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AGENCY FOR INTERNATIONAL DEVELOPMENT
UNITED STATES A.I.D. MISSION TO BRAZIL

AUDIT REPORT
OF
UNITED STATES A.I.D. MISSION TO BRAZIL
PUBLIC SAFETY PROGRAM
UNDER
PROJECT AGREEMENT No. 512-11-710-070
CRUZEIRO GRANTS
FOR THE PERIOD
MAY 1, 1964 THROUGH AUGUST 31, 1965

REPORT No. 8/66
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OFFICE OF THE CONTROLLER
AUDIT DIVISION
RIO DE JANEIRO, BRAZIL
DECEMBER 13, 1965

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AUDIT REPORT
No. 8/66

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ATTACHMENT 1 - Schedule of Vehicles and Spare Parts
Delivered and Observed.

- 1 -
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SECTION I - SUMMARY

During this audit we reviewed the procurement and use of commodities that were financed through Cruzeiro Grants under the Public Safety Program.

Under this phase of the Public Safety Program commodities, consisting primarily of radio equipment and vehicles, are procured in Brazil and furnished to military and civil police units of ten states and the Federal District, Brasilia. From the date of the first Cruzeiro Grant on May 11, 1964 through August 31, 1965, a total of Cr\$1,530,000,000 was committed to this program, of which Cr\$1,115,872,000 had been disbursed. Of the disbursements to date, 99% was for the purchase of 246 jeeps and pick-up trucks and spare parts.

We reviewed USAID/B procurement and disbursement records and procedures, and made field observations of the control and use of vehicles and spare parts in 4 of the 10 states which were provided vehicles. We found that the procurement of commodities with Cruzeiro Grant funds com-

mitted has been substantially accomplished.

Based on our examination of the records maintained, our physical observations, and interviews with personnel of the USAID/B Public Safety Office and representatives of the various state agencies visited, it is our opinion that the vehicles and spare parts provided through Cruzeiro Grants are being effectively utilized and controlled. We found only isolated cases of poor maintenance, inadequate control and non-utilization of vehicles and we brought these to the attention of the Chief of the USAID/B Public Safety Office.

This report was discussed in draft with the USAID/B Public Safety Office and their comments were taken into consideration.

SECTION II - INTRODUCTION

A. PURPOSE

The purpose of this audit was to review administrative controls in the USAID/B Public Safety Office (PSO) and controls and utilization by various state governments of project commodities procured with Cruzeiro Grants.

B. SCOPE

This audit was performed intermittently during the period August 19, 1965 to November 26, 1965 and covered procurement and use of commodities with Cruzeiro Grant funds from March 24, 1964, date of the first such Grant, through August 31, 1965.

Our examination included a review of the records and files maintained in the USAID/B Controller's Office, a review and evaluation of the records, files, procedures and controls of the USAID/B Public Safety Office and the procedures and records of the Military Police and Civil Public Safety offices of various states of Brazil in controlling the vehicles and spare parts purchased with grant funds.

End-use observations were made in the principal cities of the states of Guanabara, Rio de Janeiro, Minas Gerais and Goiás, and in other selected cities located from 20 to 230 kilometers from the principal cities. The end-use observations involved checking vehi-

cles and spare parts located at 5 Civil Police headquarters and 7 Military Police quarters.

Our examination was made in accordance with applicable Manual Orders, other AID directives and generally accepted auditing principles.

SECTION III - GENERAL

The AID public safety program in Brazil was initiated on June 1, 1959 when Agreement No. PS-1 of Project No. 512-71-070 was signed by representatives of the Governments of the United States and Brazil. To supplement the authority of the basic agreement, the USAID/B Public Safety Office (PSO) has also entered into sub-project agreements with several Brazilian states. Under these various agreements, the PSO is now actively carrying out public safety programs in the states of São Paulo, Guanabara, Minas Gerais, Santa Catarina, Rio Grande do Sul, Paraná, Goiás, Bahia, Rio de Janeiro, Pernambuco and the Federal District (Brasilia).

A Report of Audit, No. U-425,2-8/64, dated May 11, 1964 of the Public Safety Program covered the period July 1, 1959 through December 31, 1963. The present audit covers Cruzeiro Grants only, the first of which was provided under Revision No. 1 of Agreement No. PS-2, dated March 26, 1964. Through the date of this audit Cr\$1,530,000,000 has been obligated by USAID from funds generated under Title I of the United States Public Law 480, as amended. These funds have been used for the procurement of vehicles, tele-communication equipment, training Aid/Supplies and Miscellaneous items needed for project activities.

SECTION IV - FINDINGS

A. FUNDING AND EXPENDITURES

AID agreed to expend, through normal obligation and disbursement procedures, cruzeiros accruing from the Third, Fourth and Fifth Sales Agreements between the Governments of Brazil and the United States of agricultural commodities made available under Title I of the 1954 U.S.

Public Law 480, as amended. The cruzeiros provided this project under the various grants are shown below:

<u>Date of Agreement or Revision</u>	<u>Sales Agreement</u>	<u>Final Contribution Date</u>	<u>Amount in Cruzeiros</u>
3/26/64	IV	4/30/66	410,000,000
5/15/64	V	4/30/66	545,000,000
1/27/65	III	11/30/67	125,000,000
3/30/65	V	11/30/67	<u>450,000,000</u>
TOTAL COMMITMENT			<u>1,530,000,000</u> =====

Our examination of the USAID/B Controller's records and accounts revealed the following status of the cruzeiro grant funds as of August 31, 1965:

<u>Details</u>	<u>Commitment</u>	<u>Disbursements</u>	<u>Unliquidated Obligations</u>
Vehicles and spare parts	1,122,877,775	1,082,250,386	40,627,389
Freight on vehicles	22,626,440	22,255,790	370,650
Radio equipment	363,589,045	3,164,255	360,424,790
Training equipment	5,727,500	1,070,000	4,657,500
Office equipment	<u>7,131,609</u>	<u>7,131,609</u>	<u>-</u>
	1,521,952,369	1,115,872,040	406,080,329
Unobligated balance	<u>8,047,631</u>		
TOTAL GRANTS	<u>1,530,000,000</u> =====		

An examination of the Cr\$406,080,329 in unliquidated obligations showed them to be current. Various documents supporting these unliquidated obligations showed that they were valid obligations of the United States for expenditures authorized in the grant agreement. A selective examination of supporting documents also revealed that disbursements were made only for items authorized in the grant agreements.

B. COMMODITIES

1. Procurement

During the period under review 246 vehicles, of which 241 were Willys Jeeps (No. 101) and Willys pick-up trucks, were purchased from Willys Overland do Brasil S.A. These are used to transport troops and

civil police and for radio patrol. Vehicles, freight on vehicles, and spare parts accounted for 99% of disbursements of cruzeiro grant funds. The items procured were as authorized in the grant agreements and procurement procedures followed were in accordance with sound procurement practices.

Commodities were purchased by the USAID/B Supply Management Services Branch (MGSM) based on requisitions from PSO. Mission Receiving Reports (Form USOM 7-7), evidencing receipt of commodities, were prepared and certified by an PSO officer and authorized representatives of the states. We determined by examination that these reports were prepared in accordance with AID/W requirements.

2. Administrative Controls

The PSO maintains a control sheet for each Purchase Order covering all details until the commodities are received and distributed.

The state Department of Public Safety and the Military Police of each state that we checked maintain lists, in lieu of stocks record cards, of vehicles assigned to their respective agencies. The lists indicate the type of each vehicle, motor number, the state registration number, and the department of batallion to which assigned. The location, as indicated on a state's listing, is revised when a vehicle is transferred to another unit.

We test-checked the control sheets maintained by PSO and listings of vehicles in various states against receiving reports and actual locations of vehicles and found them to be current and properly maintained.

Generally spare parts are well-controlled. We considered the stock records of parts to be satisfactory in all locations that we checked except two. In the two, no records were kept of parts but the spare parts for jeeps were segregated and were being used effectively. The cost of spare parts acquired was roughly 5% of the amount expended for vehicles and spare parts.

C. END-USE OBSERVATION OF VEHICLES AND SPARE PARTS

Vehicles and spare parts comprised 99% of commodities purchased through cruzcero grants as of August 31, 1965. As shown in Attachment 1, our field observations covered approximately 30% of the vehicles and spare parts so purchased. Our observations were made in the states of Rio de Janeiro, Guanabara, Minas Gerais and Goiás. In these four states we checked vehicles and spare parts assigned to civil police and military police in certain locations selected by us.

Overall we found that vehicles and parts were being effectively utilized for the purposes intended. In Guanabara we did find that four jeep pick-up trucks, delivered to the military police three months before, had not been used but were being held as reserves. And in the state of Rio de Janeiro nine jeeps, that had been on hand six to seven months, had odometer readings averaging approximately 4,000 km. These jeeps were reserved for use of shock troops of the civil police.

The vehicles that we checked were, on the whole, in good condition, and maintenance facilities in the four states appeared to be adequate. We found one location where there appeared to be a lack of proper care of vehicles. In this case a check of the vehicles revealed that, despite relatively low mileage, jeeps were banged up, some were hard to start, motors were very dirty, and three of the twenty jeeps assigned were out of commission due to accidents. This was brought to the attention of the Chief of PSO.

ATTACHMENT 1

PUBLIC SAFETY PROGRAM
PROJECT AGREEMENT No.512-11-710-070
SCHEDULE OF VEHICLES AND SPARE PARTS DELIVERED AND OBSERVED

<u>State</u>	<u>Vehicles and Spare Parts Purchased</u>		<u>Vehicles Checked</u>	
	<u>No.</u>	<u>Cr\$ Value</u>	<u>No.</u>	<u>Cr\$ Value</u>
Pernambuco	35	171,427,015	-	-
Bahia	11	39,717,705	-	-
Rio de Janeiro	43	202,101,540	33	155,101,188
Guanabara	24	100,679,854	15	62,924,910
São Paulo	14	60,830,050	-	-
Paraná	14	66,125,529	-	-
Santa Catarina	21	95,257,386	-	-
Rio Grande do Sul	32	129,726,971	-	-
Minas Gerais	21	91,255,811	13	56,491,695
Goiás	31	125,128,526	12	48,436,848
TOTALS	<u>246</u> ===	<u>1,082,250,387</u> =====	<u>73</u> ==	<u>322,954,641</u> =====

PERCENTAGE CHECKED

Quantity - 30%
Value - 30%

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