PD-AAZ-910
ISN 62981

AUDIT OF
LEASED PROPERTY MANAGEMENT
IN PAKISTAN

AUDIT REPORT NO. 5-391-90-01

OCTOBER 16, 1989

To improve program management, USAID/Pakistan should establish housing guidelines and monitor utility and maintenance costs.

AGENCY FOR INTERNATIONAL DEVELOPMENT
OFFICE OF THE REGIONAL INSPECTOR GENERAL FOR AUDIT
– Singapore –

U.S. POSTAL ADDRESS:
American Embassy
AID/RIG
FPO San Francisco 96699

INTERNATIONAL ADDRESS:
c/o American Embassy
30 Hill Street
Singapore 0617
Tel: 225-1033

October 16, 1989

MEMORANDUM FOR Mr James A. Norris, Director, USAID/Pakistan

FROM: Alfred M. Clavelli, Acting RIG/A/Singapore

SUBJECT: Audit of Leased Property Management in Pakistan (Audit Report No. 5-391-90-01)

The Office of the Regional Inspector General for Audit/Singapore completed its audit of Leased Property Management in Pakistan. Enclosed is the final audit report for your review and appropriate action.

The comments you provided based on the draft report are summarized after each finding and included in their entirety as Appendix A to this report. Based on your comments, Recommendation 4 has been closed. The remaining recommendations are considered resolved and will be closed upon completion of the promised actions. Please advise within 30 days of the additional action taken to implement these recommendations.

I certainly appreciate the cooperation and courtesy extended to the audit staff during this review as well as the prompt actions taken to respond to the report findings and recommendations.

EXECUTIVE SUMMARY

USAID/Pakistan administers a leased property program that includes 212 properties with an annual rent of $1.8 million. The Office of the Regional Inspector General for Audit in Singapore made a performance audit to evaluate the Mission's management of these leased properties and to determine whether the leased properties were administered in compliance with the regulations. While the Mission was generally effectively managing the program, it was noted that:

- The Mission was basically operating without housing guidelines because the foreign affairs housing policy standards for space and number of bedrooms were not appropriate to the housing situation in Pakistan.

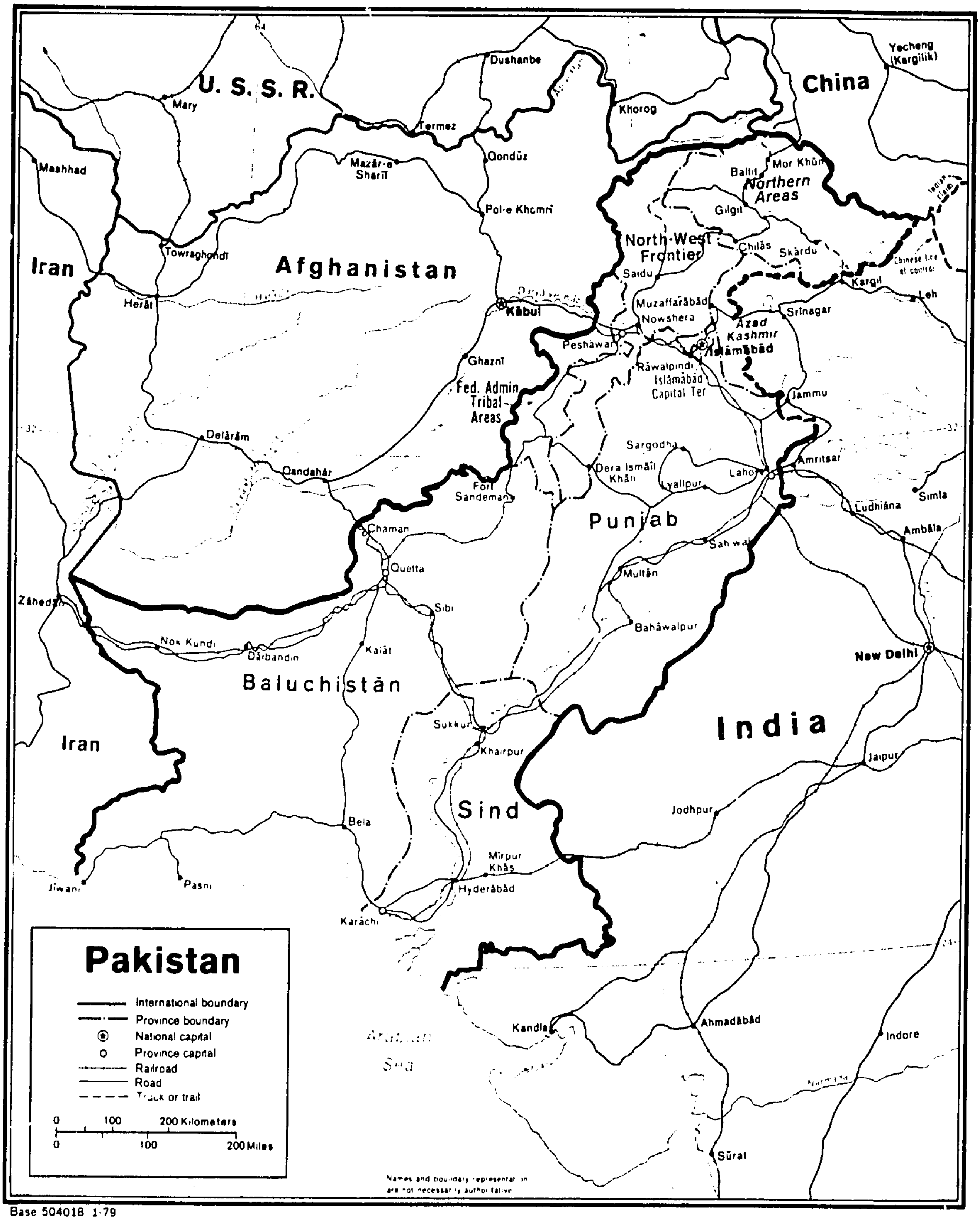
- Utility and maintenance costs were not being adequately monitored to identify problems and effectively control costs.

- Regulations requiring use of existing clean and functional furnishings and selection of standard colors and fabrics were not fully complied with when new occupants moved into a house.

- Checks for advance rent payments were released as much as a month before they were due.

To correct these problems, recommendations were made to prepare Mission Orders for assigning housing, reporting housing measurements, and controlling utility/maintenance costs. We also recommended policy revisions on the reuse of household furnishings, selection of standard colors, and control over the release of rent payments. USAID/Pakistan concurred with the recommendations. Their comments are summarized after each finding and presented in their entirety as Appendix A.

Office of Inspector General



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AUDIT OF
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IN PAKISTAN

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IN PAKISTAN

PART I - INTRODUCTION

A. Background

USAID/Pakistan has one of the largest development assistance programs in the world. To support the employees and technical assistance contractors, the Mission leased 39 residences for employees, 84 residences for contract personnel, 12 staff houses, 32 office facilities, and 8 warehouses. The Mission also leased 27 properties for the A.I.D./Representative for Afghanistan now located in Pakistan. At the time of the audit, there were also 10 leased properties unoccupied. The annual rental for these 212 properties was approximately $1.8 million.

B. Audit Objectives and Scope

The Office of the Regional Inspector for Audit, Singapore made a performance audit of the management of leased property in Pakistan. The specific audit objectives were to evaluate the Mission's management of the leased property and determine whether the leased property was administered in compliance with A.I.D. regulations.

The audit generally covered activities during fiscal year 1988 and the first half of fiscal year 1989 and was conducted in May and June of 1989. It covered the 212 leases with an annual rental of $1.8 million managed by the Mission. The audit included a review of Mission records and reports; interviews with Mission officials, officials of other organizations leasing property in Pakistan, and real estate agents; and inspection of selected properties. The reviews of compliance and internal controls were limited to activities related to the audit findings. The audit was made in accordance with generally accepted government auditing standards.

PART II - RESULTS OF AUDIT

USAID/Pakistan was generally effectively managing a very large residential housing program. Except as noted in the following paragraph, USAID's administration of leased property was in compliance with A.I.D. regulations. Its leases conformed to the requirements of A.I.D. regulations, and the properties were administered according to the lease provisions. Lease negotiations were well documented, and the terms were appropriate for the local conditions.

As discussed in detail in Part A of this report, the audit did disclose that housing guidelines are needed because the foreign affairs housing policy on space and bedroom limitations was not applicable in Pakistan. Also, the Mission needs to monitor utility and maintenance costs in order to establish control over such costs, evaluate used upholstered furniture and drapery to determine if they could be used further, and release checks for rent payments only when due.

The report recommends that USAID/Pakistan prepare Mission Orders for selecting and assigning housing, reporting measurements, and monitoring of utility/maintenance costs. In addition, recommendations were made to revise current policies concerning replacement of upholstery and drapery, and to control the release of rent payments. Mission officials generally concurred with each of the recommendations and have initiated corrective action.

A. Findings and Recommendations

1. USAID/Pakistan Needs to Establish Guidelines for Its Housing Policies

USAID/Pakistan was operating its housing program without usable guidelines. This occurred because acceptable housing in Pakistan almost always exceeded the existing guidelines contained in the foreign affairs housing policy. In fact, 127 of its 150 occupied houses exceeded the space limitation and 117 exceeded the number of bedrooms authorized for the occupants. As a result, USAID officials were operating with housing guidelines which were of limited use for making decisions concerning the selection and assignment of houses and the accurate reporting of usable space.

Recommendation No. 1

We recommend that USAID/Pakistan prepare a Mission Order that:

a. Defines the standards to be used for selecting and assigning employee housing that reconcile available housing with the intent of A.I.D. Handbook 23, Chapter 5, and also logically demonstrate that those standards are in the best interest of the U.S. Government.

b. Establishes guidelines consistent with A.I.D. Handbook 23, Chapter 5, for measuring and reporting residential house sizes. Also, the Mission needs to ensure that the measurement guidelines are consistently applied.

Discussion

The foreign affairs housing policy standards in A.I.D. Handbook 23, Chapter 5, are based on Airgram A-1093 (April 1979) and modified by Airgram A-0564 (March 1980). The number of bedrooms authorized for an occupant depends upon the number, sex, and age of the people authorized to occupy the house. The square footage depends upon the number of bedrooms authorized and the type of locality in which the post is located, with more space authorized when limited cultural and recreational opportunities at the post make the home a more important factor in the employees' well-being.

Although space is the primary criterion for assigning housing, the first Airgram states that space should not be the sole consideration for the selection of housing and that such things as availability could warrant exceptions to the space standards. The second Airgram states that post housing boards are to reconcile the needs of the employee with the intent of the regulations and arrive at housing assignments that can be logically defended as being in the best interest of the U.S. Government.

Housing Standards Compliance - USAID/Pakistan could not comply with the allowances in the foreign office housing policy standards as outlined in Airgram A-1093 because housing that met those standards was not available. The Mission had 150 occupied houses, and 127 (85 percent) exceeded the space allowances, and 117 (78 percent) exceeded the number of bedrooms authorized.

The space standards in Airgram A-1093 are based on studies of the average size of dwellings in the Washington D.C. area and the criteria used by the State Department Office of Foreign Buildings for constructing residential properties. Available housing in Pakistan is very different from housing in Washington D.C. For example, Pakistan's houses are made of reinforced concrete which often results in designs with much unusable space. They have three or more bedrooms with separate bathrooms. Virtually no suitable houses have two-bedrooms. Living rooms, dining rooms, entrances, and halls are larger, and often there are two living rooms because of the Muslim practice of entertaining men and women separately.

A larger house, however, did not necessarily mean more expensive rent. In fact, the rent varied more with what could be negotiated than with house size. A comparison of USAID house sizes with rents showed that two of the five houses with the lowest rents ($360 to $475 per month) had as many bedrooms as four of the five houses with the highest rental ($860 to $950), excluding the two representational houses. Also, two of the five houses with the lowest rents had as many or more square feet as three of the most expensive houses.

With housing in short supply in Pakistan, especially in Islamabad, the Mission frequently had to take whatever houses were available, regardless of the space and bedrooms authorized for the occupant. This also resulted in assigning people to larger houses than authorized.

The Mission effectively had no official policy guidelines for administering its housing program because of the substantial differences between the conditions assumed in the foreign affairs policy standards and the actual housing market in Pakistan. Since the foreign affairs housing policy standards as written cannot be applied in Pakistan, the Mission should prepare guidelines appropriate for local conditions. These guidelines should establish standards for employees' housing in Pakistan and define both the housing that is acceptable and not acceptable for Mission employee or contractor occupancy. The guidelines should include a logical rationale for the deviations from the foreign affairs policies and reconcile the local conditions and the needs of the employees with the intent of the regulations.

<u>Housing Measurements</u> - The Mission did not use the Airgram A-1093 standards for reporting the usable square feet in its houses. Instead, the Mission officials stated they used the standards in the State Department Office of Foreign Buildings Real Estate Management System. Although the Office of Foreign Buildings guidelines were issued after Airgram A-1093, it was not clear whether they should be used to calculate residential square footage for purposes of determining compliance with the foreign affairs guidelines.

The A-1093 definition of finished square feet includes all area within the exterior walls and excludes only unfinished spaces such as garages, attics, and servants quarters. The Office of Foreign Building guidelines exclude halls, stairwells, and toilets. These exclusions appear to be more appropriate for office buildings than for residences.

Use of the Office of Foreign Building guidelines resulted in reporting fewer square feet for a house than if the A-1093 guidelines were used. In the eight houses we reviewed, this difference averaged 500 square feet. USAID's use of the alternative guidelines was inconsistent, sometimes they excluded entry halls and sometimes they did not. The recommended Mission Order should also include clear guidance for measuring and reporting residential space and this guidance should be consistently followed.

Management Comments

USAID/Pakistan concurred with the finding, stating that they were reviewing the Mission Order on the selection and assignment of houses along the lines suggested in the audit report recommendation and would also include guidelines for measuring house sizes.

Office of Inspector General Comments

Based on the comments received from the Mission, the recommendation for this finding is resolved; and when USAID provides a copy of the revised Mission Order, the recommendation will be closed.

2. <u>USAID/Pakistan Needs to Establish Systems to Monitor Utility and Maintenance Costs</u>

USAID/Pakistan was not monitoring utility and maintenance costs as required because a procedure which was developed for monitoring utility costs was not being used. As a result, the Mission was not routinely identifying houses with temperature control or maintenance problems or occupants who did not control the use of utilities or maintenance service. With such monitoring, savings of about $65,000 per year could be expected.

<u>Recommendation No. 2</u>

We recommend that USAID/Pakistan:

a. Prepare a Mission Order requiring a formal system for monitoring utility and maintenance costs and establishing policies for dealing with problems identified through the monitoring system.

b. Review the proposals for conserving energy usage in residences to determine which could be implemented for cost-effective utility expense savings.

<u>Discussion</u>

Missions are responsible for controlling the utility and maintenance costs for leased residences. Handbook 23, Chapter 5, states that missions are responsible for ensuring that utility costs in residences are held to reasonable levels, and that administrative action, including the setting of limits, should be established to enforce the control of these expenses. Concerning maintenance costs, Handbook 23 also states that custodial and maintenance responsibilities are to be controlled and shared by the occupant and the Government.

The Mission was providing utilities and most residential maintenance for all leased houses. The occupant was required to provide what was normally expected of an occupant who leases residential quarters in the U.S., such as replacing light bulbs, faucet washers, etc.

The Mission, however, had not established a system for routinely monitoring and controlling residential utility and maintenance costs. Neither the utility nor the maintenance costs were summarized and compared, house by house, in order to establish control over these costs. Also, even though the maintenance section calculated the cost of each maintenance work order and summarized the costs by house each month, the information was not reported to Mission management. Thus, little control was provided over utility and maintenance costs.

Monthly utility costs averaged about $285 per house or $500,000 for all residences per year. Maintenance costs averaged about $81 per house per month or $150,000 annually. Without routine reporting and analyses of these costs, the Mission could not identify houses that had temperature control or maintenance problems or occupants who were excessive in the use of utilities and maintenance service.

While there had been a procedure for summarizing utility costs by residence and comparing these costs with the average costs for similar residences, it was discontinued over a year ago at the time of a personnel change. This procedure had helped bring to light the utility company's practice of issuing bills based on estimated readings when household meters were defective. It also disclosed other problems that when corrected reduced costs.

We believe that the Mission should start reporting both utility and maintenance costs in a format similar to what was used earlier for utility costs. Management should analyze these reports, identify the houses with high utility and maintenance costs, determine the cause of unusually high costs, and take the appropriate corrective action.

In May 1987, a USAID energy conservation contractor also made certain energy conservation suggestions for cooling and heating the leased houses. No action had been taken concerning the suggestions. The Mission should review the suggestions made by the energy conservation contractor to determine whether any of them could be implemented for cost-effective utility expense savings.

The increased monitoring and the implementation of energy conservation suggestions could result in a cost savings to the Mission. Although it is difficult to estimate the extent of such savings, we believe a conservative estimate would be in the area of 10 percent or $65,000 per year.

Management Comments

USAID/Pakistan stated that it was preparing a Mission Order formalizing procedures for monitoring utility and maintenance expenses. USAID also stated that it has looked at various ways to conserve energy and is continuing to pursue energy conservation proposals. To date, it has not found any of the proposals to be cost effective.

Office of Inspector General Comments

Based on the comments received from the Mission, the recommendation for this finding is resolved. It will be closed when USAID provides a copy of the Mission Order covering the monitoring of utility and maintenance expenses.

3. USAID/Pakistan's Policy for Providing Residential Furnishings Needs Revision

The Mission Order covering furnishings and equipment for residential quarters was not in compliance with the requirements. Handbook 23, Chapter 5, states that missions should have a written policy for standardizing the quantity and quality of household furnishings and that a new occupant is not sufficient justification to replace or reupholster furnishings when clean and functional items are available. However, each new occupant of a house was allowed to select new upholstery and drapery. As a result, the Mission was not ensuring that funds spent for purchases of new furnishings were necessary.

Recommendation No. 3

We recommend that USAID/Pakistan revise Mission Order PAK 23-37 to comply with the provisions of Handbook 23 concerning the standardization of household furnishings.

Discussion

Handbook 23, Chapter 5, states that missions should institute a written policy standardizing the quantity and quality of furniture and furnishings to be issued. Among the points to be considered in establishing the policy are:

- Use standard colors and types of fabrics for drapes, curtains, rugs, upholstery, etc. that are suitable for several occupants.

- Establish replacement periods and conditions under which furnishings and furniture may be replaced with new or refinished/reupholstered items.

- Include provisions to ensure that new occupancy is not sufficient justification to procure replacement or personal preference items, when clean and functional furnishings and/or furniture are available. On the average, the replacement period for draperies, upholstery, and rugs should be a minimum of four years, depending upon climatic conditions, usage, and type of material used.

Mission Order PAK 23-37 dated August 11, 1986, covering Furnishings and Equipment for Residential Quarters did not comply with the requirements of the A.I.D. Handbook. Instead, each new occupant who was to occupy a house for over a year was provided with an allowance that averaged about $2,000 for purchasing new draperies and upholstery.

The Mission was not making an evaluation to determine whether existing upholstery and drapery could be used by a new occupant. Instead, such decisions were at the discretion of the new occupant. Also, new occupants were not restricted to selecting standard fabrics and neutral colors but were allowed to select any fabric available. Such selections might not be suitable for future occupants. Further, at the end of a two-year tour, the Mission allowed occupants to use any unspent balance from the original drapery/upholstery allowance to replace draperies or upholstery. As a result, the Mission was not ensuring that funds spent for purchases of new furnishings were necessary.

The Mission should evaluate existing upholstery and drapery to determine whether they could be used by new occupants. The Mission should also identify fabrics that are sufficiently neutral to be suitable for most occupants and that could be expected to have a long useful life. Occupants needing new fabrics for furnishings should be required to select from an authorized list.

Management Comments

USAID/Pakistan stated that it was revising Mission Order PAK-23-37 to comply with the provisions of the A.I.D. Handbook, to the extent possible.

Office of Inspector General Comments

Based on the comments received from the Mission, the recommendation for this finding is resolved and will be closed when USAID provides a copy of revised Mission Order PAK-23-37.

4. USAID/Pakistan Needs to Control the Release of Rent Payments

USAID/Pakistan was releasing rent payments before the payments were due. The checks were released early because the Mission had no formal procedure for handling these payments. As a result, rent payments totaling $76,000 were released from two weeks to four weeks before the payments were due.

Recommendation No. 4

We recommend that USAID/Pakistan establish a procedure for controlling the release of rent checks to ensure that checks are released only when the payments are due.

Discussion

Most of USAID/Pakistan's leases were paid 18 months in advance. The standard lease was for three years, with rent paid in two installments of 18 months each. In order to have the checks ready when the rent payments were due, the Mission sent check requests to the disbursing office in Bangkok in advance of the due date. The checks for the advance rent often arrived more than a month before the payment was due.

The Mission released the checks when they were received instead of holding them until the payment was due. Handbook 19, Chapter 1, requires USAID to make payments in a timely manner, neither early nor late. Our review of 14 payments disclosed that six were released four weeks or more before the due date, one was released more than three weeks early, and two were more than two weeks early. For example, a rent check of $11,143 (Rs 234,000) for lease number LE-88-4208 was released on May 14, 1989 when the due date was June 13, 1989.

The rent checks were released early because the clerk handling the checks did not have a procedure for holding checks for release when the payment was due. Since the timing of the check release was not controlled, payments for rent amounting to $76,000 were released from two weeks to over four weeks before the due date. Thus, the Mission needs to establish a procedure to ensure that rent payments are not made before payment is due.

Management Comments

USAID/Pakistan concurred and issued instructions for controlling the release of rent checks. Officials stated that the new procedure is now in place.

Office of Inspector General Comments

Based on the comments received from the Mission, the recommendation for this finding is closed when the report is issued.

B. Compliance and Internal Control

Compliance

The audit disclosed three compliance issues. Finding 1 concerns compliance with the foreign affairs housing policy standards and the need to define and justify the housing policy considered necessary in Pakistan. Finding 3 discusses compliance with Handbook 23 requirements to evaluate the need for new upholstery and drapery before authorizing purchases and to standardize fabrics for household furnishings. Finding 4 covers the Mission's release of rent checks before payment was due. The audit review of compliance was limited to the findings in this report.

Internal Control

USAID/Pakistan's controls over utility and maintenance costs should be improved. Finding 2 discusses the need for a monitoring system to control these costs. The audit review of internal control was limited to the findings in this report.

PART III - APPENDICES

UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT
MISSION TO PAKISTAN

Cable: USAIDPAK

HEADQUARTERS OFFICE
ISLAMABAD

MEMORANDUM

21 SEP 1989

TO : Mr. Reginald Howard , RIG/A/Singapore

FROM : James A. Norris, Director, USAID/Pakistan

SUBJECT : Draft Report on the Audit of Leased Property Management

RECEIVED
25 SEP 1989

Thank you for providing the draft report on the audit of Leased Property Management in Pakistan. The following are our comments:

Recommendation No. 1a and 1b

To the extent possible, we lease housing units consistent with interest in economy, budgetary constraints, security considerations, and the housing policy standards promulgated for Foreign Affairs Agencies by the FBO. As pointed out by the Audit Report, 86% of our houses exceed the FBO established space allowance standards and 79% exceed the number of authorized bedroom standards because housing that fits within those standards is just not available in Pakistan.

Customarily, houses in Pakistan are built either too large or too small -- nothing in between. The smaller houses, 2-3 bedroom, are normally located in congested, over-populated and crowded localities of the city making them unsuitable for occupancy by U.S. nationals on the basis of (a) security considerations because of their location, (b) hygienic standards because of unsanitary and unhealthful environments, (c) safety factors due to poor construction practices and use of inferior materials, and (d) economy consideration because they are expensive to maintain and renovate. The large houses normally have four or more bedrooms, very few have three bedrooms, and virtually none have fewer than three bedrooms. Built to accommodate the Pakistani multi-family lifestyle, they usually feature large bedrooms with attached baths and spacious common areas on each floor. Furthermore, first-class apartment dwellings are unknown in Islamabad outside of embassy compounds. Therefore, the majority of USAID Mission housing portfolio consists of houses with four or more bedrooms.

Our experience for the past ten years has proven that it is not practicable to comply with the FBO housing policy standards in Pakistan. The Mission has developed a housing portfolio of residential units which it attempts to maintain on renewed short term leases, to avoid the high cost of renovation of new units and restoration costs of those units being returned to the owners. We are, therefore, requesting AID/Washington for a blanket waiver to the A-1093 housing standards.

21. SEP.-1989.

Our current policy on selection and assignment of houses is based on (a) the family size of the employee as a primary factor, (b) availability of residential units within the housing market, and (c) a point score bidding system that takes into account the family size, rank and length of service of the employee.

Because very few new houses are available on the local market for rent, new employees compete for houses, as they become vacant within the existing portfolio, on the basis of point score bidding system; differences are resolved through and exceptions are approved by a post housing committee. We find this system works quite satisfactorily to the mutual benefit of both USAID and the employees and has helped maintain a relatively high morale amongst employees and their families in relation to their housing assignments.

The audit report states that "at the time of the audit there were 10 leased properties which were unoccupied." To clarify this, the Mission maintains a relatively low vacancy rate of its leased property. At the time of the audit, ten houses were found to be unoccupied because this was the start of the transfer season, and a number of USAID employees had left Pakistan on transfer orders and we were awaiting their replacements. Those vacant houses were later assigned to incoming employees; and in fact in the end of August 1989 -- a month after the audit finding -- we were short six houses.

The Mission is reviewing the Mission Order on the selection and assignment of houses along the lines suggested by the audit report recommendation and will include guidelines for measuring house sizes.

<u>Recommendation No. 2</u>

We are in the process of establishing an automated system for monitoring utility expenses. Under this system:

1) We will determine the average cost of utilities for each category of house based on number of bedrooms and family size.

2) We will review the utilities costs at the end of each month, identify houses which exceed the established average cost, ascertain the reason, e.g., faulty meter, incorrect meter reading, billing error, etc., and take remedial action. If we find that the excess utilization of energy is due to the occupants usage, the GSO will advise individual occupants of the amount of their utility bill in comparison with similar units, and recommend ways they can conserve energy.

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3) The GSO will submit to the EXO, after every three months, a listing of houses where the utility costs persistently continue to exceed the established average cost. The EXO will appropriately advise the occupants and counsel them to take immediate action to conserve energy. The Executive Office is currently reviewing the following action as a recommendation to assure that corrective action is taken. If excess usage continues, the occupants would be required to pay from their personal funds, any amounts that exceed by more than ten percent the established average cost of utilities for a similar type of house and family size.

Housing maintenance cost data is presently reviewed by GSO on a regular basis. When the maintenance cost on a house is excessive, the GSO recommends to the Executive Officer that the lease not be renewed due to high maintenance costs. Maintenance data will now be summarized on a quarterly basis for the Executive Officer's use in determining excessive costs.

The above procedures will be formalized in a Mission Order which is being prepared.

In consultation with the Regional Security Officer, the Mission is in the process of revising our policy on maintenance of security lights. We propose installing 40-watt tubelights instead of 150-watt tungsten lamps. The cost of the tungstem lamps have increased more than 100 % over the past two years, and the lights have also been a high theft item from vacant houses. The tubelight meets the lighting requirement for residential security and is considerably cheaper both to maintain and install. Once tubelights are installed, we will restrict the replacement at USG expense of only those defective security tubelights. It will be the occupants' responsibility to replace all other outdoor light bulbs. A determination in this respect will be made shortly, and formalized in a Mission Notice.

During the last two years, the Mission has looked at other ways to conserve energy at our residences. The Executive Office worked with a USAID contractor, ENERCON, in an effort to devise and experiment with measures to conserve energy. ENERCON proposed a thermo-ceiling process which would reduce the intense summer sun on residences. We experimented with this on 3 USAID houses. This process involves minimization of direct sun-heat on the roof through the use of hollow bricks, foam-concrete, thermopor, and reflective coating, etc. This experiment was very effective in its intent of reducing heat to the interior of the residence from the sun, but several problems were identified. One major problem was the inability of the test houses to bear the thermo-material load. Another was the high cost of the material. Thus far, we have

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determined that this technique is not cost effective. Further, the Mission must consider that many of the energy saving materials require appropriated dollars for procurement; when in fact, we are paying the utilities with trust funds. The Mission will continue to pursue proposals for conserving energy usage in residences.

Recommendation No. 3

Our Mission policy has been to authorize an allowance for replacing house drapes and upholstery once during an employee's assignment at post. The intent was that the employee would serve four years and by the end of that period, the material, mainly locally produced, would not be suitable for new employees.

Previously, little attention was given to the condition of the fabric, and the standard was to allow all employees the full material allowance regardless of the age and condition of the material. The Mission is reviewing institution of a new procedure to determine the condition of the material prior to authorizing replacement. On an experimental basis, the Executive Officer, who just arrived, washed three pairs of drapes in his residence and has found that two of the three can be retained for a further period without replacement.

The employees purchase the drapery and upholstery fabric from the local market. The ceiling is Rs 75 ($3.57) per meter for drapery material; Rs 100 ($4.76) per meter for upholstery material; and Rs 15 (71 cents) per meter for lining material. The normal life span of local fabric is between 3 to 5 years, which is a typical length of time an employee remains in Pakistan. The Embassy follows a similar policy for the authorization of drapery and upholstery fabric for their employees.

The audit report suggests that we use standard colors and types of fabrics for drapes, curtains, rugs, upholstery, etc., that are suitable for several occupants. We feel this can be done within a reasonable level. Since the employee purchases his or her own material, and Mission staff time is not involved, strict guidelines would be difficult to enforce. New guidance will be drafted for the revision of Mission Order 23-37, suggesting use of standard color shades and types of materials. The Mission is presently standardized on three colors of carpets. We do feel, however, there is a great deal more to be gained in employee morale by not imposing a beige existence on them.

We are revising the Mission Order PAK-23-37 to comply with the provisions of the AID Handbook, to the extent possible, concerning the standardization of household furnishings.

21 SEP 1989

Recommendation No. 4

Recommendation No. 4 of the draft audit requested USAID/Pakistan to establish a procedure for controlling the release of advance rent checks to ensure that checks were released only when the payments were due. As stated in the audit, Handbook 19 requires USAID to make payments in a timely manner, neither early nor late. The procedures for release of advance rent checks are noted on the attached memo from the Deputy Controller to the Cashier which has been cleared by the Voucher Section, the Executive Officer and the Controller. The procedure is now in place with the action offices notified.

Attachment
Deputy Controller/Cashier Memo, dtd 9/18/89

18 September 1989

Linda J. Martin, Deputy Controller, OFM

Procedure for Release of Rent Checks

Syed Intikhab Ali, C/Coordinator
Mazhar Q. Awan, Cashier

Raymond DeBruce, A/Controller, OFM

In the draft audit report on Leased Property Management in Pakistan, the auditors noted that the Mission had released rent checks from two to four weeks earlier than what was required to meet the terms of the leases. We have been requested to establish a procedure to control the release of the rental checks. That procedure is as follows:

1. The Executive Office will submit a completed form SF-1034 Public Voucher for the Purchase of Services Other Than Personal to OFM requesting the payment of rental charges for the period designated in the lease with a copy of the signed lease attached. The SF-1034 will contain the inclusive dates of the lease period.

2. The Voucher Section will process the rental payment on a timely basis scheduling the receipt of the check as close as possible to but no later than the beginning of the rental period.

3. The Cashier will release the check no earlier than one or two working days prior to the beginning of the rental period. The release of the check will be directly to the landlord or his/her authorized agent or by registered mail to address designated in the lease agreement. Under no circumstances will the check be released to any other individual or office. A check can be held by the Cashier only with the written instructions of the Executive Officer (EXO) or his designee pending completion of required action of the landlord. Once the action is completed, the EXO will approve the check release in writing.

Clearances:

JMartin, EXO ______ Date 9/19/89

RIAhmed, OFM ______ Date 09/19/89

List of Report Recommendations

Recommendation No. 1

We recommend that USAID/Pakistan prepare a Mission Order that:

a. Defines the standards to be used for selecting and assigning employee housing that reconcile available housing with the intent of the A.I.D. Handbook 23, Chapter 5, and also logically demonstrate that those standards are in the best interest of the U.S. Government.

b. Establishes guidelines consistent with A.I.D. Handbook 23, Chapter 5, for measuring and reporting residential house sizes. Also, the Mission needs to ensure that the measurement guidelines are consistently applied.

Recommendation No. 2

We recommend that USAID/Pakistan:

a. Prepare a Mission Order requiring a formal system for monitoring utility and maintenance costs and establishing policies for dealing with problems identified through the monitoring system.

b. Review the proposals for conserving energy usage in residences to determine which could be implemented for cost-effective utility expense savings.

Recommendation No. 3

We recommend that USAID/Pakistan revise Mission Order PAK 23-37 to comply with the provisions of Handbook 23 concerning the standardization of household furnishings.

Recommendation No. 4

We recommend that USAID/Pakistan establish a procedure for controlling the release of rent checks to ensure that checks are released only when the payments are due.

Report Distribution

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Office of General Counsel (GC)	1
Assistant to the Administrator for Management (AA/M)	2
Assistant to the Administrator for Personnel & Financial Management (AA/PFM)	1
Office of Financial Policy Division (PFM/FM/FP)	2
Office of Management Operations (M/SER/MO)	1
Center for Development Information and Evaluation (PPC/CDIE)	3
Inspector General	1
Deputy Inspector General	1
Office of Policy, Plans and Oversight (IG/PPO)	2
Office of Programs and Systems Audit (IG/PSA)	1
Office of Legal Counsel (IG/LC)	1
Office of Resource Management (IG/RM)	12
Assistant Inspector General for Investigations and Inspections (AIG/I)	1
Regional Inspector General for Investigations/Singapore (RIG/I/S)	1
RIG/A/Cairo	1
RIG/A/Dakar	1
RIG/A/Manila	1
RIG/A/Nairobi	1
RIG/A/Tegucigalpa	1
RIG/A/Washington	1

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