilitate inventory taking, protecting the property from dust or damage or to operate an efficient, secure and economical warehousing program as required by HB 23. (See p. 47.)

-- Normal fire safety precautions were lacking at the warehouses and the USAID complex of buildings. There were insufficient fire extinguishers in stock and placed around the warehouses. Extinguisher stations were often not identified or properly marked. Although USAID had a source

-- The maintenance labor rate recorded on job orders was not being revised regularly and was very much understated. This resulted in understating maintenance labor costs in the USAID/N's U-540-1 Motor Vehicle Data report sent to AID/W annually. It was not clear how the incorrect $.35 per hour rate in use was determined but it had been in use for many years. In reply to our draft report USAID/N developed a new maintenance rate in accordance with reporting instructions. The new $.82 per hour rate included the current contract price for direct labor and related payroll burden costs for mechanics only. (See pp. 52 - 53.)

-- Gasoline consumption or miles per gallon (MPGs), although developed in the vehicle monthly statistical reports, were not being used to analyze and determine the reason for wide variations in usage. Our tests of 16 vehicles indicated gasoline usage fluctuated widely within similar types of vehicles with no explanations. We recommended greater emphasis be given to analysis of fuel consumption data to assist in determining the causes of unusually high usage of fuels. (See pp. 53 - 54.)

The report was reviewed with USAID/Nepal officials and their comments were considered in finalzing the report.

of water on the compound, there were no pipes to carry the water to strategic points near the warehouses or offices or hydrants, pumps or hoses to make effective use of the water if distributed.

Therefore, we recommended that USAID place more extinguishers in the warehouses and order more for stock, and complete a fire protection plan to include procurement of equipment needed for upgrading its fire-fighting capability to cover the entire USAID/N complex. (See pp. 48 - 49.)

Motor Pool Operations

-- The motor maintenance shop had an inadequate number and size of fire extinguishers as well as an inadequate medical kit for use in case of an accident. In addition, further review indicated that although USAID occasionally procures medical supplies, there was not an acceptable medical kit or first-aid kit on the entire USAID compound.

Because of the long distance between USAID and the Embassy medical unit USAID should have better medical competence. Accordingly, we recommended USAID/N upgrade its medical supplies and capability to provide medical assistance in case of an emergency. We also recommended that additional larger fire extinguishers be placed in the motor maintenance shop area. (See pp. 50 - 51.)

-- Use of the daily vehicle usage reports (trip tickets) were excessive and therefore wasteful. A new ticket was being used for each change of drivers in order to keep trip information readily available on a driver basis. At times this necessitated using as many as six tickets a day on some vehicles with little usage of ticket space. We recommended use of only one ticket per vehicle per day and that the ticket format be revised in order to identify the drivers used on each trip. (See p. 51.)

-- Deficiencies were found in preparation of the various vehicles monthly reports. Since the data from these reports is used for preparation of the M-540-1 Motor Vehicle Data report for AID/W, we recommended that USAID/N review procedures for preparation of these reports and assure they conform with the HB 23 instructions. (See pp. 51 - 53.)

BACKGROUND

USAID/N's operating expense funds are provided and budgeted annually to enable AID to carryont its development assistance programs in LDCs. In general, the funds are budgeted to cover costs of housing, office operations and personnel. More specifically, at USAID/N the FY 1982 budget covers housing and office rents, utilities, maintenance and repair services, furnishings and equipment, supplies and materials, travel and transportation, Embassy administrative support charges and U.S. and local national personnel salaries, extra pay and allowances.

USAID/N procures all maintenance and repair services for housing, USAID/N offices and the motor vehicle fleet plus guard, driver and labor services from local contractors.

Over the last three years USAID/N's operating expense budgets were approved at $2.924 million for FY 1980, $3.276 million for FY 1981 and $3.202 million for FY 1982. As in prior years, the FY 1982 budget was allotted to both USAID/N and AID/Washington for specific purposes. Of the total FY 1982 budget of $3.202 million, $1.675 million in dollar funds plus the equivalent of $.203 million in Nepali rupee funds (derived from old U.S.-owned Indian rupees) for a total of $1.878 million was approved for USAID/N operating expenses. The balance of $1.324 million was retained by AID/Washington to cover salaries and benefits of 32 direct-hire Americans (some of which were not budgeted for the full year), and two direct-hire part-time employees.

As of July 31, 1982, USAID/N's obligation totaled $1.471 million or 78 percent of its approved operating budget. Expenditures totaled $.737 million as of the same date.

The responsibilities of the USAID/N Executive Office involve both program and management functions, including project and administrative contracting, project and administrative commodity procurement, general services, field support, personnel, communications and records, budgeting and security.

USAID/N staffing included 25 direct-hire Americans, including 2 on part-time, 27 contract Americans, 1 project personal service contract (PSC) and 1 OE-funded PSC contract Americans, 4 third country nationals (TCNs) funded under projects and 90 foreign national (FN) employees, of which 41 worked in the Office of Administrative Management. Thirty one of the 90 FN's were on personal services contracts. The staff totaled 148 as of July 31, 1982.

The USAID/N program is comprised of 11 active projects with a pipeline of $36 million as of June 30, 1982. Project obligations totaled $15.5 million in FY 1982. They are expected to increase annually from $13.5 million in FY 1983 to $20 million in FY 1986. The program emphasizes three major projects involving rural development, resource conservation and utilization and health and family planning. Overall USAID/N responsibility for implementing these projects involves monitoring several large contractors with primary implementation responsibility. The major projects were funded at $32.6 as of July 31, 1982, but additional funding estimated at $56 million will be needed to carry the projects through FY 1986.

PURPOSE AND SCOPE

Our audit was performed in Kathmandu during the summer of 1982. This examination of administrative support activities covered fiscal years 1980, 1981 and 1982 and included a selective review of operating expense obligations and disbursements.

The review was made to determine if (1) USAID planning was effective, (2) operating expense funds were being used efficiently, and (3) operations were being carried out in accordance with agency policies, regulations and guidelines that pertain to funding of operating expenses. We examined transactions and implementation of policies and procedures in connection with housing, housing and buildings maintenance and repair services; local procurement; controller operations; the foreign affairs administrative support agreement; procurement, inventorying, record-keeping, dispensing and reporting on gasoline and diesel fuel support services; personal property, warehousing and fire safety precautions, and motor pool operations including the adequacy of emergency medical support for the mission compound area.

In order to evaluate compliance with agency requirements on use of operating expense funds, we reviewed mission records, policies and implementation procedures. We visited various offices and operating units and held discussions with direct hire and local national management officials as deemed necessary. We also solicited the views of a representative sample of the direct-hire employees regarding the adequacy of mission administrative services. In general the employees were well satisfied with the housing, housing furnishings and equipment, but expressed some disappointment in the efforts of the general services office to provide services in a timely manner. Employee comments to specific questions were documented and have been used to support certain comments on the adequacy of maintenance repair services contained in this report.

USAID/N responses to our periodic reports of findings were taken into consideration if received sufficiently in advance of finalizing our draft report. As a result, actions were taken to correct deficiencies described and we were able to delete seventeen recommendations from our final report.

AUDIT FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

Housing Policy and Space Standards

The mission has been implementing its housing program in accordance with the Foreign Affairs Agency's Housing Policy and Standards contained in Airgram-1093 of April 1979. A-1093 states that "it is the policy of the U.S. Government that its employees and their dependents assigned to U.S. Missions abroad occupy housing adequate to their personal and professional needs." Adequate housing is defined as that comparable to dwellings in the metropolitan Washington area, adjusted for overseas locality and representational use, in terms of safety, size and in-home amenities.

On October 1, 1978 the Office of Foreign Buildings (FBO) assumed responsibility and funding control for the Department's overseas short-term leasing program. This authority was extended to cover other agencies in 1979. Combining this authority with FBO's existing authorities for Government-owned and long-term leased properties, brought together the responsibility for overseas housing into one place. This centralization of real property management including the expansion of FBO's policy and standards formulation role to cover other foreign affairs agencies (underline added) was urged by the Inspector General, the General Accounting Office (GAO) and most recently by the Brooks Committee in HR No. 95-1676 dated October 2, 1978. The Brooks report commented on inter-agency housing policy and standards as follows:

> "The sub-committee was surprised to learn that there is little consistency or uniformity in terms of housing or housing support that U.S. Government employees stationed overseas in embassies can expect. Not only are employees of different agencies stationed in the same area not necessarily given similar housing or housing support, but no uniformity of practices exist from post to post either for Department of State employees or those of other agencies (underline added).
>
> GAO found that the net effect has been that the U.S. Government is paying needlessly higher housing costs because employees are provided with housing that exceeds reasonable space standards and housing allowances."

The committee's position was that the disparity in housing policies and practices must be rationally related to actual differences in local conditions, and that the consolidation of responsibility for housing standards within the FBO should make this easier to accomplish. While A-1093 concludes that the quality of housing is probably the single most important factor affecting morale at post, it does not alter the reality of spiraling real estate costs throughout the world and the need to allocate our limited resources in an equitable manner. Thus the objective of applying new housing standards is to provide U.S. Government employees and their dependents assigned abroad adequate housing to suit their personal and professional needs at a cost most advantageous to the Government. The policies and standards as stated in A-1093 are in response to the Brooks report and are intended for use by the Chief of Mission, post administrative personnel, and inter-agency housing boards in establishing a uniform housing program for all personnel of all agencies under the supervision of the Chief of Mission.

Compliance with New Space Standards

The use of space as the primary criterion for satisfying housing needs is a departure from the traditional approach which was based on many other factors. A-1093 states that at some posts many employees are occupying "below" standard housing because the local market does not provide the sizes of housing comparable to that available in the Washington area. At other posts, large amounts of housing acquired in earlier years conforms to then existing standards. Also, posts differ widely regarding climate, security and opportunities for cultural and recreational life outside the home. The importance which the home plays in the well-being of employees and their dependents can vary greatly from post to post.

Under the A-1093 housing policy and standards (guidelines), all posts are classified from locality class one through five. The highest standards (class 5) are those posts in which the employees and dependents can be expected to spend the bulk of their off-duty hours either in their residences or residences of other mission employees. The higher the post classification the more space allowed. Kathmandu is included in the class five group of posts. This group is considered to have the least opportunity for cultural and recreational life outside the home. Therefore, mission employees are entitled to larger houses.

A-1093 required the USAID to perform a review of its housing policies in relation to the new space standards and take necessary action to comply with the guidelines. We reviewed actions taken pursuant to the new housing guidelines with regard to: (a) reducing the inventory of large houses to bring all houses within acceptable space limitations, (b) adequacy of housing assignments to control over-housing, and (c) establishment and utilization of inter-agency housing boards for the purpose of approving existing and new housing so that all agencies will be treated equitably.

Disposal of Oversized Houses

A-1093 required the mission to review all existing residential leases in relation to promulgated standards. Where properties exceeded the standards by more than 10 percent, USAIDs were to develop a plan to drop the over-sized houses upon the departure of the occupant or expiration of the lease, whichever is more economical or less disruptive. Our review indicated that USAID has complied with this requirement. After applying the 10 percent allowance to eight, three, four and five bedroom houses, we found only one that exceeded the 10 percent limitation. The mission has already made plans to dispose of this house upon completion of the occupant's tour. Three other leases had been terminated during 1981 because the houses exceeded the 10 percent limitation. The mission did not feel the properties were significantly favorable to warrant their retention as was required under the new A-1093 guidelines.

Housing Selection and Assignment Procedures

Of the 25 USAID houses under lease, 14 had three bedrooms, eight had four and three had five. All houses had been assigned except one. This house was being used by personnel on temporary duty pending the delayed arrival of a new employee. Several single employees, all in three BR houses, and a few families in four and five BR houses were slightly over-housed based on criteria contained in USAID's Housing policy Issuance No. 23-4 of December 1977. This policy issuance specifies two BR houses for single employees, and one master BR and one additional BR for each child to a limit of four BRs for a family, yet the USAID has several five BRs houses and no two BR houses.

However, in a number of respects the USAID Policy Issuance of December 1977 have been superceded by events and should be updated to conform to current USAID policy and the new A-1093 space standards. For example, as a current policy, the mission does not lease two BR houses and the USAID has several five BR houses. Acceptable two BR houses are very limited in Kathmandu and if acquired usually provide little flexibility over the years. They could remain vacant for extended periods. In addition, A-1093 guidelines provides that, while the primary criteria for the selection of houses are the A-1093 space standards they are not the sole consideration. Revision No. 1 of A-1093 dated in March, 1980 provides for consideration of other factors such as location, availability of housing, security and the adequacy of the houses in terms of the mission's acceptable minimum standards. Acceptable standards for Kathmandu include such items as fireplaces for heating, telephone and electric lines, availability of water storage, laundry and outside space, access roads and acceptable construction. Also, it was recognized in A-1093 that posts with a substantial inventory of leased houses with varying numbers of bedrooms will occasionally have to assign employees with more or less bedrooms than family size would warrant and which would violate the new policy standards. USAID has a few such cases but has not documented the justification for the lease files as required by the new space guidelines.

The USAID's General Services Officer (GSO) specialist advised that it is hard to find houses with all of the above requirements. Once a house is leased and upgraded to mission standards either by the landlord or, if necessary, by USAID, it is generally difficult and costly to give up the house with the idea of finding a replacement.

It was also apparent from USAID files that the U.S. mission (including USAID) has taken steps to apply uniform standards to housing. Houses selected must meet the mission's minimum standards approved by the mission's Administrative Coordinating Committee (MACC). MACC was established by the U.S. mission in July 1979 pursuant to the A-1093 housing policy and space standards guidelines. The purpose of MACC was to place inter-agency coordination on a more systematic basis. Previously the handling of administrative policies and actions affecting inter-agency relations were handled by a variety of informal devices, discussions and ad hoc meetings. In June 1980 USAID initiated a procedure whereby all non-representational houses would be approved by the MACC committee as meeting U.S. mission standards before they could be obtained or retained by any mission agency. This action was taken to minimize or preclude individuals from rejecting housing assignments on the basis of personal tastes. Accordingly, we concluded that while the USAID Policy Issuance of December 1977 needs updating the USAID's inventory of houses is well-balanced and unpretentious; both the houses and housing assignments generally conform to the new A-1093 housing and space standards, and the MACC committee is being utilized as envisioned in the new A-1093 housing policy and space standards.

<u>Recommendation No. 1</u>

The USAID/N should (a) revise the USAID's Housing Policy Issuance No. 23-4 of December 1977 to conform to A-1093 guidelines and current thinking on housing, and (b) review all housing assignments and document the justification in the lease files for any cases of over-housing as a result of the USAID's updated housing policy issuance.

Household Furnishings and Equipment

Beginning in 1979, MACC authority to approve U.S. mission housing was extended to cover criteria for procurement of major household equipment appliances and numerous other items or services used both inside and outside the home. This was done in order to satisfy another concern of the Brooks Committee report regarding equitable housing support.

Kathmandu is a class five post. In this regard A-1093 states that "living quarters are perhaps the most important factor related to employee and family morale". During 1980, in an effort to improve housing conditions in a country continually plagued by electrical and water supply problems, the mission initiated a replacement survey of household support items. Much of the furniture was old, received years ago as excess property from other USAIDs. Many houses had different kinds of furniture in each room complicating matching, standardizing and record-keeping identification. Water heaters were of various makes and small sizes often requiring several types to be used in one house. Wool rugs had become infected with bugs due to damp climatic conditions.

Since 1980 the mission has made a concerted effort to upgrade its household support items through a replacement program involving such major items as draperies, upholstery, furniture, equipment and appliances including hot water heaters and water storage tanks. The USAID does not provide air conditioners. In the winter heat is furnished by fireplaces and kerosene and butane heaters. Better quality drapery and upholstery material and standardized furniture were procured from India. Nylon carpeting and major household items such as stoves, refrigerators, freezers and emergency lighting power packs were procured from the United States. Hot water heaters were replaced and additional water storage tanks were installed. Voltage stabilizers were procured for the first time. This permitted the saving of certain equipment/appliances that were being burned out due to wide fluctuations in the power voltage.

The mission also undertook to assure that all personnel were treated uniformally with regard to issuance of household items. This was a criticism voiced in our prior audit report No. 78-6 of March 1978. To this end, the mission revised its Policy Issuance No. 23-1 governing furniture, furnishings, appliances and equipment and made adjustments where houses had been issued items in excess of that authorized. Since not all of a given item was replaced at one time, a policy was adopted for issuance of new items based on employees "length of time at post" regardless of rank. This precluded making arbitrary decision and resulted in fair treatment for all under one policy.

Our review of the program for upgrading household support items showed that while the styling and color schemes of the drapes, carpeting, upholstery and interior walls were limited, the quality was good and employees were generally well satisfied with the results of the program.

In conclusion, we believe that USAID has made needed improvements in housing support on an equitable basis. This has contributed to the well-being and morale of USAID employees and has lessened the demand for residential support, permitting more efficient utilization of reduced direct-hire local manpower.

Housing Rental and Utility Costs

As of June 30, 1982 the USAID had 25 houses under lease costing about $103,000 annually for an average of $315 per month per lease.

According to A-1093, the average representational house overseas rents for more than $4.00 per square foot of space per year. The average nonrepresentational house rents for about $3.50 per square foot.

The mission had only one representational house and it rented for only $1.69 per square foot per year. The actual average annual rental cost per square foot for all 24 nonrepresentational houses was only $1.92. On an individual basis all of the houses leased were well below the overseas average cost per square foot per year.

We also reviewed electricity and fuel costs for each house. We found these costs to be reasonable although higher in winter months. The USAID provides no air-conditioners and houses are heated with kerosene and butane gas heaters during the cold months. The heaters appear to operate satisfactorily and tend to minimize utility costs.

Housing and Buildings Maintenance and Repair Services

Contract Services

The mission has a General Maintenance Services (GMS) Contract (No. 367-1013) for its houses and buildings. Amendment No. 4 extended the contract and obligated additional Rs. 797,500 ($60,900) to cover activities for the one year period from March 1, 1982 through February 28, 1983.

Of the total funds obligated Amendment No. 4 obligated Rs. 378,000 ($28,800) to cover all regular maintenance services described in Article II - clause "E". The "E" work is to be carried out by 15 craftsmen, 6 laborers, 2 craftsmen supervisors and one labor supervisor for a total of 24 contract employees. Payments to the contractor are made in 12 equal installments of 4,160 hours worked each month adjusted for absenteeism. This procedure assumes that if the 24 employees reported for duty, sufficient work was performed to justify payment. During the first quarter of the contract from March through May the contractor was reimbursed Rs. 92,750 ($7,080) for 12,224 hours of work.

The second major area of work authorized by Amendment No. 4 covers work under "work orders" per Article II clauses A through D of the contract. Amendment No. 4 obligated Rs. 325,000 ($24,800) for these services. This "A - D" work must be undertaken upon a written request from the GSO and acknowledged by the contractor through issuance of detailed work orders. The 24 craftsmen, laborers and supervisors utilized under the "E" work clause of the contract are not to be used on "A - D" work authorized under work orders as this could result in paying twice for their services. These "A - D" type jobs are usually larger jobs involving maintenance and repair of household appliances, repair and alteration services to offices and residences to include carpentry, plumbing, electrical and other services.

Contract Implementation Procedures

The GMS contract was not well written and is not being well managed. The contract was not clear on the scope of services of the "E" work staff or how their time was to be accounted for. Therefore, similar type jobs were being done under both the "E" and "A - D" work categories. Excessive use is being made of the "E" work clause of the contract resulting in much additional overtime. Overtime could be reduced by contracting more of the work under the "A - D" work clause during regular working hours. Current procedures prevent meaningful reporting on contract time, preclude an evaluation of the need for overtime work and the need for more or less of the various craftsmen procured under the "E" work clause of the contract.

The "E" work performed by the 24 regular employees from 8 A.M. to 5 P.M. daily (not to exceed 40 hours per week), is not well defined in the contract. Also, the contract has no requirement for an accounting for the time of the 24 contract employees. No mention is made of the types of documents and records to be maintained such as job requisitons and a daily assignment register to account for time spent on each job. However, we are advised by the General Services Specialist (GSS), that the "E" work consists of all work performed by the maintenance van which visits each of 25 residences at least once during each week. This service accounts for 32 of the 192 hours (24 x 8) of time paid for each "E" work day or paid holidays. The balance of "E" work is usually performed against requisitions for additional work to be performed at the leased residences or the USAID's complex of buildings. Considerable additional work has been done based on telephone or verbal requests without issuance of requisitions. Usually such requests are informally recorded on a log in the GSO maintenance office but without hours spent to do the work. We were advised by the GSS that requisitions are usually not prepared when no materials are involved, limited labor hours are involved or the work is of an emergency nature. Such work time, which is an unknown factor, is then lumped with any true idle-time for recording on the contractors assignment register as a plugging figure to balance to the 192 hours of time paid for each day. For example, for the months of March through May, 1982, the first quarter of the new contract extension period (March through May, 1982), 79 percent of the telephone repairman's time, 37 percent of the plumbers time, 32 percent of the painters time, and 22 percent of the electricians time are not accounted for on a job requisition basis on the contractors Assignment Register. Also, none of the times of the two craftsmen supervisors and the maintenance van labor supervisor are recorded in the register by work assignments. Since the supervisors spend most of their time supervising specific jobs, their time could also be shown by job requisitions. Consequently, of the 12,224 work hours paid the contractor during the first quarter of the contract period, only 8,367 or 68 percent of the time was recorded on the contractors register as identified with specific work requisitions or operation of the maintenance van.

The GSS advised us that although the register does not show it, the telephoneman's time is being fully utilized because during slack periods he must monitor the telephone system power supply equipment which frequently needs recharging. Another case involves the two contract painters. The 32 percent undocumented time of the painters is probably mostly true idle-time because often the painting cannot be done during office hours. For example on the consecutive days, i.e., March 31 through April 2, no painting was done under the "E" work clause but under the installment basis of payment the contractor was paid anyway for the 48 hours. Then on the next two days which was the week-end of April 3-4, the painters spent 24 hours painting a USAID office on an overtime basis. During the first quarter of the contract extension, 226 hours of the painters regular time was not documented on the contractors register yet they worked 215 hours of overtime during the period. Also, a good percentage of the other craftsmen and supervisors regular work hours were not fully documented on the register yet this group worked a combined total of 805 hours of overtime during the quarter. Only in the case of the four carpenters did the register indicate near full utilization. In addition to being fully utilized, the carpenters as a group worked an additional 582 hours of overtime during the quarter or 28 percent of their regular time for the period.

We question the need for some of this work on an overtime basis. For example, well over 100 hours of the 743 hours of "E" work overtime paid in April, 1982 was spent making yard benches for the USAID compound. This overtime may have been caused in part by the shortage of carpenters and laborers. But in this case it would have been cheaper to contract the bench construction and painting work under the "A - D" work order system during regular hours thereby paying regular instead of overtime rates. To make more effective use of the "E" work painters, they should be reduced from two to one and all sizeable painting work be procured under the "A - D" work order clause. This procedure is feasible because painting work is contracted on a square footage basis and as such can be easily costed at the outset. Carpenters and laborers overtime during the first quarter of the contract period amounted to 1,136 hours out of the total of 1,682 hours worked by the 24 "regular service" employees. The total cost of the overtime was $1,230 for the quarter, which if continued at the same pace for the year, would approximate $5,000, well within the budget, but about 17 percent of the yearly cost of the 24 employees. In this connection, we believe USAID should adjust the "E" work staff and shift more of the major maintenance work including most overtime work to regular work hours under the "A - D" work order system. Overtime of the "E" work staff should be limited to urgent work or as required to expedite completion of requisition work already in progress. Except for performing the "A - D" services on a larger scale we found the "E" and "A - D" work being performed to be quite similar. However, reimbursements for "A - D" work order services are usually based on negotiated labor hours and materials costs determined in advance.

USAID Management officials advised that the GMS contract was to have been modeled after a contract in effect at another USAID. Prior to the March 1, 1982 amendment, the GMS contract provided the services of "E" work craftsmen working on a regular schedule under USAID supervision for essentially minor maintenance jobs. Larger maintenance activities were scheduled under fixed price work orders under separate clauses in the contract. The main purpose of the March 1, 1982 amendment was to transfer the responsibility for directing the activities of the craftsmen from USAID (GSO) supervision to the GMS contractor. But, the model contract provides for accounting for the time of the "E" work craftsmen between assignments and clearly defines the scope of their services neither of which are covered in the GMS contract. Also, there is no provision for major maintenance work to be carried out under work orders, overtime or emergency work in the fixed price model contract.

We concluded there is little resemblence between the model and the GMS contract. Management of the GMS contract is weak. The contract needs to be revised to clarify the services of the 24 "E" employees and the manner of accountinf for their time. This will assist management in evaluating the adequacy of the staff. Overtime approval procedures need strengthened and more of the work needs to be shifted to the "A - D" work order system to relieve the pressure on the "E" work staff. The rate of utilization of the Rs. 325,000 obligated for "A - D" services was less than half of that required to use the funds during the contract period.

Recommendation No. 2

The USAID/N should (a) amend the GMS contract to clarify the scope of the services of the 24 "E" clause employees and the manner of accounting for their time, (b) strengthen overtime approval procedures, (c) shift more of the work to regular time under the "A - D" clauses work order system, and (d) adjust the "E" work staff as considered appropriate.

Maintenance Van Operations

The maintenance van personnel were not operating in an economical and efficient manner. Time was being wasted each day making short trips from residence to residence making minor nonemergency type checks and repairs that could be accumulated and handled by less frequent visits.

USAID had a policy of weekly visits to each residence by the preventive maintenance van. Depending on the number of work days in each month, the number of trips to a given residence could exceed one per week. The van staff consists of four members i.e., 17 percent of the 24 "E" staff members.

We reviewed the maintenance van job activity records on a sample basis for December 1981 and March 1982. For these two months we reviewed the van activity on 37 of 216 visits to residences. These sample visits involved 129 separate preventive maintenance actions. We found, however, that 87 or 67 percent of the actions were repetitive in nature and questionable as to whether they needed checking on a weekly basis. These actions included checking of guard lights, checking and/or oiling the water pump and checking all screen doors and windows. Many of the other actions such as fixing furniture, paint touch-up and leaky taps are not considered emergency work. USAID does not issue air conditioners and only in a few cases involving electric or water problems did we consider the van activity as responding to an urgent need. The van trip tickets for December show that the van travelled 306 miles in a rather compacted housing area. On five of the workdays the van visited 6 to 9 houses each day leaving limited time for in-depth preventive maintenance. To us this represents considerably lost time in transit that could be better utilized.

In addition to the weekly van trips, the GSO records show that 55 additional trips were made to the residences during December 1981 based on requisitions prepared by the housing occupants or by the GSO based on telephone calls. Besides these two sources of maintenance work the GSO's Maintenance Office keeps other informal records of emergency requests. Because these requests are usually single cases, involve little or no materials and are more truly of an emergency nature, requisitions are usually not prepared.

We believe that all of this maintenance support could be better organized and provided more economically by relying more heavily on telephone requests to take care of major problems and rely on the maintenance van to take care minor work to be accumulated on open requisitions. Maintenance van trips should be reduced to no more than twice a month. This would assist in more timely completion of requisitioned work by making more efficient use of the van crew. In some cases this work has been very slow in the past. It would permit more time for in-depth preventive maintenance work by the van crew. In this connection, a preventive maintenance check list needs to be developed.

Recommendation No. 3

The USAID/N should (a) reduce the weekly maintenance van trips to each residence to no more than twice a month, (b) define which maintenance problems will be considered emergency type for immediate attention and those to be handled during regular van trips, and (c) develop a check list of housing items for in-depth preventive maintenance checking by the maintenance van crew.

Local Procurement Procedures

The mission has not been taking full advantage of the small purchase procedures authorized in AID HB 23, Chapter 14f. There has been excessive use of purchase orders (P.O.s) for small purchases resulting in checks being processed to pay for small value transactions. The current procedure established by the controller for making small purchases, other than personal services, by cash or purchase order has resulted in procurement delays, higher costs, and delays in paying local suppliers.

HB 23 Chapter 14F1 states that to save time and reduce paper work, USAIDs should pay for small purchases of articles or services, other than personal services (PSCs), in cash whenever possible for both administrative and program purposes. HB 23, Chapter 14F3 and F4 provide that the cash payment process is to be used whenever such will be advantageous to the Government by reason of economy and ease of operation. However, the cost of these purchases for any one transaction may not exceed the local currency equivalent of $150.00 except in an emergency situation when the amount may be increased not to exceed $300.00 per transaction.

Currently the mission has a Principal Class B Cashier with a maximum Cash Advance Authorization of $35,000 (Rs.458,000). This maximum advance was increased from $27,000 to $35,000 in February 1982 essentially to cover increasing demands for accommodation exchange which averaged $29,000 during the first quarter of fiscal year 1982 and the two week intervals required to replenish the fund by Regional Administrative Management Center (RAMC) Bangkok. RAMC processes all checks based on vouchers submitted and returns all local currency checks to the USAID for distribution to local suppliers.

Petty Cash Operations

In 1978 the USAID reduced its Rs.20,000 ($1,700) petty cash fund to Rs. 12,000 ($1,000). In mid 1980 the mission further curtailed this type of purchasing while focusing on bulk purchases through use of purchase orders. In 1980 the Office of Financial Management (FM) eliminated the petty cash fund and instituted a restricted small purchase procedure. This procedure involves a series of advances based on an itemized request to the Procurement Officer (PROC) for priority purchases or when vendors require cash in lieu of a purchase order. If a vendor will accept a purchase order and wait several weeks for payment, this is the usual procedure followed regardless of the amount of the purchase. The limited small purchase procedure in effect does not involve a petty cash fund advanced by the Class B Cashier. PROC submits an itemized request for an advance of funds from the cashier to cover a number of small value items usually needed on a priority basis. Until recently PROC could submit additional requests for advances for emergency procurement prior to clearing previous outstanding advances. Now, however, FM requires an advance to be cleared before PROC may apply for a new advance.

The value of these tighter controls appears questionable in that the procedure is time consuming, involves considerable extra paper work and causes delays in day-to-day operations. Each application for an advance must be approved along with an itemized list of items to be purchased before processing them through the cashier. This may take several days. Only 24 such advances have been taken over the last seven months totalling Rs. 32,500 or $350.00 U.S. equivalent per month. Ten of the advances were for only one or two items.

At the same time during fiscal year 1982 a number of small value purchases of goods and services were made under purchase order, work orders or public vouchers that are well below the $150 limitation. There were numerous purchases ranging from $7 to $50 being paid by check through the RAMC in Bangkok. This necessitates excessive paper work and time required for the contractor or vendors to receive payment, which averages about six weeks after the services are received. Because of local postal problems, the mission has had to dispense with mailing checks to contractors and vendors. It now notifies the payees when the checks are ready for pick-up at USAID, but sometimes contacting vendors is a problem.

One problem with use of purchase orders for all possible transactions is the cost in terms of paper work and charges by the RAMC. Purchase orders are distributed in 11 copies, and are normally paid by check.

For the period January - March 1982, RAMC processed 457 checks for USAID excluding payroll checks. The total cost of processing checks for this quarter will approximate $2,750 or about $6.00 per check. After adding other mission costs associated with issuing checks, the total cost for small value checks can be 50 to 100 percent or even exceed the value of the check. Since vendors must now go to the cashier to receive their rupee checks it would be more practical and economical to pay for small purchases of good and services, other than personal (PSCs) in cash at the time the services are received. This would also greatly benefit the vendors.

Mission policy concerning when to use purchase orders and when to procure under the limited advance procedure is to use purchase orders whenever possible (when time permits and vendors will accept). With the requirement for clearing the current advance before another can be processed, it is no longer always clear whether its faster to process a petty cash advance rather than issue a P.O.

Many of the same type items or services are being purchased under both methods. The nature of some items purchased under the advance procedure is not always emergency.

USAID's overall policy issuance of July 23, 1975 concerning cashier operations including petty cash disbursement and payment for articles and services under the $150 - $300 limitations needs to be revised and updated.

However, over the last 18 months, USAID has taken steps to improve its procurement planning and budgeting procedures in the non-expendable and expendable supplies and materials area. This was done through determining prior usage, inventory taking, identifying and deleting slow moving or dead items from the procurement plan, and projecting current and future needs on a quantity basis. As a result there has been more bulk purchasing of priority items thus reducing the number of individual purchase transactions involving petty cash or purchase orders. However, we believe the current small purchase procedures are restrictive and greater refinements are needed. USAID should determine the feasibility of establishing a petty cash fund to handle small purchases of up to $150 per transaction or whatever limit USAID determines is feasible under the fund. Although P.O.s give a better historical record of procurement actions P.O.s could still be issued on some items even though paid from petty cash. Also, summary type records of all petty cash purchases by type of items, could be prepared on a monthly basis for future budgeting and other purposes.

USAID should also review all of its recurring in-house fixed costs such as leases and contracts for services, other than personal (PSCs) to determine the feasibility of paying for small value charges in cash through the Class B Cashier, thus eliminating the need for payees to wait weeks for payment for supply of minor value goods and services.

Recommendation No. 4

The USAID/N should (a) evaluate its small purchase procedures with view to establishing a petty cash fund for payment of small value goods and services, (b) review USAID fixed recurring costs for such items as leases and contract services, other than personal and determine the feasibility of paying them in cash, and (c) as required under HB 23, update its procurement policy issuance No. 19-1 of July 23, 1975 regarding the Cashier operation and methods of procurement.

Financial Management (FM) Operations

Verification of RAMC Billings

The Office of Financial Management (FM) does not reconcile the Regional Administrative Management Center (RAMC) billings for check processing services with the number of checks actually issued. This could result in underpaying or overpaying for RAMC services.

There is a significant unexplained discrepancy in the most recent RAMC billing for check processing services for the January-March 1982 period. The RAMC bill for the period charged for only 137 checks (excluding payroll checks) but the RAMC "Proof List of Card Checks" for this three months indicate that 457 checks were issued. This could be an error in the billing or a partial billing for activity during the three months period.

Mission verification of the RAMC services is limited to assuring that checks for all payees listed on the voucher were issued and returned to the USAID. No verification is made of the actual RAMC billings. Because of the costly nature of the RAMC charges which have been increasing substantially in recent years and currently budgeted at $12,000 for fiscal year 1982 ($6.00 per check), we think the mission should, along with verification of the receipt of checks, verify the accuracy of the RAMC billings. This could be done by reconciling, at least on a quarterly basis, the charges on the RAMC billings with the number of checks listed on the "Proof Lists of Card Checks" and the vouchers submitted to the RAMC.

We recommended in our draft report that the mission, (a) revise its RAMC payment procedure to include a verification of the number of checks billed by RAMC before paying the bills and (b) request an explanation for discrepancies between the number of checks issued and billed by RAMC.

USAID took immediate action on May 28, 1982 (Kathmandu 2907) requesting an explanation from RAMC for the discrepancy in the number of check billed. The RAMC replied on June 4, 1982 stating that "RAMC research has revealed that in fact AID Kathmandu has been undercharged for check issuances". RAMC was very appreciative of USAID bringing this matter to its attention. The RAMC billing procedure has been adjusted to preclude future underbillings and a supplemental billing of $1,786 has been received by the mission for 794 checks issued without charge since October 1981.

USAID has also began processing bills only upon verification with RAMC's "Proof Lists of Card Checks." As a result we believe controls on verification of RAMC billings are now adequate and we are making no recommendations.

Controlling of GMS Contract Cost Limitations

The USAID had not established records to control the major categories of contract costs to assure they will not be exceeded without approval of the contracting officer. Such records are needed for monitoring contract costs to enable the most efficient use of the funds.

Amendment Number 4 through Amendment No. 6 to the GMS contract authorized Rs. 797,500 ($61,000) for the year. These funds were allocated for various kinds of contract costs. Major cost items included (a) Rs. 325,000 ($24,800) for hiring of GMS personnel for services as needed under the work order system, (b) Rs. 378,000 ($28,900) for funding of 24 contract employees to perform various services on a regular basis, and (c) Rs. 75,000 ($5,700) was allotted for overtime.

Article V of the contract stipulates that none of the amounts approved for each cost category shall be exceeded without prior written approval of the contracting officer. However, neither the General Services Office (GSO) nor the Office of Financial Management (FM) kept adequate records to assure the cost limitations would not be exceeded.

The GSO maintained no records, although control of the overtime limitation should be a GSO function since this is where it is approved. FM's contract obligation records were established mainly to control two major budgeted function code items. These function code budgets were established based on a percentage of total contract funds and bore no direct relationship to the contract cost limitations. The function code budgets were maintenance and renovation costs for housing and maintenance and renovation costs for the office complex. All costs were apportioned to these two general categories on a percentage basis except work orders which were charged to either housing or office costs, depending on where the work was done.

Under this system there is no way to monitor the contracts cost limitations funded under another cost breakdown of "work orders" and "regular service" type work, or whether the funds were used as intended. For example, during the first quarter of the contract period from March through May, 1982, the contractor had completed only 11 work orders valued at Rs. 31,352 ($2,400). This rate of utilization of work order funds was about one-third of that required to use the full $24,800 authorized for work order services during the contract period. At the same time, 1,682 hours of overtime costing $1,230 were worked during the quarter by the 24 employees hired under the "regular services" portion of the contract. Although the overtime was within the contract budget of Rs. 75,000 ($5,700) some of it was questionable from either an urgency or emergency standpoint. Mission officials informed us that work assignments for which the maintenance contract was budgeted have had to be revised since March 1, 1982 and many sub-projects (particularly regarding security) have been postponed due to other priorities. As normal operations of the GSO are resumed shortly, the budgets will be examined and changes made in the next contract amendment. This indicates a possible need to reduce the budgets of both categories or adjust funds between cost components for either hiring of more "regular services" craftsmen or having more of the work done under the work order system.

The monitoring of overtime and "work order" job cost limitations must be done at the GSO level where the overtime and work orders are initially approved. Without a cost monitoring system, timely management decisions and adherence to contract cost limitations are difficult to impossible.

Recommendation No. 5

The USAID/N should require (a) the USAID Office of Financial Management (FM) to establish separate obligation records of the GMS Contract No. 1013 cost category limitations, (b) the GSO to establish records to monitor and control the approval of overtime and work orders to assure the contract limitations are not exceeded, and (c) review and reduce or adjust the GSM contract budgets for overtime and "work orders" assignments as considered appropriate.

Foreign Affairs Administrative Support (FAAS) Agreement Credits

The mission is not recovering or receiving an offset credit under the Foreign Affairs Administrative Support (FAAS) Agreement for substantial local support costs provided to the commissary over the last several years.

The USAID pays the rent and electrical bills for the commissary. The commissary building is part of the Rabi Bhawan complex of buildings covering the GSO Offices, warehouses, motor and buildings maintenance areas and the commissary. The mission leased this complex under lease No. 77-160 in June 1977 paying a 10 year advance rent of Rs. 840,000 ($70,588 equivalent or $7,059 per year). We estimate the commissary building takes up about 25 percent of the complex space which costs AID about $1,800 per year. The USAID, however, leases the building to the commissary for $1. per year under a sub-lease effective October 1, 1979 and renewable on a yearly basis through September 1985.

The building provides an ideal location for the commissary. When feasible commissaries are to be located on U.S. Government held property (AID HB 23-514.1). Since entering into lease No. 77-160 in 1977, the USAID has also paid electrical costs of about $50,000 for the headquarters complex from 1978 through February 1982. Because there is only one meter for the entire complex, electrical charges for the commissary are not costed separately. We estimate, however, that because USAID has no air conditioners and the commissary has open refrigerated display cases and a large freezer, the commissary uses at least 30 percent of the electricity. On this basis, for 1981 alone, the commissary electrical costs would approximate $3,300. In total, this means the mission is financing about $5,100 of commissary costs yearly with no credit under the FAAS agreement.

The USAID and Embassy have a mutual agreement whereby, in the interest of efficiency and cost savings, each supports activities in their respective areas located on opposite sides of the city. The Embassy's main support effort is directed at the Phora Durbar Recreation Area which includes the medical unit, GSO facilities, tennis courts and swimming pool. Review of the Embassy's FAAS Agreement charges allocated to other agencies for the recreation area confirmed that the USAID is being charged a portion of the total operating costs to the extent of about $1,800 for certain utilities, about $3,700 for maintenance and repairs and about $3,900 for guard services for a total of about $9,400 per year.

Section 514.2 of the Uniform Foreign Affairs Regulations (UFARs) authorizes the AID mission director to provide assistance in support of commissaries including the furnishing of space and utilities. But, we believe such support need not be at no cost to the commissary or with no credit under the FAAS cost allocation system particularly since USAID along with other agencies is being charged its share of expenses of operating the Embassy recreation complex. USAID officials advised that beginning with fiscal year 1983 USAID will pursue an agreement with Embassy for shared support of the commissary. But, if this solution is not feasible then we think USAID should require the commissary to pay a fair share of the electrical and rental costs in the same manner as USAID bills the commissary for all of its telephone charges. All telephone charges are paid by USAID because only one bill is issued by the telephone company for the entire USAID complex. In this connection, while utility costs records are maintained and monitored for residences, USAID has no data on how much of the total utility costs are applicable to the commissary. This should be of concern to USAID. Therefore, USAID should require a meter to be installed in the commissary building.

Recommendation No. 6

The USAID/N should beginning with FY 1983, (a) obtain an agreement with the Embassy to reduce the amount of FAAS charges to USAID equivalent to USAID support to the commissary, or bill the commissary directly for a fair share of the commissary rental and electrical costs paid by USAID, and (b) establish the actual rental and electrical costs applicable to the commissary operation being paid by USAID.

Accounting for Gasoline and Diesel Fuels

Gasoline Station Operations

Gasoline for USAID official vehicles is obtained from a pump located at the motor pool complex. In addition to the official vehicles, the station supplies gasoline and diesel fuel to USAID contractor/project vehicles, the Lincoln School, the Commissary and private vehicles of authorized personnel, of the USAID, Embassy Lincoln School and the Commissary. The mission had 56 direct hire and contract personnel on board as of May 31, 1982, all of which were authorized to procure gas and diesel fuel. The present gas station facility has four tanks for gas and one tank for diesel. The capacity of four gas tanks is approximately 60,000 liters, or about 15,600 U.S. gallons.

During 1981 the mission received 190,600 liters of gasoline and dispensed 189,877 liters. At the 1981 duty free price of 48 cents per liter, the value of the dispensed gasoline amounts at $91,141.

Personnel Staffing

The present gas station attendant has been in charge of all operations of the station since August 1980. Previously he was responsible for the station for various periods totalling about 5 years dating back to 1974. When the present attendant was not operating the station it was being handled by either a direct-hire employee or several employees under non-personal service contracts. The present attendant's major duties and responsibilities, as stated in his contract are: "Oversees the receipt and storage of petroleum products (primarily gasoline and kerosene) from tank trucks to USAID tanks, measuring levels before and after delivery to verify delivered amount. Overseas, or personally checks levels of gasoline and kerosene tanks every day to verify amounts distributed, and distributes or oversees others in distributing gasoline at the pump. Keeps daily records of the distribution of petroleum products."

In addition he prepares a "Daily Report of Gasoline Stock". The reports also reflect daily stock adjustments based on estimated losses through evaporation.

The attendant has custody of keys to the gas bays, pumps the gas, takes inventory readings, estimates losses, verifies fuel deliveries, maintains distribution records, and prepares reports. In our opinion staffing of the gas station has been neglected and needs upgrading. The assigning of all station control functions to the attendant is not an adequate system of internal control. Verifying deliveries, taking inventory readings, calculating losses and preparation of daily inventory reports should be deleted from his duties and assigned to a higher level GSO staff member. This would leave the attendant with the responsibility for monitoring storage, pumping fuels and keeping daily records on distribution of fuel products.

At the close of each day the keys to the gas and diesel tanks are retained by the dispatch office along with other USAID keys. A guard is posted at the dispatch office during off-duty hours and there is a guard station in the immediate vicinity of both the gas station and the dispatch office.

USAID officials advised that one problem with operating the gas station has been the lack of qualified staff, not only to operate the station but to fill other key jobs in the GSO area as well. In response to our draft report recommendations, the mission initiated a change in procedures effective June 21, 1982 whereby responsibility for the various station functions were split between the attendant and the Chief, Expendable Property Section (EPS) until an additional qualified employee can be hired at the appropriate level. Action has been initiated to establish such a position as an assistant to the EPS Chief. Since, however, the ESP Chief already has a full time job handling expendable supplies and other duties, we are retaining the recommendation until the new position has been established and filled.

Recommendation No. 7

The USAID/N should institute effective internal controls of the gas station operations.

Gasoline Inventorying, Recordkeeping and Reporting Procedures

The station attendant prepares a "Daily Report of Gasoline Stock" (Stock Report). To check and verify the accuracy of this report we selected five months' transactions for review: October and November 1980, April and July 1981, and April, 1982. We checked on the accuracy of inventory measurements and the daily stock reports. We found that issues made during the previous day were carried forward properly in the following day's stock report but that inventory measurements were inaccurate since July 1981.

Recordkeeping on Gasoline Inventories and Losses

Our verification of the dip stick readings and the corresponding liters shown on the "Daily Report of Gasoline Stock" for July 1981 and April 1982, since establishment of the new gas station in July 1981, showed that the liter quantities did not correspond to the two measurement charts on hand. Daily readings of gas on hand, recording of inventories and losses were only estimates. Since the records were being adjusted inaccurately each day since July 1, 1981 because of inaccurate dip measurement conversion charts, the stock on hand did not agree with the records.

Since July 1981 when gasoline tanks were installed at a new underground location the stock reports have been inaccurate for several reasons. Two of the four new tanks were obtained through the Nepal Oil Company (NOC). For these similar size tanks (Nos. 3 and 4), a new theoretical measurement chart was calculated by NOC but it was calculated under the assumption the tanks were installed level. This new chart was delivered to the USAID in November, 1981. It was calibrated in liters and centimeters because the new liter pumps were expected to be installed in December, 1981. Tank size measurements for the other two new gas tanks (obtained from another source) were furnished to NOC in November 1981. As a courtesy the NOC prepared a theoretical inventory measuring chart for these tanks and furnished it to the USAID on December 14, 1981. Again it was assumed the tanks were installed level. However, USAID officials advised us that when the four new tanks were installed in the summer of 1981 they were not made level and the dip stick hole was not centered on two of the tanks. The NOC charts would not measure accurately unless the tanks were level and the dip stick reached the lowest point of the rounded tank. Also, we were informed that after installation of the new liter pumps in January, 1982 the GSA realized the new charts were also inaccurate and began to make his own chart based on receipts and issues. This chart may have improved the accuracy of measurements to some extent but it was of little value because it was not calibrated at regular intervals and since July, 1981 the records were already distorted because the previous NOC charts were inaccurate.

The General Services Specialist (GSS) informed us that USAID engineers supervised installation of tanks in July-August, 1981. On checking with the engineers we found that the plans did provide for a two-inch slope on each tank. This was confirmed by USAID tests made on the tanks during the audit. USAID enlisted the services of a NOC engineer who visited the gas station during our review. He confirmed these installation problems. USAID officials claim that NOC was unable to provide the technical design and installation guidance. USAID eventually had to rely on a contractor with limited experience to install the underground fuel tanks under the supervision of USAID engineers.

Evaporation Losses

In addition to the problem of measuring accurate stock levels caused by the inaccurate measurement charts during the first year of operation of the new gas station, these inaccurate charts made it impossible to determine daily losses which should have been the difference between what the stock record shows for each tank and a reliable dip measurement quantity each morning.

The GSA informed us that the losses claimed and deducted on the daily stock report were estimates based on his experience in lieu of using the inaccurate measuring charts. The exact method used by the GSA to determine these losses was unclear. These losses were surveyed each month as "evaporation losses" but actually represented the sum total of all types of losses. Accordingly, the daily losses claimed could not be verified against the measurement charts. Although the stock levels (inventories) could not be verified with accuracy, the stock records did show receipts, sales, and inventory decreasing levels on a daily basis.

Physical Inventory and Losses

In response to the audit findings on faulty inventorying, record-keeping, determination of losses and reporting procedures, USAID management officials advised us that they have been trying to resolve these problems during the past year and in this regard consulted with NOC officials. USAID Executive Office officials advised us that for lack of a solution they were unable to resolve the problem until May, 1982. They said it was not until then that the NOC advised them that the only way left to correct the problem would be to remove the gasoline and calibrate the tanks by adding measured quantities of water, taking dip readings each time and preparing new measurement charts. As a result USAID took action during the audit to inventory the gasoline in each of the four tanks. The inventory process, completed one tank at a time, consisted essentially of pumping the gasoline from the tanks into barrels. The inventory showed 5,544 liters to have been in all four tanks. This amount includes an estimated 124 liters of spillage losses during the process plus 150 liters left in the tanks mixed with water. The stock records showed there should have been 7,635 liters of gasoline in all four tanks. Therefore, the total inventory at the time each tank was emptied and the stock measured was 2,091 liters or 27 percent less than the total of the stock records for all four tanks. The inventory showed three of the tanks short by 2,632 liters and one tank over by 541 liters.

USAID officials said the initial receipts, starting in July 1981 at the new station, were used as the starting point for the stock reports. During the year additional receipts were added, issues and so-called evaporation losses were subtracted to arrive at the final stock report balance for each tank on the date in May or June when the tank was pumped out and the stock measured. They said that beginning July 1981, daily measurements of gasoline in the tanks were taken. New liter pumps (recommended by NOC) were not installed until December 1981. Gasoline was being received and dispensed in Imperial gallons (IGs). Daily inventories were inaccurate because the chart used for the previous gas station has been calibrated for a different size tank and new measuring charts prepared by the NOC for the new size tanks were also inaccurate mainly due to tank installation factors. USAID officials believe, based on an analysis of the first year's activity, this resulted in overstating the records in terms of what should have been on hand (based on receipts, sales and normal losses), thereby underestimating losses.

Related to the faulty methods of inventorying and adjusting for losses and record-keeping due to inaccurate measurement charts, other normal loss factors that could have contributed to the FY 1982 inventory being 2,091 liters less than the records were: (a) receiving losses caused by temperature reduction from the time of delivery of the gas (after mid-day) when it was in an expanded state due to high temperatures, to the time normal underground tank measurements were made the following morning, (b) holding tank evaporation losses, and (c) tank leakages and spillages. Also, from August 1981 until January 1982, the station was operating with very old piston type pumps which may not have been accurate. Some confusion has resulted over the years because of the practice at USAID and the Embassy of labeling all fluctuating losses as evaporation. USAID has changed this effective July 1, 1982.

During FY 1981 the GSA recorded losses on the daily stock records of 4,880 liters. USAID/N officials advised that up to the start of the new station in July 1981, losses were calculated correctly as the difference between (a) stock on hand at the beginning of the month plus receipts less sales and (b) the measured amount on hand at the end of the month. A recent USAID analysis shows the 4,880 liters equates to an average monthly loss of .91 percent of the gasoline available during each month of FY 1981. An NOC engineer informed us that for unprofessional operations to be on the very liberal side, the operational losses should be about .5 percent and never more than one percent. It should be noted that all USAID/N's tanks have the "free-vent" system. Under this open system evaporation losses would be somewhat greater than if the vents were fitted with pressure valves as is usually the case.

Another analysis, which includes current FY 1982 data, shows that the GSA claimed losses on the daily gasoline stock records of 3,600 liters from inception of the new station in July 1981 through June 20, 1982. Except for 700 liters written-off as water contaminated, the stock was dip measured and the losses were estimated because existing and newly developed measuring guides were inaccurate. This 3,600 liters write-off equates to an average monthly loss of .60 percent of the gasoline available (opening balance plus purchases) which, according to NOC officials, is the usual method of calculating percentage of losses. However, this 3,600 liters write-off must be added to the June 1982 physical inventory loss of 2,091 liters. This would increase the overall loss to 5,691 liters or .98 percent of availabilities. This compares with the percentage of losses written-off during FY 1981 and would have been .86 percent had it not been for the unusual loss of 700 liters through water contamination. These loss percentages are also within the acceptable limits recommended by the NOC.

Finally, USAID management officials in coordination with the NOC concerning what would constitute reasonable write-off percentages for normal recurring type losses, assigned loss percentages to these factors and applied them to the new station activity period (July 1, 1981 to June 30, 1982) on a reconstructed basis. An average yearly temperature loss on receipt factor of 1.3 percent was applied to all receipts. This factor was based on actual measured losses on two June 1982 receipts and such losses have measured at 1.6, 1.5 and 1.2 percent for three subsequent deliveries under the new procedures and records system established effective July 1, 1982. Therefore, based on recent activity the 1.3 percent factor appears reasonable. Another operational loss factor of .48 percent was taken on monthly gasoline availabilities and covered such recurring items as evaporation, leakages and spillages. If these percentages were applied to the new station activity period, the reconstructed records should show that if the records had been maintained on the basis of these loss percentages, about 5,200 liters of gasoline should have been written off during the period. We believe, however that such a reconstructed loss of about 5,200 liters is sufficiently close to the 2,900 liters estimated losses (3,600 - 700) actually written-off by the GSA plus the questionable 2,091 liter inventory shortage to conclude that the shortage was due mainly to the unavailability of accurate measurement charts together with the unsystematic lump sum (estimates) method used by the GSA in writing-off losses each day.

Under the new records system for taking losses established July 1, 1982, normal recurring losses on receipt and during operations are being calculated and recorded individually based on newly calibrated measurement charts. This will make any unusual losses more apparent for immediate investigation.

Reporting on Gasoline Receipts, Sales and Inventories

Inventory and utilization data reported in the "Daily Report of Gasoline Stock" are not adequately described or arranged in a logical order to facilitate an understanding of daily gasoline activity and losses on a tank basis.

The present report format shows the stock positions of each tank at about 7:30 each morning. A previous mornings consolidated balance and previous days total issues are also shown to arrive at a total book balance for comparison with the total of the tanks morning stock positions. Differences or losses are also shown but in total only as there is no way to relate the losses to a specific tank or readily understand how they were determined. We believe the daily report of gasoline stock should be more informative about what happens during a given 24 hour period. The report format should be revised to reflect morning inventories, receipts, and issues during the day and closing book balances all on a tank basis.

We conclude that since establishment of the new gas station in July 1981, the method for determining inventories and recording losses were generally meaningless for control purposes.

In answer to several draft report recommendations relating to taking a complete inventory of gasoline, adjusting stock balances, calibrating the tanks with the dip stick and preparing new measurement charts, revising the system for recording losses, and revising the stock report to reflect meaningful data arranged in a logical understandable sequence on a tank basis, USAID, in consultation with the NOC, has devised and instituted, effective July 1, 1982, a new improved system for receiving, inventorying, determination of losses, record-keeping and reporting on gasoline activity. Daily and monthly stock reports have been instituted under a much improved format. These reports have been revised to reflect inventory balances, receipts, various adjustments or losses identified by type, sales, and closing balances all on a tank basis. Adjustments for normal losses (minor spillage, leakage and true evaporation) will be made on a monthly basis on a monthly survey report.

We believe USAID has done a noteworthy task in revising its system of accounting for gasoline. Actions have been responsive to our draft report recommendations and should significantly improve internal control procedures. Accordingly, we are making no further recommendations concerning accounting for gasoline.

While we did not perform a review of USAID/N's system of accounting for diesel fuel, the inventorying and record-keeping system including the determination and recording of losses was similar to that formerly used for accounting for gasoline. One diesel tank was also installed underground at the new fuel station in July 1981. A measurement chart needs to be calibrated for this tank to reflect accurate diesel inventories.

USAID has been aware of the diesel fuel accounting problem and intends to take action similar to that completed on gasoline to correct the system. Until this action is completed we are retaining our initial recommendation limited to accounting for diesel fuel.

USAID/N's review and analysis of the system of accounting for gasoline and diesel fuel, together with the audit review, were done in considerable depth also to satisfy an inquiry by the Regional Office of the Inspector General/Inspections and Investigations/Karachi.

Recommendation No. 8

The USAID/N should (a) take a physical inventory of the diesel fuel and establish new control records using the new stock report format, (b) prepare a new measurement chart for the underground diesel tank properly calibrated with the dip stick, and (c) report the results of the diesel fuel inventory in the response to this audit.

Procurement and Receipting for Fuel Deliveries

With each delivery of gasoline from the NOC the GSA receives the invoice which has the dip centimeter readings converted to liters for each chamber in the delivery truck. We were informed that at the time of delivery the GSA verifies the invoice centimeter dip readings shown on the invoice by taking his own dip readings. We observed this procedure being carried out on one tank truck delivery. Occasionally there will be a variation but in general the GSAs dip readings will agree with the invoiced amount. This is because after the tank trucks arrive in Kathmandu from India, the tanks are topped-off at the NOC fuel storage depot before delivery to USAID. The GSA records on an Arrival Report (AR) the results of his dip readings along with the invoice centimeter dip readings and equivalent liters. The AR is then used in conjunction with the invoice for preparations of a Receiving Report (RR) for payment of the NOC. As indicated previously, because of the NOC topping-off procedure, there were limited overages or shortages on delivery of gasoline indicating that verification (dip readings) of truck compartments by the GSA generally agreed with the invoiced centimeter dip readings and liters of gasoline billed for on the invoice. USAID does not actually measure the amount of gasoline in the truck tanks but does verify the dip centimeter readings shown on the invoice which equate to liters of gasoline being billed. We believe USAID has been aware of this general problem and recently has constructed a solid level cement pad on which the fuel trucks will rest when the GSA verifies, by dip stick measurements, the delivered quantities in the tank truck compartments.

Complicating an analysis of gasoline receipts is the fact that deliveries are always made for 9,000 to 12,000 liters (depending on truck sizes or availability of the fuel) whereas Purchase Orders (P.O.s) are always prepared for only 9,000 liters. This results in left over quantities being receipted for on separate RRs and applied to new P.O.s with RR quantities eventually equaling total liters ordered on the P.O.s. For example, on a delivery made on October 16, 1981, 930 liters were receipted for an RR 005 to top-off P.O. No. 81-292. The balance of 7,018 liters were recorded on RR 006 and applied against open P.O. No. 81-360. On another delivery 900 liters were used to top-off P.O. No. 81-281 and the excess of 70 liters were applied against a new P.O. No. 81-292. Further complicating the receipt and payment process is the NOC's practice of submitting one invoice covering several P.O.s. We think the topping-off of P.O.s by splitting deliveries and applying against various P.O.s is difficult to follow, requires additional paper work and unnecessarily complicates record-keeping, reporting and payment procedures. During FY 1981 22 P.O.s were issued for gasoline. An additional 16 P.O.s were issued in FY 1981 for kerosene and diesel fuel. These items are being purchased on the same basis as gasoline.

In reply to our draft report finding and a recommendation directed at improving controls on receipting and payment for fuels, USAID devised a new system effective July 1, 1982. The system will require each P.O. to be issued for the maximum tank truck capacity of 12,000 liters instead of the current minimum of 9,000 liters of fuel. Because of shortages and occasional delivery difficulties on the roads from India, USAID must take delivery on whatever amounts are available. Under the new system, even if delivery is less than the 12,000 liter truck capacity, the P.O. will be closed out and excess funds deobligated. Thus, each NOC invoice will be against one P.O., one delivery and one RR. Although the number of P.O.s may increase due to some being incomplete, the system will be simplified resulting in easy to follow transactions, a factor of major concern to USAID.

We believe the above operational changes will simplify and improve controls over the fuels procurement, receipting and payment process which as previously practiced could have resulted in errors. As a result we are making no further recommendations.

Fuel Dispensing Support Services

Utilization of gasoline by type of transaction i.e., official use and other purposes by recipients for the month of January 1982 shows that out of 18,300 liters dispensed 10,100 liters were billed by the commissary and the balance of 8,200 liters were dispensed for official-use vehicles or official vehicles used for non-official purposes which were billed by USAID. Of the 10,100 liters billed through the commissary, 5,588 liters or 55 percent was dispensed to official AID Project vehicles, 2,084 liters or 21 percent went to official vehicles of the Lincoln School, 1,932 liters or 19 percent to AID D/H and contract employees, and 495 liters or 5 percent for use by Embassy/Lincoln School employees and commissary operations.

Section 514.1(r) of the Uniform Foreign Affairs Regulations (UFAR) provides for the "post employee services or facilities" organization to provide a variety of support-type services for the mission. Both USAID and Embassy forward copies of daily non-official use gasoline issue reports to the commissary for billing the individuals, USAID projects or the Lincoln School. After the close of each month, USAID bills the commissary to recover the cost of the fuels and deposits the funds back into its operating expense account. The commissary then bills the customers. USAID also assumes the cost of receiving, storage, dispensing of gasoline and diesel fuel and reporting on sales for billing by the commissary. In effect, USAID does everything in connection with these sales except billing and collection of receivables which has been assigned to the Commissary.

Fuel Sales for Lincoln School Operations

The Embassy is located a considerable distance away from the USAID on the opposite side of the city. This makes it difficult and time consuming to travel between the two points. For this reason USAID and Embassy have a joint agreement to provide support services for each other when it is convenient and economical to do so. For example, because of the nearness of the Lincoln School and the commissary to the USAID compound, USAID provides gasoline to support the operations of these organizations and its employees. It would be more costly for the school's busses to travel daily to the Embassy for duty-free gasoline.

USAID dispenses duty-free gasoline to the Lincoln School and school teachers based in part on a determination by a former Ambassador dated April 25, 1979. The Ambassador by his delegated authority under Section 921 of the Foreign Service Act of 1946 and taking into account the relevant provision of the bilateral agreements between the U.S. and Nepal, made the determination that the American staff of the School have various privileges. Specifically mentioned were commissary privileges, use of the Phora Durbar Recreation and Medical facilities and, in some cases, pouch services. The determination, made in the interest of morale and to facilitate the hiring of good teachers, did not include duty-free import privileges because this would have required special consultation with the GON and a support agreement with the Embassy to clear things through customs. Such an agreement would have involved an expense the school may not have wanted to assume at that time.

The authority of the Lincoln School and its teachers to obtain duty-free gasoline from the USAID or Embassy pumps has been interpreted by USAID as implied in the fact that they have access to the commissary and the commissary in conjunction with USAID and the Embassy have been selling duty-free gasoline for many years. Also included in the Ambassador's determination was his conclusion that the Lincoln School is affiliated with the U.S. Mission and can be considered an element of this Mission. He also said, the GON by various acts over the years, recognizes the link between the school and the Mission. These conclusions were based on an Embassy study of the privileges and immunities for members of the U.S. Mission to Nepal, and a report on the school's history and antecedents.

We question USAID selling of such large quantities of duty-free fuels to the school and its employees for any reason on the basis of Chapter 500 of the Uniform Foreign Affairs Regulations (UFAR) entitled "Post Employee Services" dated April 3, 1981. Section 512(c) of this regulation provides that post employee services or facilities may include services or facilities, not otherwise provided for under appropriated fund programs, which are intended primarily to provide support to employees and their families or dependents at posts abroad -----. Part 514.1(I) limits the eligibility of recipients of post employee services by stating "the services and facilities provided at a post are available to the American personnel and dependents of all civilian and military agencies of the U.S. Government. Contract employees of the U.S. agencies or instrumentalities, or U.S. Nationals whose presence abroad is for the purpose of implementing U.S. federally-funded programs under the jurisdiction of the principal officer may also be extended these privileges -----. (underline added.)

Due to staffing reductions in recent years, USAID resources to provide support services to the Lincoln School and for project operations are limited in terms of staff required to procure, store, dispense, maintain records, handle requisitions and advise the commissary on sales. To operate its vehicle fleet the school used 2,084 liters or 11.4 percent of the 18,300 liters dispensed by USAID during January 1982. School employees used only 105 liters during the month.

Although no Nepalis attend the school, students from the U.S. Mission are in a minority compared to students from the foreign community. For the 1981/1982 school year only 62 of the 158 students were American and only 35 of those were dependents of the U.S. Government employees or related contractors. Ninety-six or 61 percent of students were dependents of expatriates.

In our opinion, USAID is not responsible for supporting the Lincoln School. USAID does not bill the Lincoln School for this service and no credit was given to USAID under the FAAS cost-sharing systems.

We believe the only solution would be for USAID to discontinue these services or add a 10 percent service charge to its monthly billings to the commissary to recover operating costs of providing gasoline to the Lincoln School and its employees. These costs include losses due to evaporation and other handling losses which normally increase with the quantity of gas handled. A service charge would still be much cheaper for the school than procuring the fuels on the local economy.

Recommendation No. 9

The USAID/N should either discontinue the practice of providing duty-free fuels to the Lincoln School and its employees or add a 10 percent service charge to its monthly billings to the commissary to recover the costs of providing these support services.

Fuels Sales for USAID/HMG Project Operations

Procedures for requisitioning and dispensing gasoline from the USAID gasoline station were inconsistent and did not assure that all the gasoline dispensed for USAID/HMG sponsored projects had actually been ordered by project officials.

As of January 31, 1982, about 33 percent of the gasoline being dispensed by USAID was being used to support operations of seven USAID/HMG projects. Usage of the USAID station is expected to increase as project officials switch from purchasing fuels from the Embassy to purchasing from USAID because of the cheaper price on sales for projects which are no longer processed through the commissary. Our sample review indicated that only the Integrated Cereals and Input Storage projects had an adequate requisitioning system. Requisitions submitted by these projects stated not only the vehicle number but also the amount of gasoline requested. This was an indication that project officials w[illegible] controlling the amount of gasoline used on the projects. But on the Resource Conservation and Utilization (RCU) Project No. 1032, which currently purchases about 60 percent of the gasoline dispensed for projects, the requisitioning procedure was inadequate. The RCU requisitions only mentioned the vehicle number and in addition authorized additional gasoline to be provided in an unspecified number of jerry cans. The USAIDs issue reports then reflect only one amount that varied from 100 to 177 liters dispensed per trip for the several RCU vehicles. These totals were apparently applicable to gasoline supplied to both the vehicle and an unspecified number of cans.

In order to properly dispense and control the large amount of gasoline used by the RCU project, i.e., 3,500 liters (921 gallons) in January 1982, and possibly other projects as well, USAID should require project officials to review and revise its requisition form as appropriate to specify separately the amount of gasoline requested for each vehicle and the number and size of jerry cans to be filled. USAID should also institute a policy of not honoring project requisitions for fuels that do not specify the quantity of fuel for the vehicle, the number of cans and quantity of fuel for the cans separately. USAID should also require the GSA to record these sales on their issue reports by separate line items, i.e., amounts for vehicles and the number and amounts applicable to the cans so that entries on the reports will conform with the requisition data.

In reply to a recommendation contained in our draft report, USAID under AID/N Notice 82-58 of May, 1982, instituted a new procedure for the sale and dispensing of gasoline and diesel into portable containers (jerry cans) or barrels for field trips and for project operations. The new procedure now requires such purchases to be processed through use of USAID's Standard NEP-48 requisition form identifying the fuels, quantities and containers in detail. Each requisition form must be signed (authorized) by the Contract Team Leader and approved by the USAID's Executive Officer before the items are issued by the GSA. A copy of each executed requisition is then returned to the Contract Team Leader through the appropriate USAID project office.

We consider these revised procedures for controlling the dispensing of bulk fuels to be adequate. For this reason we are making no further recommendations.

Fuel Sales Prices

Because of an increase in the exchange rate of all transactions paid after September 19, 1981, USAID and Embassy have been paying less for gasoline and diesel fuel but have not reduced the selling price of the fuels to their customers. USAID and Embassy had continued to bill the commissary, and the commissary continued to bill the USAID and Embassy customers at inflated rates, thus making a profit on gasoline and diesel fuel sales since November, 1981.

Under its Contract No. AID 367-95 with the Nepal Oil Company, USAID and Embassy were paying $.47684 per liter of gasoline while charging the commissary $.48 per liter. With the increase in the exchange rate of September 1981, USAID and Embassy have been paying only $.43316 per liter of gasoline. However, USAID and Embassy continued to bill the commissary and the commissary its customers at the $.48 rate making a $.046 profit per liter of nearly 10 percent for deposit to operating funds.

Also under its contract with the Nepal Oil Company USAID was paying $.395 per liter for diesel fuel while charging the commissary $.41 per liter. The $.41 per liter rate was excessive even before the increase in the exchange rate. This $.41 rate was determined by converting the $1.88 per gallon rate used by USAID for years into $.41 per liter upon changing the dispensing system from gallons to liters in January 1982. Then with the favorable increase in the exchange rate of September 1981, USAID's cost dropped to $.3582 per liter for diesel fuel but USAID continued to bill the commissary and the commissary its customers at the inflated $.41 rate. This resulted in a $.052 profit per liter of diesel fuel being deposited to operating funds.

We brought this incorrect pricing of gasoline and diesel fuel to the attention of USAID and Embassy officials for discussion and action by the Mission and the Commissary Board. Since USAID must recover its costs, including evaporation losses, we believe USAID should start billing the commissary (for March and future sales) by rounding off the cost price upward to the next half cent. This would be $.435 per liter for gasoline and $.36 per liter for diesel fuel.

USAID should also repay the commissary the difference between the cost and selling prices i.e., $.045 per liter ($.48-$.435) for gasoline and $.05 per liter ($.41-$.36) for diesel fuel from the time USAID actually began selling these cheaper fuels through February 28, 1982. Our review indicated that all gasoline and diesel fuels procured at the more expensive rates would have been sold by about mid-November, but to assure being fair to the commissary, we believe USAID should reimburse the commissary for inflated USAID gasoline and diesel fuel billings for a period of four months, i.e., from November 1, 1981 through February 28, 1982. This amounts to sales of 38,053 liters of gasoline at the $0.45 overcharge per liter or $1,712 and sales of 1,408 liters of diesel fuel at the $.05 overcharge per liter or $70.40.

Since total refunds due the commissary of $1,782.40 are derived from overcharging USAID gas and diesel fuel customers, USAID should assure these profits are used to the satisfaction of USAID, and for welfare and recreation association activities as provided for in the Uniform Foreign Affairs Regulations (UFARs) Section 514.1(g).

USAID, in conjunction with Embassy, should adopt a uniform policy of adjusting the commissary billing rate for fuel price increases due to procurement price increases and/or substantive favorable exchange rate movement. We believe rounding-off the current cost price upward to the nearest half-cent would be reasonable as it would permit recovery of costs while eliminating the need for handling fractions.

USAID should also review and evaluate the burdensome effect the handling of all USAID gasoline and diesel fuel sales and maintaining the accounts has on commissary operations. If considered appropriate, USAID should assume billing for all USAID official sales for support of project operations.

In response to several recommendations contained our draft report concerning pricing of fuels and handling of USAID sales accounts, USAID/Embassy took the following actions:

(a) USAID/N refunded the overcharge to the commissary for gasoline and diesel fuel by applying the $1,782.40 as a credit on its March 1982 billing to the commissary.

(b) USAID/N has put the commissary on notice that USAID/N will require a written certification that the refund credit of $1,782.40 was used for purposes specified in the UFARs (Section 514.1).

(c) USAID/N and Embassy agreed on a new fuels pricing policy effective March 1, 1982 per USAID Notice No's. 82-58 of May, 1982 and 82-73 of June, 1982. Prices charged to the commissary for fuels were reduced from $.48 to $.435 per liter for gasoline and from $.41 to $.36 per liter for diesel fuel. The commissary reduced the prices to $.45 per liter for gasoline and retained its seiling price of $.41 per liter for diesel fuel.

This allows the commissary to make a small profit for handling these accounts which previously had been handled free of charge. It was also agreed that future sales price increases would be rounded to the nearest half-cent above the cost price.

(d) Effective with the month of May 1982 per USAID Notice No. 82-58, the accounts of authorized AID funded U.S. Contractor vehicles (defined as those registered to the contractors primarily for official business and for the exclusive use of the U.S. Contractor team on the projects) were removed from the commissary's responsibility and assumed by USAID FM/Controller for billing purposes. This will relieve the limited commissary staff and more importantly will permit these AID funded projects to obtain the fuels at USAID's cost, in lieu of the commissary marked-up prices of \$.45 for gasoline and \$.41 for diesel.

We consider the above actions to be responsive to resolving fuel pricing overcharges and to firm-up current sales prices and procedures. Accordingly, we are making no further recommendations.

Fuel Pricing Controls

USAID has no effective procedure to assure that changes in fuel costs resulting from frequent amendments to USAID procurement Contract No. AID 367-95 or changes in exchange rates would be promptly reflected in USAID gasoline and diesel fuel sales. This has resulted in overbillings.

The GSO obtained the billing price from an Embassy Informational Notice No. 73 dated July 30, 1980. This notice advised all U.S. Government employees that effective August 1, 1980, the price of gasoline would be raised to $.48 per liter. For diesel fuel the GSO used old imperial gallon cost data converted to cost per liter instead of monitoring current payments under the current NOC fuels Contract No. 367-95. Both gasoline and diesel fuel are currently being received and paid for by the liter.

Exclusive use of outdated Embassy sales price information on gasoline is insufficient because, as is now the case, such a price includes a commissary mark-up on top of USAID's cost per liter at which the gas should be billed to the commissary. In addition, there is no assurance that all pricing amendments to the USAID Contract No. 367-95 have been reflected in Embassy or USAID issued notices. In order to assure recovery of costs without overbilling, USAID should rely on current procurement and payment data, rounded to the next half-cent per liter, when setting billing prices. Revised billing rates should be calculated as contract prices change or when exchange rates are revised.

Keeping the Mission apprised of current cost rates for gasoline and diesel fuel by reason of contract cost amendments or movement in exchange rates and subsequent sales price adjustments should be the joint responsibility of the Embassy and USAID. We found no effective system for monitoring fuel costs and making prompt adjustments to sales prices. In response to a recommendation included in our draft report covering improvement of controls on fuel prices, a new Embassy/USAID procedure has been formalized for monitoring fuel prices and effecting prompt price adjustments in the future:

(1) USAID AM/Procurement Office is responsible for reporting cost changes, under its fuel contract with Nepal Oil Company to the Executive Officer (EXO), FM/Controller and AM/General Services Office (GSO). The Controller and GSO are responsible for monitoring prices during the billing process.

(2) Currency valuation changes are verified by the Embassy B&F Office and reported to the Mission Administrative Coordinating Committee (MACC). USAID's Assistant Director and EXO are members of the MACC. MACC has the responsibility for determining the effective date and the amount of price adjustments for gasoline and diesel fuel due to cost increases or currency valuation changes. USAID feels these procedures should preclude unwarranted delays in effecting price adjustments in the future.

We consider the above actions to be sufficient to establish an adequate system to effect timely changes in fuel sales prices. Therefore, we are making no further recommendations.

Pricising of Sales Transactions

In addition to recording the liters of fuel sold by recipient on the issue reports, the USAID's GSA was costing each sale of gasoline, diesel fuel and motor oil on the fuel issue reports before sending them to the commissary (copy to USAID/AM/GSO) for customer billing purposes. The commissary was accepting the GSA's computation generally without verification. Our review of the GSA's pricing procedure on 650 transactions for the period from January 1, 1982 through March 5, 1982 revealed 17 errors in the price for a 2.6 percent error rate. We verified actual commissary billings for these 17 transactions. Of the twelve errors made during January and February, 1982 all but two had been recorded in the customers accounts at the incorrect price. If left uncorrected these errors would have resulted in a net loss to the commissary of $20.15. Reasons for the errors were not always apparent but the GSA was operating with a self prepared price list rather than a calculator. Some errors were obviously due to misreading the list.

These errors were brought to the attention of the commissary officials and action was taken to correct the accounts and to prevent future billing errors. We also discussed with commissary officials a more simplified method of recording sales that would minimize computations and therefore errors. We suggested using one price computation at the end of each month to determine the amount due on each account. We question the properiety of the USAID's GSA being involved in calculating fuel prices for the commissary. The GSA is not equipped to perform this function and the fuel issue reports were never intended for providing this information. It is not part of the GSA's duties.

In response to our draft report recommendation, USAID advised that the GSA's practice of computing sales prices on the fuel issue reports has been discontinued. Therefore, we are making no recommendations in this regard.

Personal Property, Warehousing and Fire Safety Precautions

Property Recordkeeping and Inventory Controls

Food good management purposes, the warehouse operations and record-keeping practices for nonexpendable property (NXP) were inadequate and in need of improvement. Slack record-keeping was observed in the NXP area. The deficiencies found in the NXP inventory controls and record-keeping could result in undetected losses and causes difficulty in locating shortages between the records and inventories.

Individual Stock Record Cards

For verification of individual stock record cards (OF-129) we selected a sampling of stock cards on office machines consisting of typewriters, calculators and adding machines, plus a number of refrigerators issued to residences. On a random basis, we selected 47 of 164 (29 percent) of the serial numbered cards maintained on typewriters, calculators and adding machines. We found that out of the 47 cards selected, 21 or 45 percent did not show the correct location of the office machines. Also, for electric typewriters, 10 of 17 sample cards did not have the issue dates and no OF-129 cards were being maintained on 27 of 59 electric typewriters although they were included in the composite summary card. This presents a control problem because the composite card gives no details. They show only a total for reconciling to the individual cards. It is difficult to trace inventory shortages without accurate individual stock cards. For example, the stock card on one electric calculator, sold on September 5, 1981, still showed the machine as being issued to FM in July 1979.

The reason given for not keeping current and accurate stock cards, including serial numbers was lack of staff. However, the cards were updated or corrected shortly after we advised the GSO officials of the deficiencies.

Cumulative Stock Control Cards

Stock Control Card (OF-131) is used to record cumulative balances for all items of expendable (except cupboard stock) and nonexpendable property carried in stock. This card contains minimum and maximum levels based on past experience. The absence of this data could lead to insufficient stock or an oversupply of stock. The General Services Specialist (GSS) was not fully cognizant of the purpose of the NXP Stock Control Cards, but he said they are planned for completion during FY 1982. USAID had completed these records for expendable supplies including a system for flagging dead stock items. As a result, procurement and record-keeping on expendable supplies was under control.

At the conclusion of the audit, USAID/N had taken corrective action on our draft report recommendation to complete and maintain both individual locater and cumulative stock cards on a current basis for all NXP as required by HB 23 Chapter 4. We were also advised by the USAID/N Executive Officer, that the staff of the Property Management Branch is to be increased. Accordingly, we are making no more recommendations in this area.

Physical Inventory

For physical inventory verification, we restricted our sample to office machines and refrigerators issued to residences. Along with Property Management Office (PMO) personnel, we took a physical count of all typewriters, calculators and adding machines in the office complex. The physical count was verified with the composite stock cards and we found a shortage of one manual typewriter. The typewriter was eventually located. It had been transferred to a new outside location on a loan basis without authority and without informing the Property Management Branch.

For refrigerators issued to the residences, we checked the residential inventory listings signed by the occupants. In general, we found the listings were signed and the refrigerator serial numbers properly recorded. However, in one case a replacement made on June 18, 1981 was not recorded until we brought it to the attention of the PMO officials.

For FY 1981, NXP overages worth $3,006 and shortages valued at $2,387 were adjusted in the certified annual inventory as of September 30, 1981. Inventory overages of $3,311 and $3,553 and shortages of $2,148 and $2,778 were also reported for FY 1979 and FY 1980 respectively. As of September 30, 1981, the total inventory of all NXP property in USAID's warehouses, residences, office complex, vehicles, and commodities in-transit, was $1,112,642.

The GSS advised that the reasons for the discrepancies each year were some errors in counts and because much of the NXP was old nonstandard property received as excess from other USAID/S. This caused problems in classifying the property from one inventory to the next resulting in discrepancies. The discrepancies were reported to AID/W (SER/MO) in accordance with prescribed procedures. The USAID Executive Officer advised that taking a physical inventory of NXP is a 6 month process. The FY 1982 inventory was in process and will be completed in September 1982.

Storage of Nonexpendable Property

The storage of nonexpendable property in all three warehouses was considered substandard and inadequate. The property was not stored to facilitate inventory taking and reconciliation or to facilitate implementing an efficient, secure and economical warehousing program as required by HB 23, Section 226. The furniture, equipment and other property were stored in three warehouses in a mixed condition.

For example, dining tables were mixed with secretarial desks, dining chairs with casual chairs and steel folding chairs with such items as lawn mowers. The furniture surfaces were not padded for protection against scratches or damage. Most items had a thick layer of dust. Upholstered sofas and drapery materials were not covered. In short the nonexpendable property appeared to have been placed where convenient rather than carefully arranged to facilitate maintenance of an economical warehousing program.

During the course of the audit, USAID/N completed actions recommended in our draft report with reference to sorting and arranging the NXP in an orderly manner and increasing protection of the property against damage and dust. Therefore, we are making no additional recommendations.

Fire Safety Precautions at USAID Office/Warehouse Complex

The normal fire safety precautions are lacking at all three warehouses and the USAID complex of buildings. There are no fire hydrants or fire hose stations around the warehouses or the USAID complex. Only one warehouse had one installed fire extinguisher of 2.5 lbs. USAID has 145 fire extinguishers of various sizes ranging from 2.5 lbs. to 20 lbs. of which 45 are in stock. The balance of 100 extinguishers including those of 20 lbs. capacity are reportedly installed in the USAID office building complex and the USAID's 25 leased residences.

Due to the different fire-fighting capabilities in each city of each foreign country, the distribution of fire-fighting equipment recommended by the General Services Administration under (GSA) FSS-WO-9.4 may not be practical. In our opinion, fire-fighting capabilities in Kathmandu are minimal. However, the GSA recommends that, at a minimum, one twenty-pound fire extinguisher for class C fires should be available in each warehouse for every forty square meters of warehouse space and that fire extinguishers or fire hose stations be marked. As USAID has no fire hose stations it must rely solely on fire extinguishers or a water truck which, because of its use for supplying water to houses, may not be available when a fire breaks out. USAID plans to provide new radio equipment for all of its official and key specialty vehicles which should improve the utility of the water truck for fire protection.

USAID has a source of water on the compound. But, there are no pipes to carry water to strategic points around the compound, and no hydrants, pumps or hosing to make effective use of the water if distributed.

At the time of our review in May 1982, USAID had only two 20 lbs. capacity extinguishers in reserve that were operational. Extinguisher stations had not been identified and clearly marked in the warehouses. Extinguishers were placed around the USAID office complex although the locations were not conspicuously marked.

We believe USAID should upgrade its fire-fighting capacity because of the limited local fire-fighting capability and the condition of these old USAID complex buildings. Additional equipment such as pipes, hydrants, pumps and hosing should be provided. More fire extinguishers of the 20 lbs. capacity should be procured for placement in the warehouses and the USAID office complex.

In response to our draft report recommendation regarding upgrading the fire-fighting capacity at the USAID/N compound, USAID/N officials advised that certain actions have been completed. Existing fire extinguisher stations have been clearly marked, twenty-three additional extinguishers have been installed around the warehouses and 48 new extinguishers have been ordered. USAID/N's Executive Office officials also advised that a fire policy and plans were being prepared.

Accordingly, we are limiting our recommendation to upgrading the overall fire-fighting capability of USAID/N for protection of the entire USAID/N office/warehouse complex.

Recommendation No. 10

The USAID/N should complete a fire protection plan to include provisions for the procurement and placement of equipment as piping, hydrants, pumps and hosing needed for upgrading the fire-fighting capability of the USAID/N to cover the entire USAID/N complex.

Motor Pool Operations

USAID has an approved vehicle fleet of 29 vehicles. But the present fleet has 30 vehicles of which one non-passenger type vehicle is earmarked for disposal in FY 1982. Of the present fleet, 6 are passenger and 24 are non-passenger vehicles. All vehicles except the Director's vehicle are in the motor pool. For the maintenance and operations of the motor pool vehicles, USAID has provided the services of 12 mechanics and 27 drivers through a local contractor. In addition to official business, use of the vehicle fleet is made for nonofficial purposes including transportation to-and-from work for American employees without POVs at post and Foreign Service National (FSN employees).

Safety Precautions on USAID Compound

The motor maintenance shop has an area of about 3,800 square feet. For the entire shop area only 3 dry chemical 2.5 lbs. capacity fire extinguishers were provided. We feel a number of larger dry chemical or CO2 extinguishers should also be installed in the area.

The maintenance shop has been provided with a first-aid kit. The kit is kept in the tool room area. On examination we found that the kit had an inadequate and unsanitary supply of dressings for wounds. There was no eyewash available in the maintenance shop. Some time ago USAID procured 12 first-aid kits primarily for use on field trips, but they could also be used around the USAID Headquarters Complex. We saw four of the kits stored in one of the warehouses all equipped in varying degrees but none were satisfactory for emergency support purposes.

We concluded that even though USAID occasionally procures medical supplies, there was no acceptable first-aid kit in the warehouse/workshop, motor pool or USAID Office Complex areas. In view of the long distance between USAID and the Embassy medical unit, USAID should provide several suitable first-aid kits for emergency use. They should be located in the motor maintenance/warehouse offices and other key areas in the USAID Complex. The kits to be placed in the motor maintenance/warehouse area should include medicines appropriate for treating the type wounds normally incurred in those areas.

In reply to our draft report recommendation concerning the need to provide, (a) additional and large extinguishers in the motor maintenance area, and (b) adequate medical kits in the warehouse, motor maintenance and other key areas around the USAID/N Compound, USAID/N management officials advised that eight additional large extinguishers were placed in the motor maintenance area in June, 1982. In August, 1982, medical supplies were purchased and medical and similar first-aid kits were upgraded. The kits were placed in the motor maintenance, warehouse areas and other key points around the USAID/N Compound. Periodic inspection of the kits will be made to assure they are kept in satisfactory condition.

In view of the above actions we are making no further recommendations in these areas.

Daily Vehicle Usage Report

USAID maintains a daily Vehicle Usage Record (Daily Trip Ticket) for each official vehicle. However, USAID does not prepare one trip ticket for each official vehicle each day, but changes trip tickets with the change of drivers. Sometimes a vehicle will have as many as 6 trip tickets per day, with only a few trips per ticket. Each trip ticket has 20 lines which can record 10 round trips. In our opinion, excessive use of these forms is a clear example of waste with no significant advantage to the system. If USAID wishes to keep a record of drivers on a trip basis, a column could easily be added to the ticket format for the drivers to sign at the start and completion of each trip. The current procedure results in a maze of documentation that is difficult to follow and presents a problem for USAID in storing and subsequent disposal of these forms.

In answer to our draft report recommendation that the trip ticket format be revised to require one ticket for each vehicle each day, with drivers being identified through a signature procedure, USAID/N management officials advised that a new trip ticket format (similar to that recommended) has been finalized and will go into effect immediately. The new tickets designed to be used one for each vehicle each day will drastically cut the number of forms generated each day. The new forms provide a special column for identification of drivers for each travel period driven by a particular driver. Accordingly, corrective action has been completed and we are making no additional recommendations.

Vehicle Monthly Utilization Report

A monthly utilization report is prepared for each vehicle. Our test verification of these monthly reports for the period from July 1981 through February 1982 disclosed that the reports were incomplete in some respects. None of the reports verified had the monthly totals of operational and idle-time of vehicles. The tonnage hauled by non-passenger vehicles was not recorded. Vehicle kilometer usage was not converted into miles as required by the instructions. Verification of the accuracy of the reports was questionable. One mistake in report totals resulted in an understatement of 989 miles.

Vehicle Inventory Report

USAID received the computer print out of "USAID Motor Vehicle Inventory" as of March 31, 1982 from M/SER/MO/OPM. After review, verification and recording of current mileage for each vehicle, the inventory report was sent back to AID/W on May 20, 1982. The odometer readings of the vehicles were recorded without identification as to miles or kilometers. The kilometers were not converted to miles or so identified by a footnote. Reporting on unidentified mixture of miles and kilometers would distort whatever AID/W gleans from this report.

Vehicle Monthly Statistical Report

This is a summary report on each vehicle giving the statistical details of odometer readings at the beginning and end of each month, miles driven, gas consumed, miles per gallon, labor costs, cost of parts and other data. For our test verification we selected 5 months from January through May 1981. We verified the odometer readings recorded on the daily trip tickets, with the beginning and ending monthly readings recorded on the vehicle monthly statistical reports. We found that the trip ticket readings were not always transcribed accurately. The month of January 1981 had four errors and one error was found in each of the other four months. As these errors are reflected in the total miles driven, computations of miles per gallon (MPG) were also incorrect.

Since the data from these reports is used in evaluating USAID's motor pool operations and in the preparation of the M540-1 Motor Vehicle Data Report for AID/W, greater care should be taken in their preparation.

Vehicle Data Report (U-540-1)

Regulations require the submission of the U-540-1 Motor Vehicle Data report to AID/W not later than October 15 of each year. On October 1, 1981 USAID submitted this report for the fiscal year ending September 30, 1981. To test the accuracy of this report we selected labor costs, miles travelled and gallons of fuel consumed.

Labor Costs

We verified the total labor cost reported in the individual motor vehicle monthly statistical reports for FY 1981. Our review indicated that the labor rate and labor costs recorded in the report were not realistic when compared with the current costs for mechanics. The U-540-1 report is prepared in order to charge maintenance costs to each vehicle, but it was apparent that the $.35 hourly rate used in the report had not been adjusted in recent years. It was not clear how the rate was determined or what it included. In any case, the rate should be based on direct labor costs and payroll burden for mechanics only.

In reply to our draft report recommendation to develop a realistic maintenance shop hourly rate for costing job orders and preparation of maintenance cost reports, USAID/N management officials advised that the method of computing the vehicle maintenance shop rate has been revised. It was developed in accordance with reporting instructions to include the current contract price for direct labor and related payroll burden costs for mechanics only. The new rate, determined to be $.82 per hour, will be monitored and updated periodically.

After a review of the rate computations, we believe USAID/N has significantly improved the accuracy of the rate and its cost reporting system. Thus, no further recommendations are being made.

Miles Travelled and Fuel Consumed

We computed the miles travelled and fuel consumed based on the vehicle monthly statistical summary report. Our computation based on the monthly statistical reports showed the mileage reported in the U-540-1 report was short by 2,121 miles and fuel consumed was short by 273 imperial gallons. The reason given for the shortages in the data reported in the U-540-1 report was the omission of the last day of the reporting period on travel activity at Kathmandu and the last month of the reporting period on travel activity in the field. These reporting omissions were not disclosed as a footnote to the U-540-1 report.

Recommendation No. 11

The USAID/N should review the procedure for preparation of all motor vehicle reports and assure these reports are prepared in accordance with HB 23 and reporting instructions.

Analysis of Vehicle Gasoline Consumption

The gasoline miles per gallon (MPG) consumption, although developed in the vehicle monthly statistical reports, has not been used to analyze consumption within the similar types of vehicles in the fleet. We compared the mileage on sixteen vehicles in the fleet. We found that average MPG for the same class vehicles fluctuated widely. For example on 4 "NOVA" Sedans the MPG varied from 10.6 to 21.45; among sports vans from 10.5 to 19 MPG; and for pick-ups it was calculated at between 12.5 and 22.6 MPG.

We recognize that the type of road, traffic, weather conditions and drivers driving habits, will affect vehicle MPG of fuel. But these wide variations indicate to us there may be other reasons for heavy use of fuel by some vehicles. In order to make effective use of gasoline consumption data, analysis of the data should be done at least on a monthly basis. For example, excessive fuel usage may indicate the vehicle engine is in need of repair or adjustment. If the unusually low MPG is due to poor driving habits, the analysis could help evaluate the problem by keeping a record of the drivers used on those vehicles. USAID/N management officials advised that the functions of analyzing vehicle gasoline consumption data and related information was assigned to the Special Assistant to the GSS. This position was established on March 1, 1982. The position is currently vacant.

<u>Recommendation No. 12</u>

The USAID/N should give greater emphasis to analysis and evaluation of MPG data developed in the vehicle statistical reports to assist in determining the causes of unusually high usage of gasoline.

LIST OF RECOMMENDATIONS

LIST OF RECOMMENDATIONS

LIST OF RECOMMENDATIONS

LIST OF REPORT RECIPIENTS

USAID/Nepal	
Director	
AID/W	
Bureau For Asia	
Assistant Administrator (AA/ASIA)	2
Office of Pakistan, Nepal and Sri Lanka Affairs (ASIA/PNS)	1
Audit Liaison Officer	1
Bureau For Science and Technology	
Office of Development Information and Utilization (S&T/DIU)	4
Bureau For Program and Policy Coordination	
Office of Evaluation (PPC/E)	1
Bureau For Management	
Assistant to the Administrator For Management (AA/M)	1
Office of Financial Management (M/FM/ASD)	1
Directorate For Program and Management Services	
Office of Management Operations (M/SER/MO)	1
Office of Contract Management (M/SER/CM)	1
Bureau For External Relations	
Office of Legislative Affairs (EXRL/LEG)	1
Office of General Counsel (GC)	1
Office of Public Affairs	1
Office of the Inspector General:	
Inspector General (IG)	1
Communications and Records Office (IG/EMS/C&R)	12
Policy, Plans and Programs (IG/PPP)	1
Regional Inspector General for Audit:	
RIG/A/W	1
RIG/A/Nairobi	1
RIG/A/Manila	1
RIG/A/Cairo	1
RIG/A/Panama	1
OTHER	
Regional Inspector General for Investigations and Inspections (RIG/II/Karachi)	1
New Delhi Residency	1