

**Regional Inspector General for Audit
Singapore**

**AUDIT OF A.I.D.
REPRESENTATIVE/ASEAN'S CONTROLS
OVER MONITORING AND EVALUATION**

**Report No. 5-399-93-11
June 29, 1993**





U.S. AGENCY FOR
INTERNATIONAL
DEVELOPMENT

June 29, 1993

MEMORANDUM

TO: Lawrence Ervin, A.I.D. Representative/ASEAN

FROM: *Alfred M. Ciavelli*
Alfred M. Ciavelli, Acting RIG/A/Singapore

SUBJECT: Audit of the A.I.D. Representative/ASEAN's Controls Over Monitoring and Evaluation (Audit Report No. 5-399-93-11)

Enclosed are five copies of the subject audit report. Our audit work and written representations made by your office confirmed that controls over monitoring and evaluation were adequate in many areas. For example, A.I.D. policies and procedures in monitoring the use of participant training, project completion, and project evaluation were followed. However, controls over monitoring and evaluation could be strengthened in several areas. These areas include the monitoring of cost-sharing contributions, developing quantifiable indicators for project objectives, and ensuring that grantees submit progress reports. In addition, for future project evaluations, contractor performance must be more closely monitored to ensure that all scope of work requirements are addressed. We made four recommendations to improve controls over monitoring and evaluation.

Your comments to the draft report were very responsive. These comments are summarized after each finding and presented in their entirety in Appendix II. Based on your comments and supporting documentation, all recommendations are closed except for Recommendation No. 2.3. This recommendation will be closed when agreed to action is completed.

Please provide us information within 30 days documenting actions taken to implement the open recommendation. I sincerely appreciate the cooperation and courtesies extended to my staff during the audit.

Attachments: a/s

EXECUTIVE SUMMARY

Background

The Association of Southeast Asian Nations (ASEAN) comprises Brunei Darussalam, Indonesia, Malaysia, the Philippines, Singapore, and Thailand. A.I.D. assistance to ASEAN emphasizes the (1) expansion of trade with the United States, (2) upgrade of skills, and (3) transfer of American technology to ASEAN countries. As of September 30, 1992, the Office of the A.I.D. Representative/ASEAN (OAR/ASEAN) was responsible for administering four active projects with obligations and expenditures totalling \$24.4 million and \$16.8 million respectively (page 1 and Appendix I).

Audit Objectives

The Office of the Regional Inspector General for Audit/Singapore audited OAR/ASEAN to determine whether A.I.D. procedures were followed for (1) monitoring the use of training and the provision of recipient contributions, (2) monitoring the accomplishment of project objectives and project completion, and (3) evaluating projects. The audit was made between September 13, 1992 and November 13, 1992 (page 2 and Appendix I).

Summary of Audit

Overall, OAR/ASEAN properly followed A.I.D. policy and procedures in monitoring the use of participant training, project completion and project evaluation. Further improvements could be made, however, in monitoring the provision of cost-sharing contributions, developing more measurable performance objectives, obtaining progress reports, and monitoring project evaluations (pages 5, 10, 15, and 19).

Audit Findings

Monitoring the Use of Participant Training and Monitoring Cost-Sharing Contributions

OAR/ASEAN followed A.I.D. policies and procedures in monitoring the use of participant training and in monitoring cost-sharing contributions. For example, OAR/ASEAN properly informed grantees of the procedures for monitoring participant training; ensured that grantees maintained a roster of all participants by country; ensured that grantees submitted required studies on the use of training; obtained progress reports on the training; encouraged grantees to share in the cost of the projects; and required reports on cost-sharing contributions. Additional efforts are needed, however, in obtaining enough information to be reasonably assured that grantees are making the contributions (page 3).

Monitoring Planned Output and Purpose Objectives, and Project Completion

OAR/ASEAN followed most A.I.D. policies and procedures in monitoring planned output and purpose objectives and project completion. For example, OAR/ASEAN properly verified the accuracy of the progress reports and took action to correct problems; made and documented site visits; prepared Project Implementation Status Reports; and prepared Project Assistance Completion Reports for completed projects and deobligated the remaining funds. Although OAR/ASEAN also improved the definitions of project objectives, further improvements could be made to better assess the progress of two projects, accounting for \$30.5 million in A.I.D. funding. Also, OAR/ASEAN needs to increase its efforts in obtaining timely progress reports from grantees (page 9).

Monitoring Project Evaluations

OAR/ASEAN followed A.I.D. policies and procedures in monitoring project evaluations. For example, OAR/ASEAN properly assigned responsibility for completing evaluation actions; prepared and executed an evaluation plan; developed clear scopes of work for evaluations; prepared and submitted the A.I.D. Evaluation Summary to A.I.D./Washington on time; and followed up on evaluation recommendations. Although OAR/ASEAN ensured that evaluators met most of their contractual requirements, one

evaluation omitted some items, leaving A.I.D. without complete assurance that the \$14 million project achieved what was anticipated (page 18).

Summary of Recommendations

This report contains four recommendations to improve monitoring and evaluation in the areas of cost-sharing contributions, measurable objectives, progress reporting, and evaluation monitoring (pages 5, 10, 16, and 19).

Management Comments and Our Evaluation

OAR/ASEAN officials generally concurred with the findings and recommendations and have taken necessary actions to implement many improvements. Except for the recommendation amending project agreements, all recommendations are closed upon issuance of this report. The one open recommendation is resolved and will be closed when agreed to action is completed. The comments received from OAR/ASEAN are summarized after each finding and included in their entirety as Appendix II.

Office of the Inspector General

Office of the Inspector General

June 29, 1993



ASEAN

The Association of Southeast Asian Nations:

Thailand, Malaysia,
Singapore, Indonesia,
Brunei Darussalam,
& the Philippines



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INTRODUCTION

Background

A.I.D. has provided assistance to the Association of Southeast Asian Nations¹ (ASEAN) since 1979. Initially, A.I.D. assistance to ASEAN consisted of a \$105,000 grant for the preparation of several project proposals. By 1992, however, planned A.I.D. assistance had risen to \$50.3 million authorized for the following active projects: Human Resources Development, Coastal Resources Management, Private Investment and Trade Opportunities, and Environmental Improvement. As of September 30, 1992, A.I.D. had obligated and expended \$24.4 million and \$16.8 million respectively for these projects.

The objectives of this assistance are to: (1) promote trade and investment mutually beneficial to ASEAN and the United States, (2) develop commercial and professional skills in the ASEAN labor force, and (3) promote economically and environmentally sound natural resource use and industrial management.

The Office of the A.I.D. Representative to ASEAN (OAR/ASEAN) coordinates A.I.D.'s assistance towards these objectives. The office is staffed by two direct-hire personnel and two foreign national personal services contractors who, in addition to providing technical guidance to ASEAN for the development and implementation of the programs, are responsible for overseeing the effectiveness of A.I.D. assistance.

Between 1988 and 1990, the Office of the Inspector General audited five OAR/ASEAN projects and issued a sixth report on recurring issues. The report, "Recurring Issues From Audits of the ASEAN Regional Development Program" (Audit Report No. 2-498-91-01, dated October 19, 1990), identified significant monitoring weaknesses in participant training, cost-sharing contributions, and project progress.

¹ Formed in 1967, ASEAN comprises the countries of Indonesia, Malaysia, the Philippines, Singapore, Thailand and, since 1984, Brunei Darussalam.

Audit Objectives

The Office of the Regional Inspector General for Audit/Singapore audited OAR/ASEAN's controls over monitoring and evaluation to answer the following audit objectives:

- **Did OAR/ASEAN follow A.I.D. policies and procedures in monitoring the use of participant training and the provision of cost-sharing contributions?**
- **Did OAR/ASEAN follow A.I.D. policies and procedures in monitoring the accomplishment of planned output and purpose objectives, and project completion?**
- **Did OAR/ASEAN follow A.I.D. policies and procedures for project evaluation?**

In answering these audit objectives, we tested whether OAR/ASEAN followed applicable internal controls and complied with certain legal requirements. We also included steps to detect abuse or illegal acts which could affect the audit objectives. OAR/ASEAN's management provided written representations which we considered essential to confirming our conclusions on the audit objectives and to assessing internal controls and compliance. These written representations have been included as part of OAR/ASEAN's comments in Appendix II.

For problem areas, we performed additional work to:

- Identify the cause and effect of the problem; and
- Make recommendations to correct the problem and the cause.

Appendix I contains a complete discussion of the audit scope and methodology for this audit.

REPORT OF AUDIT FINDINGS

Did OAR/ASEAN Follow A.I.D. Policies and Procedures in Monitoring the Use of Participant Training and the Provision of Cost-Sharing Contributions?

OAR/ASEAN properly followed A.I.D. policies and procedures in monitoring the use of participant training. However, OAR/ASEAN needs to obtain more information to be better assured that grantees were contributing towards the cost of the projects as planned.

In properly monitoring the use of participant training, OAR/ASEAN:

- Obtained proper approval for a deviation from A.I.D. Handbook 10, Chapter 35—follow-up procedures for short-term, non-degree participants—in response to a recommendation made in a 1990 audit report issued by the Office of the Inspector General.
- Required all grantees tested to monitor and report the use of training, as authorized under the modified procedures. OAR/ASEAN required the grantees to maintain a roster of returned participants and then reviewed the roster from each grantee. For two projects which had short-term training lasting more than 90 days, OAR/ASEAN ensured that the grantees made a required follow-up survey. Also, for long-term training, that is, degree training, OAR/ASEAN required the grantees to make studies of how the participants were employed for three years after the completion of training, as required by Handbook 10. Two grantees have submitted the studies and, OAR/ASEAN has reminded the other two grantees of the requirement.
- Obtained performance reports on the training activities of all four projects to measure progress. For example, for the approximately \$9 million spent on the training activities of the Human Resources Development Project, the reports showed that

more than 500 participants from the six ASEAN countries received masters' degrees or diplomas; almost 1200 participants completed certificate or short-term training lasting more than 90 days; and more than 900 participants took part in technical seminars or short-term training lasting fewer than 90 days. The following chart depicts this information by country.

NUMBER OF PARTICIPANTS COMPLETING TRAINING UNDER THE HUMAN RESOURCES DEVELOPMENT PROJECT				
ASEAN members	Master's Degree	Certificate Training	Technical Seminars	Total by Country
Brunei	1	44	126	171
Indonesia	157	273	158	588
Malaysia	113	395	141	649
Philippines	130	219	163	512
Singapore	1	17	168	186
Thailand	144	242	169	555
TOTAL	546	1,190	925	2,661

In monitoring cost-sharing contributions, OAR/ASEAN properly:

- Included provisions for significant cost-sharing contributions in the four projects. A.I.D. authorized \$50.3 million for these four projects, while planned cost-sharing contributions were \$15 million—23 percent of total project costs.
- Required, in two of four grants or cooperative agreements tested, that grantees report at least annually on their cost-sharing contributions. For the two agreements which did not require reporting on the contributions, OAR/ASEAN still requested the grantees to provide the information.

As discussed below, however, OAR/ASEAN needs to give further effort in obtaining reports on cost-sharing contributions.

Further Efforts Are Needed to Obtain Reports on Cost-Sharing Contributions

OAR/ASEAN has not fully implemented new A.I.D. procedures for reporting and documenting that the recipients of A.I.D. funding share in the costs of project activities. OAR/ASEAN did not believe that the Agency's cost-sharing requirements were applicable to a regional program and, therefore, did not give priority to consistently implementing the requirements. As a result, OAR/ASEAN lacked sufficient evidence that recipients were contributing \$15 million as planned to the four projects.

Recommendation No. 1: We recommend that OAR/ASEAN:

- 1.1 Develop a model report for cost-sharing contributions which will provide auditable evidence of what was contributed by the grantees;**
- 1.2 Require all grantees to use the model report and to report at least annually on their cost-sharing contributions; and**
- 1.3 Obtain the reports from grantees on their contributions to the A.I.D.-financed activities.**

To ensure that recipients of foreign assistance have a vested interest in the success of A.I.D.-financed projects, Section 110(a) of the Foreign Assistance Act requires A.I.D. to obtain assurances that the host government will provide at least 25 percent of the cost of the entire project. Although this Section does not apply to regional programs, A.I.D. Policy Determination No. 16 (Program Financing Arrangements With Independent Organizations, dated October 9, 1987) stipulates that, in designing and negotiating assistance activities, A.I.D. policy seeks the largest possible financial participation from an assistance recipient. This policy says that this financial participation by recipients is desirable because it can:

"...help ensure their active involvement in and commitment to program/project activities at about planned levels or better;... [and] enhance the likelihood that recipients will continue project activities or otherwise work towards program goals after A.I.D. support ends, thereby contributing to an institutionalization and sustainment of program goals; ..."

To monitor effectively this financial participation, A.I.D./Washington cable guidance of April 1991 on "Cost-sharing Counterpart Contributions" emphasized the need for "auditable evidence" with respect to reporting and documenting host government contributions. In part, the guidance requires Missions to establish the following procedures:

- *"Include in agreements or Project Implementation Letters a requirement for host governments to report annually (more frequently if appropriate) on their contribution (cash and in-kind) to the A.I.D.-financed project; and*
- *Ensure that systems are in place to obtain information on host government contributions and that such information is recorded in the official records/files of the Mission."*

OAR/ASEAN did not fully implemented these new procedures. OAR/ASEAN did not always: (1) require reports on the status of contributions, (2) provide enough specificity in the reporting instructions to ensure that reported contributions could be verified, and (3) obtain the reports on cost-sharing contributions. For example:

- OAR/ASEAN did not always formally require reports on the status of contributions. Only two of the four grantees tested were formally required to provide, at the least, an annual report on contributions. For the other two grantees tested, OAR/ASEAN did not establish the required formal reporting requirement to ensure accountability but only requested the grantees to provide the information on an ad-hoc basis.
- OAR/ASEAN did not specify how to report the information on cost-sharing contributions. For example, two grantees under the Private Investment and Trade Opportunities Project were required to submit quarterly progress reports on, among other things, contributions by the private sector and ASEAN member countries. However, OAR/ASEAN's report format only requested information on total cash, total value of commodities/services, and a brief summary of the contributions. The format did not specify categories to report, such as value of office space, salaries, materials and supplies, and workshops and seminars. As a result, the reports for two of the four grantees reviewed did not give enough details to enable verification.

- OAR/ASEAN did not always obtain the reports on cost-sharing contributions. For the four grantees reviewed, one had never reported anything, two had not reported their contributions for more than a year², and the fourth grantee only reported the summary information previously mentioned.

The new A.I.D. procedures were not consistently implemented because OAR/ASEAN did not consider the Agency's cost-sharing requirements applicable to a regional program and therefore did not give priority to consistently implementing the requirements. The officials said that A.I.D. procedures were not written with a regional, multi-governmental program in mind. OAR/ASEAN officials also said that they believed that the agreed-upon contributions were being made and that they could obtain the information on what was contributed if they had need of this information. OAR/ASEAN officials emphasized that they were not held to the 25 percent rule as this was a regional program, with different characteristics than a bilateral program.

While Section 110(a) of the Foreign Assistance Act is not applicable to a regional program, as mentioned previously A.I.D. policy is to seek the largest possible financial participation from assistance recipients. In the case of the ASEAN program, the four project papers and supplements provided for \$50.3 million in A.I.D. funding and \$15 million in funding from the recipient countries. Therefore, OAR/ASEAN was responsible for ensuring that the recipients made and accounted for the contributions.

Cost-sharing contributions represent an important part of A.I.D.-funded programs. The resources—whether cash or in-kind—provide a means of executing project activities and ensuring continuity and sustainability of these activities after A.I.D. funding ends. When the planned-for participation is not forthcoming, project progress is hindered. For example, two key positions (in-kind contributions) in the ASEAN Watershed Project remained vacant for two years. By not ensuring that grantees contribute their share and report in sufficient detail on these contributions, the development impact of the projects could be reduced.

OAR/ASEAN lacks sufficient evidence that recipients are contributing \$15 million as planned to the four projects. To strengthen its monitoring of cost-sharing contributions, OAR/ASEAN needs to ensure that grantees provide annual reports containing auditable evidence of the contributions.

² Very detailed information was obtained in 1991, but this information was only obtained to satisfy a recommendation made in a previous audit.

Accordingly, OAR/ASEAN should develop a model report which will provide auditable evidence of what was contributed by the grantees. OAR/ASEAN should then require the grantees to use the model report and to report at least annually on their cost-sharing contributions.

Management Comments and Our Evaluation

OAR/ASEAN officials accepted the recommendations, but reiterated that they do not specify a required amount of contributions in the grant agreements because contributions are not required of a regional program. However, as Office officials pointed out, they strongly encourage contributions and have required grantees to provide contribution information.

With respect to the model report for cost-sharing contributions, OAR/ASEAN developed a report and, in June 1993, notified grantees and the new contractor that they must use the format in reporting their annual contributions. The report is to be provided as a part of their respective annual report. Officials have gone one step further in requesting grantees and the contractor to keep them informed of contributions through quarterly reports.

OAR/ASEAN obtained information on non-A.I.D. contributions to the Private Investment and Trade Opportunities Project as reported in the March 1993 quarterly reports for the three grantees.

Based on the OAR/ASEAN response and supporting documentation, this recommendation is resolved and will be closed upon report issuance.

Did OAR/ASEAN Follow A.I.D. Policies and Procedures in Monitoring the Accomplishment of Planned Output and Purpose Objectives, and Project Completion?

OAR/ASEAN generally followed A.I.D. policies and procedures in monitoring the accomplishment of planned output and purpose objectives, and project completion.

In monitoring the accomplishment of output and purpose objectives and project completion, OAR/ASEAN properly:

- Defined the specific performance responsibilities of the four grantees tested under two projects, as required by A.I.D. Handbook 3, Chapter 11. In all cases, these responsibilities were fully consistent with the authorized project objectives.
- Verified the accuracy of the progress reports received from grantees. The reports disclosed problems and highlighted follow-up action underway to correct these problems.
- Made sufficient site visits and documented these visits promptly and in accordance with A.I.D. Handbook 3, Chapter 11E 2b. The reports provided sufficient information on project progress, delays, substantive issues, and problems as required by A.I.D. Handbook 3, Appendix 11C (1).
- Prepared Project Implementation Status Reports for fiscal years 1990 and 1991 as required by Asia Bureau instructions and A.I.D. Handbook 3.
- Prepared Project Assistance Completion Reports for the three completed projects in accordance with the provisions of A.I.D. Handbook 3, Chapter 14.
- Deobligated the remaining funds totaling \$3,597 for all three completed projects.

The following photograph depicts project monitoring activities. To improve project monitoring, however, OAR/ASEAN should better define the objectives for project outputs and purpose. Also, OAR/ASEAN should ensure that all grantees submit timely progress reports with enough information to objectively measure performance.



These grantee employees are monitoring a giant clams propagation experiment funded by A.I.D. under the Coastal Resources Management Project.

Additional Improvements Can Be Made in Establishing Measurable Objectives

Contrary to A.I.D. policies and procedures, OAR/ASEAN did not always define project objectives sufficiently because baseline information was not obtained during project design. As a result, OAR/ASEAN will have difficulty objectively measuring the progress of the two newest projects, accounting for \$30.5 million in A.I.D. funding.

Recommendation No. 2: We recommend that OAR/ASEAN:

- 2.1 Ensure that the contractor and grantee provide baseline information for the two newest projects;**
- 2.2 Review the project objectives for the two projects cited and amend the project papers to provide better quantitative indicators for the project activities; and**
- 2.3 Amend the project agreements, as appropriate, to include the quantifiable indicators.**

The Foreign Assistance Act, Section 621(A), requires A.I.D. to establish a management system which includes: *"The definition of objectives and programs for United States foreign assistance, the orderly consideration of alternative means for accomplishing such objectives, and the adoption of methods for comparing actual results of programs and projects with those anticipated when they were undertaken."*

The comparison of project performance data against quantified and verifiable performance standards is one of the principal tools used by Agency managers to assess project progress, to identify and react to variances, and to demonstrate project impact. Such performance standards, or "indicators" as they are commonly referred to, help to establish an appropriate management information system. A.I.D. Handbook 3, Appendix 3K, B3 highlights the need for indicators:

"To measure progress [of a project] from the baseline conditions to the planned targets requires the use of progress indicators".

The lack of measurable indicators was identified by a previous Office of Inspector General audit³. The audit found that significant problems existed because projects were not designed with quantitative indicators of progress. In commenting on the report, OAR/ASEAN said that steps were underway to ensure that future project objectives and indicators would be quantified. The comments went on to say, for example, that the Private Investment and Trade Opportunities project contained indicators of progress which could be measured quantitatively. In response to the audit recommendations, OAR/ASEAN initiated procedures to design project papers with realistic objectives and indicators. Specifically:

"These objectives will have three or four key indicators that can be tracked on an annual basis for the life of the project to monitor progress toward achievement of the objectives. The first set of indicators will be the baseline data upon which future year progress is measured. ...these indicators should be quantitative measures based on readily available reliable data sources which can be obtained on an annual basis".

Subsequent to preparing these new procedures, OAR/ASEAN designed another project—Environmental Improvement. So, we assessed the design of performance indicators for the project purpose and the planned

³ Audit of the ASEAN Energy Conservation and Management Project No. 498-0285", Audit Report No. 2-498-90-06, dated April 27, 1990.

outputs for both the Private Investment and Trade Opportunities Project and the Environmental Improvement Project, accounting for \$30.5 million in A.I.D. funding

As the following example shows, the performance indicator for the project purpose of the Private Investment and Trade Opportunities Project was not quantified, that is, the amount of expected increase in the number of firms and individuals was not defined.

PROJECT PURPOSE

INDICATOR

"To establish mechanisms to promote expanded private sector trade and investment between ASEAN and the U.S."

"Increase in number of firms and individuals knowledgeable of investment and trade opportunities in ASEAN involving the U.S., as well as intra- and inter-regional trade."

Likewise, the performance indicators for the dual purpose of the Environmental Improvement Project were not quantified. Instead, the indicators included such undefined terms as "greater use" and "more effective assessment" as shown below:

PROJECT PURPOSE

INDICATORS

"Promote private sector initiatives to address urban and industrial pollution."

"Greater use of economic instruments and investment incentive policies. More effective assessment and implementation of environmental improvements. Increased investment in environmental technologies and services."

"Strengthen local, national and regional environmental management capabilities."

"More effective government, private industry, and non-governmental organizations. Improved regional cooperation on environmental policies."

OAR/ASEAN officials explained that for the Environmental Improvement Project, they knew enough about the base to know that this was an area they should be in but did not yet have the sophistication to be able to suggest specific numbers (for indicators) at the project paper stage.

OAR/ASEAN did quantify the performance indicators for the planned outputs (results) of both projects, but these indicators were meaningless because no baseline data was obtained from which to compute the percentage of change. The Private Investment and Trade Opportunities Project had four planned outputs, and the performance indicators were quantified as the following example shows:

OUTPUT

"A self-sustaining mechanism for providing useful information to prospective U.S. and ASEAN firms which in turn promotes trade, investment and mutually beneficial of technology between the U.S. and ASEAN."

INDICATORS

"10% increase in the rate of growth of the U.S. foreign direct investment position in the ASEAN region, i.e., 14.0% per year. 20% increase in inquiries into investment opportunities between ASEAN and the U.S."

Likewise, the performance indicators for the six anticipated outputs of the Environmental Improvement Project were quantified, as shown by the following example:

OUTPUT

"U.S.-ASEAN and intra-ASEAN trade, joint ventures and environmental technology transfer."

INDICATORS

"50% increase in the number of U.S. firms with offices or joint ventures in the ASEAN countries. 50% increase in the number of environmental technologies transferred within ASEAN."

Although these indicators quantified the projects' planned outputs, the indicators were meaningless because the required baseline information from which to measure project progress was not defined. For example, to measure progress in obtaining a "50% increase in the number of U.S. firms", the number of U.S. firms which had already established offices or joint ventures in the ASEAN countries needed to be defined.

Both project papers envisioned establishing such baseline information at the start of the projects, rather than during project design as required. The project paper for the Private Investment and Trade Opportunities Project said that a contract would be awarded competitively in the first year to establish a baseline. However, a contract was not awarded. For the Environmental Improvement Project, a contractor was to establish a baseline at the beginning of the project. OAR/ASEAN signed the contract in August 1992 and was reviewing the first year's annual work plan.

Unquantified project purposes and the lack of information on conditions at the start of the projects make it difficult for OAR/ASEAN to objectively measure the achievement of project objectives. The Private Investment and Trade Opportunities Project and the Environmental Improvement Project are expected to end in September 1996 and June 1998, respectively. OAR/ASEAN needs to develop quantitative indicators for the projects' purposes and, as appropriate, amend the project agreements. OAR/ASEAN also must ensure that the contractor and the grantee for the two projects develop baseline information against which project progress in achieving planned outputs can be measured.

Management Comments and Our Evaluation

OAR/ASEAN officials generally agreed with this finding. In response to Recommendation No. 2.1, OAR/ASEAN officials provided baseline information and progress indicators for the two projects. Officials told us that the Asia Bureau's then monitoring and evaluation officer assisted in developing and revising this information, and that they have agreement with the Bureau to use these indicators for monitoring project performance.

OAR/ASEAN officials did not fully agree with Recommendation No. 2.2, explaining that Project Papers were planning documents and that amending them is not necessary to improve project monitoring. Rather, officials said that 2.3 of this Recommendation is the best, and only, step required to introduce the new indicators into the projects. However, officials agreed that future Project Papers would be designed with

quantifiable indicators and, to the extent possible, baseline data. In addition, OAR/ASEAN would require that one of the first tasks of grantees/contractors would be to develop missing baseline data, and that this requirement would be incorporated in the grant or contract.

Concerning Recommendation No. 2.3 to amend the project agreements to include the quantifiable indicators, OAR/ASEAN is in the process of amending the grant agreements. Official informed us that they have already amended the new contract to include the quantifiable indicators which were provided for our review.

Based upon their comments and supporting documentation, all recommendations are resolved and Recommendation Nos. 2.1 and 2.2 are closed upon issuance of this report. Recommendation No. 2.3 will be closed when review of the amended grants and contract can be completed.

More Emphasis Should Be Placed on Obtaining Timely Progress Reports

Contrary to A.I.D. policies and procedures, information on the status of some projects was unavailable for monitoring purposes. This occurred because OAR/ASEAN did not ensure that two of the five grantees reviewed submitted progress reports on time or with the required information. Without this information, OAR/ASEAN had difficulty measuring the grantees' performance and assessing the progress of projects supported by A.I.D. funding of about \$4 million.

Recommendation No. 3: We recommend that OAR/ASEAN notify the grantees cited that grant payments will be suspended if progress reports, consistent with terms of the grant, are not submitted to OAR/ASEAN.

One of the principal methods Missions have to oversee grant activities is the review of progress reports submitted by each grantee. A.I.D. Handbook 13 (Grants), Chapter 1, Section 1N (Monitoring and Reporting Program Performance) reflects the criteria established in Office of Management and Budget Circular A-110, Attachment H, in setting forth the requirements for grantee reports on program progress. This section stipulates that:

"Recipients shall submit a performance report (technical report) for each grant or cooperative agreement that briefly presents

the following information for each program, function, or activity involved:

- a. A comparison of actual accomplishments with the goals established for the period....*
- b. Reasons why established goals were not met.*
- c. Other pertinent information including, when appropriate, analysis and explanation of cost overruns or high unit costs."*

A.I.D. Handbook 3, Supplement A stipulates that the Project Officer should ensure that grantees submit such reports as are required by the terms of the grant. To effectively measure grantee performance, the reporting requirements should be well defined in the grant and the reports should include objective information which shows how established targets were achieved.

Two grantees (receiving grants of nearly \$4 million) prepared inadequate progress reports and did not always submit them before the deadlines specified in the grants. The reports generally did not include objective information on achieving established targets and did not conform with the Office of Management and Budget Circular A-110. Both of these reporting deficiencies pertain to grantees under the Private Investment and Trade Opportunities Project. For example, one cooperative agreement, effective in June 1990, with a total estimated cost of almost \$3 million required the grantee to submit quarterly progress reports which were to describe:

- Activities and accomplishments during the preceding three months;
- Counterpart support (in cash or in-kind) provided by the private sector; and
- Delays or other difficulties encountered during the period and a plan for resolving the situation.

The grantee did not submit a quarterly report until June 1992, at which time the grantee submitted two reports, covering project activities for the first and second quarters of calendar year 1992. The reports did not contain the information required in the cooperative agreement. The reports, for example, did not discuss:

- The accomplishment of the specific purpose as contained in the grantee's annual work plans;
- The amount of other resources (non-USAID); and
- The problems encountered.

The reporting requirements for a second cooperative agreement, effective July 1990, with total estimated costs of about \$0.7 million, specified that technical and financial progress reports on grantee activities were to be compiled and submitted to OAR/ASEAN. As of November 1992, the most recent quarterly report on file in OAR/ASEAN for this grantee covered activities from October through December 1991.

OAR/ASEAN was unable to explain why the two grantees were not submitting reports as required, despite the fact that reminders had been sent asking for the reports. Progress reports which are late or incomplete make it difficult for OAR/ASEAN to determine what progress grantees have made. OAR/ASEAN must enforce the terms of the grants requiring grantees to submit quarterly progress reports, even if this means suspending payments to grantees.

Management Comments and Our Evaluation

OAR/ASEAN concurred with the finding and recommendation. Officials have notified the grantees and new contractor that payments will be suspended if reports are not submitted on time as required by the agreements. Recommendation No. 3 is resolved and, based on our review of the documentation provided, closed upon issuance of this report.

Did OAR/ASEAN Follow A.I.D. Policies and Procedures for Project Evaluation?

OAR/ASEAN properly followed A.I.D. policies and procedures for project evaluation. However, OAR/ASEAN needs to ensure that evaluation reports fully meet the work requirements defined in the scopes of work.

OAR/ASEAN followed A.I.D. policies and procedures for project evaluation by properly:

- Assigning responsibility for completing evaluation actions as required by A.I.D. Handbook 3, Chapter 12.
- Preparing an evaluation plan as required by A.I.D. Handbook 3, Chapter 12, Section 12H. In accordance with schedules contained in the Annual Budget Submissions for fiscal years 1992 and 1993, OAR/ASEAN contracted for two mid-term project evaluations.
- Developing clear scopes of work for the evaluations in accordance with A.I.D. Handbook 3, Supplement to Chapter 12. OAR/ASEAN properly: identified the activities to be evaluated; specified the purposes of the evaluations; described the background of the projects; cited the specific overall questions to be answered by the evaluation; specified the methods and procedures to be used; defined the evaluation teams' composition; described funding requirements; and specified when the draft and final versions of the reports were due.
- Reviewing the one⁴ evaluation report submitted to its office, on the Human Resources Development Project, as required by A.I.D. Handbook 3, Supplement to Chapter 12, and properly preparing and submitting the A.I.D. Evaluation Summary to A.I.D./Washington within 60 days of receipt of the final evaluation report.
- Following up on evaluation recommendations in accordance with A.I.D. Handbook 3, Supplement to Chapter 12. In this instance, OAR/ASEAN properly noted that no follow-up actions, in

⁴ A report on an evaluation of a second project was submitted directly to A.I.D./Washington for review because it had financed the evaluation.

addition to those OAR/ASEAN had already implemented, were needed.

However, the evaluation report did not fully address the work requirements as enumerated in the evaluation scope of work.

Better Controls Can Help Ensure That Evaluators Meet All Work Requirements

Contrary to A.I.D. procedures, the evaluation report for one project did not fully examine the current validity of the project design assumptions and several other issues. This occurred because OAR/ASEAN did not sufficiently monitor the evaluation contract. As a result, A.I.D. management did not have complete assurance that the project achieved the anticipated goals for which \$14 million were approved.

Recommendation No. 4: We recommend that OAR/ASEAN ensure that work requirements in future evaluations are addressed by requiring the contractor to provide (in summary form) report references which answer the work requirements and specific issues.

The Foreign Assistance Act and A.I.D. policies and procedures require Missions to support key project implementation decisions with comprehensive, objective, and evaluative data. To ensure compliance with the Foreign Assistance Act, A.I.D. has established, in Handbook 3, Supplement to Chapter 12, policies and procedures requiring and governing evaluations.

However, as discussed below, OAR/ASEAN did not fully follow these policies and procedures to ensure that the final evaluation report fully addressed the work requirements and the specific issues defined in the evaluation scope of work for the Human Resources Development Project evaluation—a project for which A.I.D. approved \$14 million.

The statement of work for evaluating the Human Resources Development Project required, among other things, that the evaluators examine project progress in detail, the continuing validity of project administration, and the current validity of the original design assumptions. Also, the evaluation team was to examine the following seven specific issues: (1) extent that donor-financed support has increased; (2) extent that training

programs have been established and improved; (3) selection of participants; (4) costs and effectiveness of training undertaken; (5) quality, overlap, and improvement of tropical medicine courses; (6) relevance of training and appropriateness of position for training participants; and (7) extent of role as a regional institution.

Although OAR/ASEAN properly ensured that the evaluators examined project progress in detail and the continuing validity of project administration, the evaluation team did not meet the work requirement for examining the current validity of the original project design assumptions. The project was designed under various assumptions—factors, critical to project success but are beyond management's control during project implementation—such as that trained nationals would return to their respective countries and work in targeted development fields. Another assumption was that institutions would receive substantial ASEAN or other donor support to cover recurring costs. The evaluation report, however, did not discuss the continuing validity of the assumptions.

The evaluation report's executive summary did conclude that the project design assumptions were valid:

"The basic assumptions underlying the rationale for Phase II of the ASEAN HRD Project proved to be essentially valid considering project accomplishments realized to date."

This conclusion, however, was not developed and supported within the evaluation report. For example, with respect to training, the report provided some statistics on training accomplished and made brief mention of these topics for masters degree recipients. However, very little comments were provided on what the evaluators did and found with respect to the design assumption about whether trained nationals were returning to their respective countries and working in targeted development fields. For one project component, the evaluation report merely said that:

"More than half of the evaluation questionnaires of participants completing courses were not returned. However, almost all of those who returned the questionnaires indicated that they returned to their place of employment and that the training they received was relevant to their work."

Such a commentary does not answer the basic questions of whether the trained nationals were returning to their respective countries and working

in the targeted development fields. While the trainees who returned the questionnaires believed their training was relevant to their work, the evaluators job—pursuant to the scope of work—was to determine and report on whether these trainees were returning to work in the targeted development fields. However, for a second project component, the evaluation report said:

"It was not possible due to the briefness of the evaluation period to determine the use to which these trainees have been able to put their education on returning to their posts."

As these examples clearly demonstrate, the evaluators did not provide empirical evidence to support the Executive Summary's conclusion and thus did not provide management with enough information to determine if the original design assumptions were valid.

The evaluation team also did not sufficiently address other issues. The evaluation scope of work also identified 7 specific issues that the evaluation team was to answer, but the team did not answer all of the specific issues for 3 of 4 project components. The following table summarizes the total number of **applicable** and **answered** specific issues for each project component.

<u>PROJECT COMPONENT</u>	<u>NUMBER OF SPECIFIC ISSUES</u>	
	<u>APPLICABLE</u>	<u>ANSWERED</u>
Agricultural Development		
Planning Center	6	4
Plant Quarantine	6	4
Tropical Medicine	5	4
Asian Institute of Technology	4	4

One specific issue, for example, called for a "review of information from follow-up questionnaires or interviews with returned participants for relevance of training and appropriateness of position". This issue was applicable to all components, but the evaluation team did not deal with the issue for three project components.

The evaluation scope of work was developed by OAR/ASEAN to measure project progress and to recommend actions to correct identified problems. However, when the evaluation does not fully answer the requirements or

the specific issues, it is questionable whether management has sufficient information upon which to base decisions.

According to one official, OAR/ASEAN plans to delete the development of commercial and professional skills objective from OAR/ASEAN program objectives, and will focus on two objectives—to promote trade and investment and to promote economically and environmentally sound natural resource use. Even if OAR/ASEAN does not pursue a human resource development objective, the results of the evaluation should contribute to improving future activities in human resource development for projects in other missions.

Because OAR/ASEAN did not sufficiently monitor the evaluation contract for the Human Resources Development Project to ensure that all work requirements were addressed, A.I.D. management does not have full information—and may well have misinformation—on the validity of the project design for human resource development. To resolve the issue, OAR/ASEAN needs to ensure that work requirements and specific issues defined in evaluation scopes of work are addressed.

Management Comments and Our Evaluation

OAR/ASEAN concurred with the finding and agreed to incorporate the requirement in all future project evaluations. Accordingly, Recommendation No. 4 is resolved and closed upon issuance of this report.

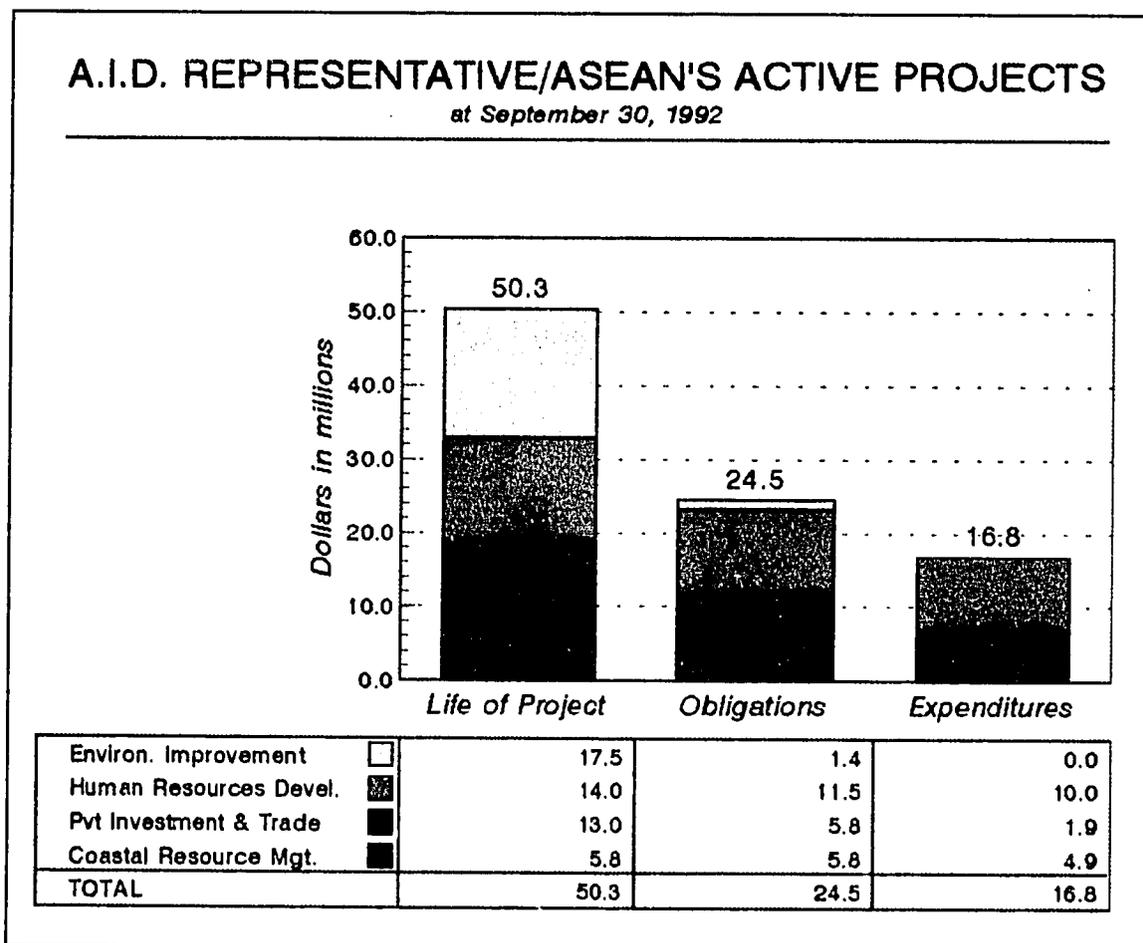
SCOPE AND METHODOLOGY

Scope

We audited OAR/ASEAN controls over monitoring and evaluation in accordance with generally accepted government auditing standards. The audit was made between September 13, 1992, and November 13, 1992, and covered the systems and procedures relating to all regional projects administered by OAR/ASEAN which were active as of September 30, 1992. We did our fieldwork in the offices of OAR/ASEAN located in Bangkok, Thailand. We interviewed the A.I.D. Representative, the Deputy, and the Project Management Specialist and reviewed applicable office records.

The scope of the audit included four active projects, amounting to \$50.3 million. These projects included a total of 9 grants, agreements, and contracts of which we examined 8. The project completion part of audit objective two included three projects amounting to \$10.3 million, which were completed after OAR/ASEAN was established in Bangkok in 1988. As of September 30, 1992, OAR/ASEAN had obligated and expended \$24.4 million and \$16.8 million, respectively, for the four active projects [see chart].

In addition to the methodology described in the following section for each audit objective, we have requested a letter from OAR/ASEAN (upon receipt of the formal draft report) providing written representations which we consider essential for answering our audit objectives and for assessing internal controls and compliance.



Methodology

The methodology for each audit objective is described below.

Audit Objective One

The first audit objective was to determine whether OAR/ASEAN followed A.I.D. policies and procedures in monitoring the use of participant training and the provision of cost-sharing contributions.

To audit participant training, we applied the modified procedures (exception to A.I.D. Handbook 10, Chapter 35) approved by the Director, Office of International Training and A.I.D. Handbook 10, Chapter 26. We

limited our scope of work to the four components of the Human Resources Development Project. We reviewed copies of training reports and interviewed OAR/ASEAN officials to determine whether their system (or procedures) for monitoring participant training follows the modified A.I.D. procedures and provides the information needed to assess progress.

To audit cost-sharing contributions, we applied Handbook 3, Appendix 2G and A.I.D.'s 1991 cable guidance (State Department cable number 138349 of April 27, 1991). We reviewed four projects and for each, we reviewed the project paper, project agreement, project implementation letters, the grant or cooperative agreement and amendments to verify the inclusion of requirements for cost-sharing contributions and reporting by grantees and/or ASEAN governments.

We also reviewed 17 site visit reports and the Project Implementation Reports for fiscal years 1990 and 1991 to determine whether OAR/ASEAN verified the cost-sharing contributions during site visits and included this information in the Project Implementation Reports.

Audit Objective Two

The second audit objective was to determine whether OAR/ASEAN followed A.I.D. policies and procedures in monitoring the accomplishment of planned output and purpose objectives, and project completion.

To audit the monitoring of outputs and purposes, we applied A.I.D. Handbook 3, Chapter 3 (Project Development, Analysis, and Presentation). We limited our work to the two projects designed by the current OAR/ASEAN—Private Investment and Trade Opportunities Project and Environment Improvement Project. A.I.D. funding for these two projects accounts for \$30.5 million of the \$50.3 million project portfolio. Prior to 1990, OAR/ASEAN's project papers did not sufficiently quantify the performance indicators and three previous Office of Inspector General audits (Audit Report Nos. 2-498-91-01, 2-498-90-06 and 2-498-88-06) identified problems in this area.

The other two projects in the current portfolio—Coastal Resources Management Project and Human Resources Development Project—were covered in the audit report, "Recurring Issues From Audits of the ASEAN Regional Development Program," Audit Report No. 2-498-91-01, dated October 1990.

For each of the two projects, we reviewed the Logical Framework in the project paper to determine whether the project purpose was quantified so that progress could be measured, and whether baseline information was developed indicating the conditions at the start of the project.

To assess overall project monitoring and reporting, we reviewed five grants from three active projects. For each grant, we reviewed the applicable grant or cooperative agreement files including project papers and progress reports. We sought to determine whether progress reports complied with grant and cooperative agreement provisions, and whether progress reports contained the information needed to objectively measure project progress.

We also reviewed 17 site visit reports relating to the 4 projects, and Project Implementation Reports for fiscal years 1990 and 1991 and interviewed OAR/ASEAN officials to determine whether: (1) OAR/ASEAN's monitoring and reporting system compared project objectives with actual project results; (2) OAR/ASEAN made site visits, documented problems, and took actions to correct any problems as required by A.I.D. Handbook 3; and (3) Project Implementation Reports provided information on progress, delays, substantive issues, and problems as required by Bureau instructions for project implementation reviews.

To audit the monitoring of project completion, we applied A.I.D. Handbook 3, Chapter 14 (Project Completion and Post Project Considerations).

We reviewed the three projects which were completed after management responsibilities were transferred to Bangkok in 1988. These three projects—Energy Conservation and Management Project, Small and Medium Business Improvement Project, and Watershed Project—account for more than \$10 million in A.I.D. regional funding. For each, we reviewed the Project Assistance Completion Report and relevant Mission Accounting Control System reports to determine whether the Project Assistance Completion Reports were documented within six months after the project assistance completion dates as required by A.I.D. Handbook 3, Chapter 14, and whether OAR/ASEAN took action to deobligate funds for projects with expired Project Assistance Completion Dates.

Audit Objective Three

The third audit objective was to determine whether OAR/ASEAN followed A.I.D. policies and procedures on project evaluation. To accomplish this objective, we applied A.I.D. Handbook 3, Chapter 12 and A.I.D. Evaluation Handbook (Supplement to Chapter 12).

To answer this objective, we reviewed Annual Budget Submission files and accompanying Bureau guidance for fiscal years 1992, 1993, and 1994 to determine whether OAR/ASEAN prepared an evaluation plan and then carried through this plan.

We reviewed two project implementation orders for technical assistance which were prepared by OAR/ASEAN to determine whether the scopes of work for the planned evaluations were written in accordance with the A.I.D. Evaluation Handbook, Section 3.5. In reviewing a final evaluation report, we limited our review to those for which the current OAR/ASEAN had prepared the statement of work. The purpose of our review was to determine whether the evaluation report fully addressed the work requirements which had been indicated in the project implementation order for technical services. We also reviewed the corresponding A.I.D. Evaluation Summary to determine whether it and evaluation follow-up had been completed as required.



U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT
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APPENDIX II
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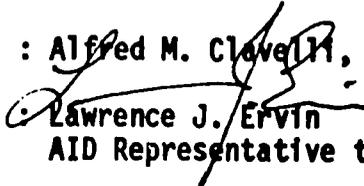
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MEMORANDUM

Date : June 16, 1993
To : Alfred M. Clavelin, Acting RIG/A/Singapore
From :  Lawrence J. Ervin
AID Representative to ASEAN
Subject : Draft Audit of A.I.D. Representative/
ASEAN's Controls Over Monitoring and
Evaluation

Thank you for the second draft of the subject audit report, dated June 9, 1993. Per our telephone conversation of June 16, 1993, the comments below, including the attachments, contain our responses to the recommendations in your report. While I realize you cannot include the attachments as a part of our response in the final report, the attachments are included so your staff may review them and take the necessary steps to respond to the actions we have taken to close all audit recommendations.

Recommendation No. 1

We recommend that OAR/ASEAN:

- 1.1 Develop a model report for cost-sharing contributions which will provide auditable evidence of what was contributed by the grantees;
- 1.2 Require all grantees to use the model report and to report at least annually on their cost-sharing contributions; and
- 1.3 Obtain the reports from grantees on their contributions to the AID financed activities.

OAR/ASEAN does not specify a required amount of contributions in the grant agreements as, we all understand and agree now, these contributions are not required for this regional program. To our credit we very strongly encourage them and have required the grantees to provide us with their contributions information. Attachment 1 is the information on non-AID contributions to the Private Investment and Trade Opportunities project.

- 2 -

We have instructed the grantees and new contractor to use the format in Attachment 2 as a model in reporting contributions to us at least annually. In order to keep our tracking of these contributions as current as possible, we have requested them to also keep us informed of contributions through their quarterly reports. In addition, we have notified the grantees and new contractor that we will suspend payments if their reports are not submitted on time as required by the agreements. Please see copies of letters to grantees and new contractor in Attachment 3, and see Recommendation number three below.

Given the above information, we recommend this recommendation be closed.

Recommendation No. 2

We recommend that OAR/ASEAN:

- 2.1 Ensure that the contractor and grantee provide baseline information for the two projects;
- 2.2 Review the project objectives for the two projects cited and amend the project papers to provide quantitative indicators for the project activities; and
- 2.3 Amend the project agreements, as appropriate, to include the quantifiable indicators.

We have baseline information for the two projects and have included it in Attachment 4. Per earlier discussions, the Project Paper is a planning document only. In fact, since the Project Papers were approved, we have developed/revised and improved the baseline information/indicators, as Attachment 4 shows. These improvements were made with the very active participation of the Asia Bureau's then monitoring and evaluation officer on TDY to OAR/ASEAN and in AID/W. (This person is a recognized proponent of verifiable indicators.) As a result of this effort, we developed baseline data and verifiable indicators that were vetted in the Asia Bureau, and we have agreement with the Bureau that these indicators will be used for monitoring OAR/ASEAN project performance.

We do not agree that an amendment of the Project Papers is necessary to improve project monitoring. Knowing this process, we do not believe this to be the most effective, efficient or necessary way of achieving our mutually recognized goal of improved monitoring.

We believe that 2.3 of this Recommendation is the best, and only, step required to introduce the new indicators into the projects. We are in the process of amending the grant agreements and have already amended the new contract to include the quantifiable indicators which appear in Attachment 4.

- 3 -

Therefore, we recommend that Recommendation No. 2 be resolved, and it be closed when we provide you with copies of the amended grants and contract.

Recommendation No. 3

We recommend that OAR/ASEAN notify the grantees cited that grant payments will be suspended if performance reports, consistent with terms of the grant, are not submitted to OAR/ASEAN.

We have notified the grantees and new contractor that we will suspend payments if their reports are not submitted on time as required by the agreements. Please see Attachment 3.

We therefore recommend that this Recommendation be closed.

Recommendation No. 4

We recommend that OAR/ASEAN ensure that requirements in future evaluations are addressed by requiring the contractor to provide (in summary form) report references which answer the work requirements and the specific issues.

This recommendation has been discussed extensively with your staff and will be incorporated in all future project evaluations.

We recommend that this Recommendation be closed.

Clearance:RMClure, Controller: (draft) Date: 06/17/93



U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT
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APPENDIX II
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June 21, 1993

Mr. Al Clavelli
Regional Inspector General/Audit
Singapore

Re: Audit of A.I.D. Representative/ASEAN's Controls Over
Monitoring and Evaluation

Dear Al:

You have asked for a Representation Letter in connection with your audit of A.I.D. Representative/ASEAN's Controls Over Monitoring and Evaluation. Your Staff has informed me that the audit covered the Office's management of monitoring and evaluation activities in four projects that were active as of September 30, 1992 and was intended to answer the following audit objectives:

(A) Did OAR/ASEAN follow A.I.D. policies and procedures in monitoring the use of participant training and the provision of cost-sharing contributions?

(B) OAR/ASEAN follow A.I.D. policies and procedures in monitoring the accomplishment of planned output and purpose objectives, and project completion?

(C) Did OAR/ASEAN follow A.I.D. policies and procedures for project evaluation?

For the activities under audit during the audit period, OAR/ASEAN is responsible for the internal control system and for compliance with applicable U.S. laws and regulations.

I asked my staff to make available to you all records in our possession for the purpose of the audit. The four projects your staff advised me are in the audit are numbers 498-0286, 399-0287, 399-0358, and 399-0360.

Based on representations made to me by my staff and in reliance on your office which has not informed me of any difficulty in obtaining the full cooperation of my staff, I confirm, as a layman and not as a lawyer, the following representations with respect to the subject matter of the audit and audit objectives:

(1) To the best of my knowledge and belief, OAR/ASEAN has made available to your staff all records relating to the audit objectives;

(2) To the best of my knowledge and belief, the records relating to the audit objectives are accurate and complete and constitute a fair representation of the status of the matter under audit.

(3) To the best of my knowledge and belief, OAR/ASEAN is not aware of any material instances where financial or management information on matters directly relating to this audit has not been properly and accurately recorded and reported, other than in any findings that may be in the audit report.

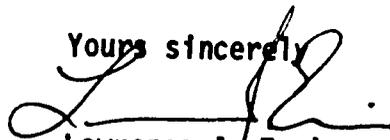
(4) To the best of my knowledge and belief, OAR/ASEAN has disclosed any known material irregularities related to the subject matter of the audit that we consider substantive involving Office employees with internal control responsibilities for the matter under audit.

(5) To the best of my knowledge and belief, as a layman and not as a lawyer, OAR/ASEAN has reported all known instances which, in the Office's judgment, would evidence material noncompliance with A.I.D. policies or violations of U.S. laws and regulations.

(6) After review of your draft audit report and further consultations with my staff, I know of no other facts as of the date of this letter (other than those expressed in our Management Comments to the draft report) which, to the best of my knowledge and belief, would materially alter the conclusions reached in the draft report.

I request that this Representative Letter be considered a part of the official Mission comments on the draft audit report, and be published as an Annex to the final report.

Yours sincerely



Lawrence J. Ervin
A.I.D. Representative to ASEAN

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APPENDIX III

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