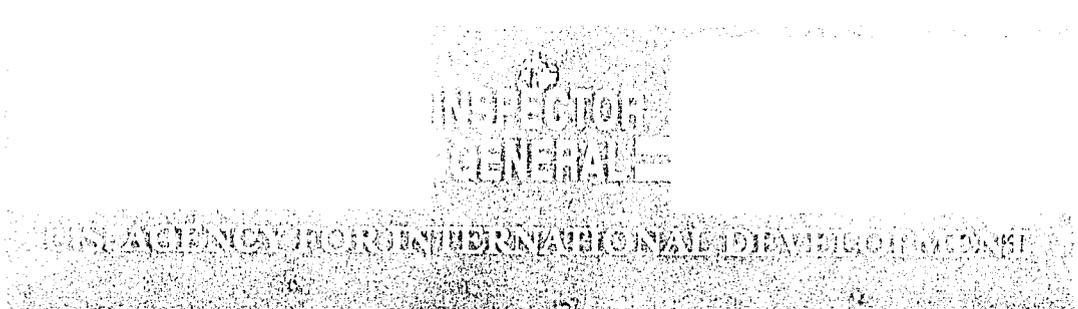


Regional Inspector General for Audit
San José Costa Rica

**Audit of
USAID/Panama's System
for Administration of Excess
Department of Defense Property in Panama**

Audit Report No. I-525-95-009
June 23, 1995



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AGENCY FOR INTERNATIONAL DEVELOPMENT
OFFICE OF THE REGIONAL INSPECTOR GENERAL
SAN JOSE, COSTA RICA

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June 23, 1995

MEMORANDUM

TO: USAID/Panama Director, David Mutchler
FROM: RIG/A/San José, *Coinage N. Gothard*
SUBJECT: Audit of USAID/Panama's System for the Administration of
Excess Department of Defense Property in Panama

The Office of the Regional Inspector General for Audit/San Jose has completed its audit of USAID/Panama's system for the administration of excess Department of Defense property in Panama. This final report is being transmitted to you for your action.

The report identifies that USAID/Panama has taken steps to improve the effectiveness of its system to transfer the excess property to recipients in Panama but more needed to be done to ensure that the property is transferred to eligible recipients and used for authorized purposes. As a result of the problems found, USAID/Panama had little assurance that much of the \$26.4 million (original acquisition cost) of property it reported as being transferred was properly and effectively transferred for humanitarian relief purposes to qualified recipients.

In preparing this report we reviewed your comments on the draft report and included them as Appendix II. A summation of your comments has been included after the problem area addressed in the report.

Based upon your written comments, we consider the three recommendations resolved upon issuance of this report. Please respond to the report within 30 days indicating any actions taken to implement the recommendations.

I appreciate the cooperation and assistance that you and your staff extended the auditors during this assignment.

Background

The Department of Defense (DOD) under the authority of Section 2547, Chapter 151, Title 10 of the United States Code, may make available for humanitarian relief purposes any nonlethal excess supplies.¹ Any nonlethal excess supplies made available for humanitarian relief under this section must be transferred to the Secretary of State, who is responsible for the distribution of such supplies.

On November 30, 1990, USAID and the Department of State signed a Memorandum of Understanding (MOU) to establish procedures and responsibilities to be followed to assure the prompt and effective transfer of DOD excess property for humanitarian relief purposes to qualified recipients in Panama. The MOU made USAID/Panama responsible for distribution and transfer of the DOD excess property subject to the overall foreign policy guidance of the U.S. Ambassador to Panama.

Since the beginning of the program in 1991 through December 31, 1994, USAID/Panama has reported transferring DOD excess property totaling \$26.4 million. USAID/Panama records regarding the transfer of DOD excess property identify the property at its original DOD acquisition cost--not the fair market value of the property when it was declared excess. Consequently, the amounts shown in this report for the DOD excess property are the original acquisition cost. However, because of the age and condition of the property, the fair market value of the \$26.4 million in total DOD excess property transferred and of the individual items shown in this report are probably substantially less than their recorded original acquisition cost.

We conducted this audit at the specific request of the newly assigned Director of USAID/Panama. The Director requested the audit for several reasons, including his unfamiliarity with this type of excess property program and his concern about the extent of resources devoted to the program. The Director was also concerned whether USAID/Panama's excess property program was adequate to meet an expected manyfold increase in available DOD excess property in the near future.

¹ Section 2547, Chapter 151, Title 10 of the U.S. Code does not define humanitarian relief. It defines nonlethal excess supplies as property, other than real property, of the DOD that is excess property as defined in the regulations of the DOD and that is not a weapon, ammunition, or other equipment or material that is designed to inflict serious bodily harm or death.

Audit Objective

In response to the request of the Mission Director, we audited USAID/Panama's management of its excess property program to answer the following audit objective:

- **Did USAID/Panama implement an effective system to assure the proper and effective transfer of nonlethal excess property of the Department of Defense for humanitarian relief purposes to qualified recipients in Panama?**

The audit's scope and methodology is included as Appendix I to this report.

Audit Findings

Did USAID/Panama implement an effective system to assure the proper and effective transfer of nonlethal excess property of the Department of Defense for humanitarian relief purposes to qualified recipients in Panama?

USAID/Panama did not implement an effective system to assure the proper and effective transfer of Department of Defense (DOD) excess property for humanitarian relief purposes to qualified recipients in Panama. However, since the current Mission Director arrived in Panama in September 1994, USAID/Panama has taken steps to improve the effectiveness of its system to transfer DOD excess property. In addition to requesting our audit, USAID/Panama had:

- issued a Mission Order setting policies and procedures for transferring DOD excess property, and
- initiated an inventory system to account for excess property received from the DOD.

Despite USAID/Panama's efforts to improve its system for transferring DOD excess property, it was not complying with the MOU, and internal controls over such property need to be improved.

Management Of Mission's System to Distribute Department of Defense Excess Property Needs To Be Improved

The Memorandum of Understanding (MOU) between the Department of State and USAID established procedures and responsibilities for USAID/Panama to follow to assure the proper and effective transfer of DOD

excess property for humanitarian relief purposes to qualified recipients in Panama. USAID/Panama did not fully comply with the nine provisions contained in the MOU that required its action because it: (1) believed the MOU was deficient in several aspects such as not clearly defining what was meant by humanitarian relief and (2) did not implement adequate internal controls over its system for transferring DOD excess property. Consequently, USAID/Panama had no assurance that much of the DOD excess property with a cumulative acquisition cost of \$26.4 million it reported transferring was properly and effectively transferred for humanitarian relief purposes to qualified recipients. Furthermore, USAID/Panama believed it did not have the authority to repossess transferred property when a recipient failed to comply with the terms of its agreement with USAID/Panama.

Recommendation No. 1: We recommend that USAID/Panama, in coordination with the Bureau for Latin America and the Caribbean, decide whether USAID should continue to participate in the transfer of Department of Defense excess property program and, if so, (a) meet with officials from the Department of State to review the Memorandum of Understanding, (b) make any agreed upon revisions including clear definitions of what is considered humanitarian relief purposes and what constitutes an eligible request, and (c) clearly document what is required to implement each provision and implement adequate internal controls to ensure compliance with the modified Memorandum of Understanding.

Recommendation No. 2: We recommend that USAID/Panama resolve the problems of the Department of Defense excess property identified in this report as unfit, not being used, or used for prohibited purposes or purposes which may not be humanitarian relief. For example, USAID/Panama should take appropriate action to ensure the property is repaired and used for humanitarian relief purposes or is returned to the Department of Defense for redistribution.

Recommendation No. 3: We recommend that USAID/Panama, in coordination with the Regional Legal Advisor, determine whether USAID/Panama has the authority under current agreements with recipients to repossess property transferred to them when the recipient does not comply with the terms mutually agreed upon in the agreement.

The MOU delegating to USAID/Panama the responsibility for transferring DOD excess property in Panama was signed in November 1990 by the Department of State's Under Secretary for International Security Affairs and USAID's Assistant Administrator, Bureau for Latin America and the

Caribbean. The MOU had 10 provisions to be followed by the two agencies to assure the proper and effective transfer of DOD excess property for humanitarian relief purposes to qualified recipients in Panama. Nine of the provisions required specific actions by USAID/Panama. The MOU also stated that it would remain in effect until rescinded or otherwise, altered by agreement of the parties.

USAID/Panama did not comply to some extent with all nine provisions requiring its actions. Appendix III consists of a detailed comparison of each provision's requirements to USAID/Panama's actual practices. Examples of the MOU provisions not complied with include the following:

- not reviewing all requests for eligibility and not ensuring requests were for humanitarian relief purposes,
- transferring DOD excess property in an unusable condition,
- not ensuring that DOD excess property was not being transferred for prohibited police activity, and
- not ensuring that property transferred was being used for appropriate purposes through its recipient monitoring program.

USAID/Panama attributed part of the problem to deficiencies in establishing the MOU. For example, USAID/Panama officials correctly pointed out that the MOU does not clearly define: (1) what the law (Section 2547, Chapter 151, Title 10 of the United States Code) allows to be considered in meeting the requirements for "humanitarian relief purposes" nor (2) what should be considered an "eligible request" that is consistent with the overall objectives and principles of U.S. foreign policy. The officials also noted that the Department of Defense was not a signatory to the MOU. Therefore, although the MOU stipulated that DOD was to warehouse all excess property until transfer to recipients and to pay for such costs, DOD did not comply with these provisions and USAID/Panama assumed these responsibilities.

However, in addition to the deficiencies in the MOU, the problems in USAID/Panama's system for transferring DOD excess property occurred because USAID/Panama had not implemented adequate internal controls such as establishing fully documented policies and procedures to: (1) identify and define the requirements of the MOU, (2) account for DOD excess property, and (3) provide for adequate separation of duties.

The Standards for Internal Controls in the Federal Government issued by the U.S. General Accounting Office requires written evidence of "(1) an agency's internal control objectives and techniques and accountability systems and (2) all pertinent aspects of transactions and other significant

events of an agency." The standards also state that key duties and responsibilities in authorizing, processing, recording, and reviewing transactions should be separated among individuals. However, USAID/Panama did not comply with these requirements as noted below:

- USAID/Panama did not have any documentation clearly defining the requirements of each of the MOU provisions. For example, USAID/Panama did not have a document which defined such key terminology in the MOU as an "eligible request" consistent with the overall objectives and principles of U.S. foreign policy and more importantly what met the requirements for "humanitarian relief purposes". In fact, in our opinion, USAID/Panama expanded the program beyond the intentions of the MOU and Title 10 of the United States Code by concluding that DOD excess property could be used for "economic and social development needs" in addition to humanitarian relief.
- USAID/Panama did not have adequate policies and procedures to fully account for DOD excess property. For example, USAID/Panama had no written policies and procedures for reconciling what it received from the DOD to what it transferred to recipients. One important missing procedure was an inventory system to account for the receipt of DOD excess property. Consequently, there was no assurance that all the excess property received from the DOD was actually transferred to recipients.
- USAID/Panama did not have adequate policies and procedures establishing separation of duties—a fundamental internal control to assure compliance with program requirements and adequate safeguarding of resources. Instead, since the program began in 1991, USAID/Panama has relied almost entirely on its Executive Officer to manage the excess property program. For example, this official interpreted the MOU and made the decisions on who was to receive the excess property and for what purposes. This official also decided that USAID/Panama would transfer property to the Government of Panama without any information of which organization would actually receive the property. Through calendar year 1994, these organizations received 81 percent (\$21.5 million of the original acquisition cost (\$26.5 million) of the DOD excess property transferred to recipients under the program. These decisions were generally made without any supporting documentation justifying the priority of the request and transfer of the property.

In an effort to improve internal controls over its excess property program, USAID/Panama established Mission Order Number 404 in November 1994, to establish policies and procedures for transferring DOD excess property. However, the Mission Order did not specifically define the requirements of

each MOU provision such as what would be considered humanitarian relief purposes and considered an eligible request consistent with the overall objectives and principles of U.S. foreign assistance.

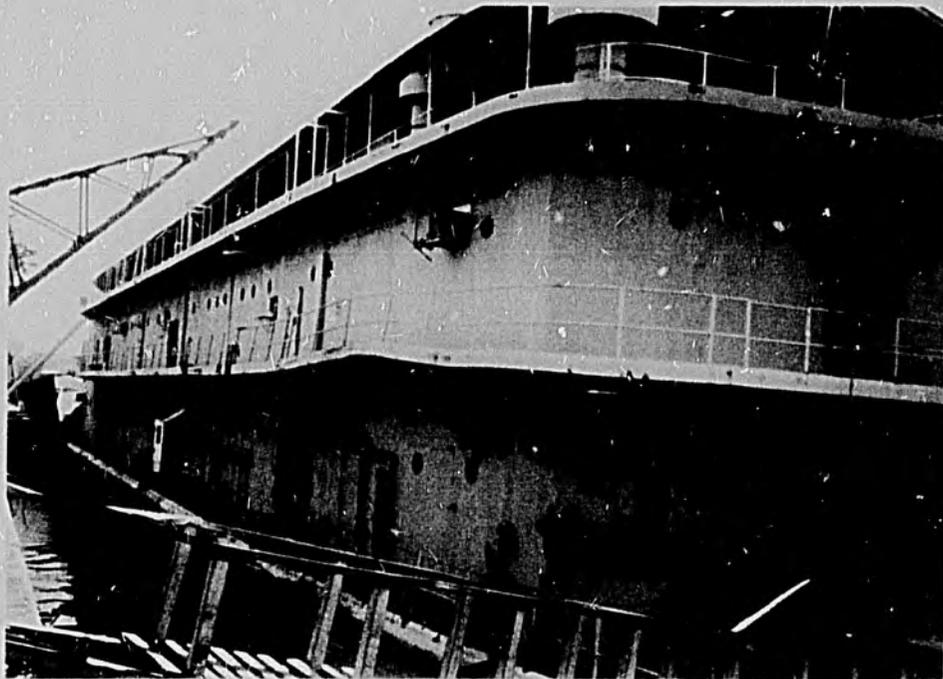
The Mission Order also attempted to provide some separation of duties by establishing a committee made up of five USAID/Panama officials, a representative from the Peace Corps, and a representative from the Government of Panama (GOP) Controller General's Office to approve all transfers of property having acquisition value of over \$2,500. However, the committee as established and implemented will not resolve the problems on separation of duties nor ensure compliance with the MOU. For example, the Executive Officer still decides which property will go to the GOP before consideration is given to distribution to non-profit organizations. Also, in the only committee meeting between the time the Mission Order was issued and the end of our audit, the Executive Officer recommended to the committee, and the committee approved, the nonprofit recipients he felt should get the DOD excess property rather than giving the committee multiple recipients to choose from. Further, although the Mission Order established criteria for prioritizing transfers to non-profit recipients there was no documentation to show that the Executive Officer selected the recommended recipients based on this criteria. The result is that, essentially, the Executive Officer still decided who would receive the DOD excess property and did so without documented justification.

In November 1994, USAID/Panama also began an inventory system to account for DOD excess property from the time it is received at the GOP warehouse, to the time issued to recipients. However, as of February 1, 1995, the system was not fully functioning and had additional problems. For example, it does not use serial numbers or other codes to permit the tracking of individual items of equipment. Instead, the receipt of excess property from DOD is reconciled to transfers to recipients, monthly, by comparing the gross acquisition cost of all DOD excess property received and transferred.

As a result of these internal control weaknesses there was no assurance that USAID/Panama had transferred much of the DOD excess property with a cumulative acquisition cost of \$26.4 million for humanitarian relief purposes to qualified recipients or that the property was used for intended purposes. For example, as explained more fully in Appendix III and shown in Appendix IV, our review of 66 items of DOD excess property, with a cumulative acquisition cost of \$10.7 million, disclosed the following:²

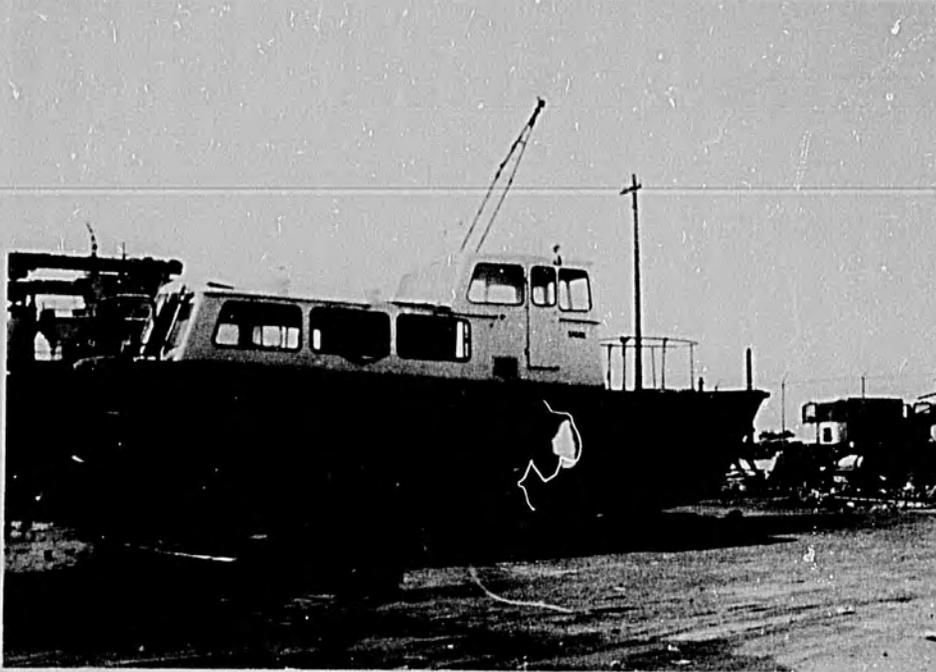
² Some items are included under more than one bullet. For example, the floating barracks with an original acquisition cost of \$9.0 million is included in each of the first two bullets.

- Eighteen items (with a cumulative original acquisition cost of \$10.3 million) donated to recipients, in our opinion, do not meet the requirements of "humanitarian relief purposes" as prescribed in the MOU and the law. For example, the GOP's Ministry of Justice was given a U.S. Navy floating barracks (with an original acquisition cost of \$9.0 million) which was to be converted into offices for various GOP agencies including those responsible for police and anti-drug activities. A USAID/Panama internal memorandum (dated March 4, 1993) identified that Mission officials were against the transfer of the floating barracks.³ However, there was no documentation to show that USAID/Panama had recommended to the U.S. Ambassador to Panama that the floating barracks not be transferred. Also, two boats (with a cumulative original acquisition cost of \$300,020) were donated to the province of Colon in September 1993 and were being repaired to patrol the coast of Panama against drug smuggling.



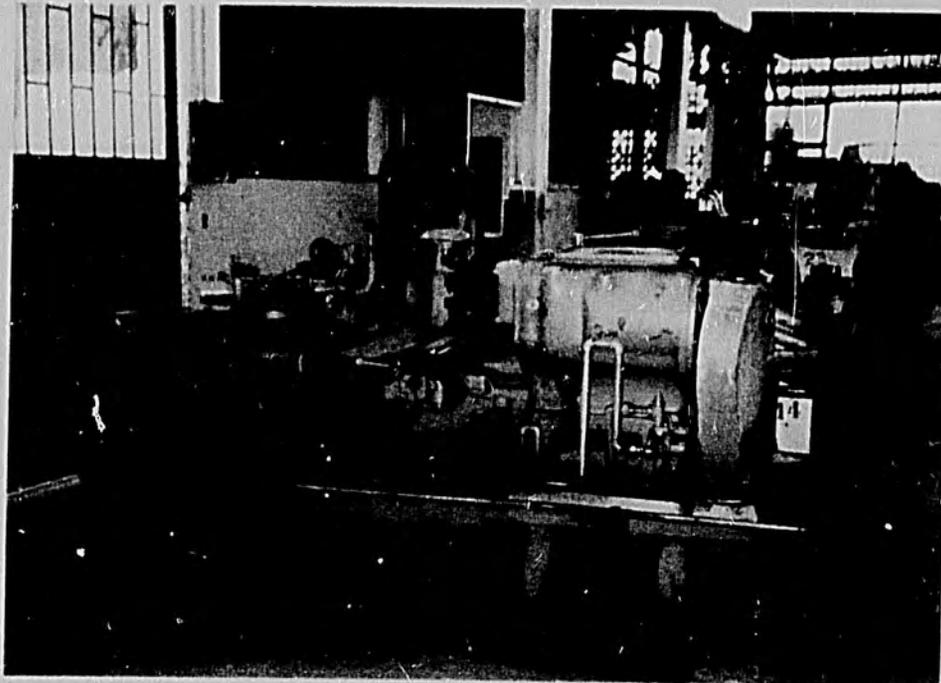
Floating barracks donated to the GOP in May 1993
[Panama City, January 25, 1995]

³ A USAID/Panama memorandum dated April 7, 1993, to the U.S. Ambassador states that the police cannot be a recipient of transferred property unless the police were engaged primarily in anti-narcotics efforts, but there was no mention that the transfer should not be made.



One of two boats donated to the Province of Colon in September 1993. [Colon, Jan. 26, 1995]

- Thirteen items (with a cumulative original acquisition cost of \$10.1 million) were transferred in an unusable condition and most were still unused at the time of our audit in January 1995. Among these items were the floating barracks and boats identified above and a lathe with an original acquisition cost of \$80,000.



Lathe donated to a nonprofit organization in January 1993. [Panama City, Jan. 27, 1995]

Although the agreements between USAID/Panama and the recipients included certain requirements on the part of the recipient, USAID/Panama officials did not believe they had the authority to repossess transferred property when the recipients did not comply with the agreed to requirements. Examples of requirements placed on the recipients in the agreements included that the recipients: (1) use the property for humanitarian assistance or socioeconomic development, (2) repair any property requiring repair within three months of receipt of such property, and (3) obtain USAID/Panama approval before selling, transferring, or disposing of property.

The need for an effective system for distributing and accounting for the DOD excess property takes on added importance because DOD is planning to close a number of bases in Panama in the coming years. These closures include several schools and other facilities with large quantities of the type of excess property which is in high demand by the GOP and nonprofit agencies in Panama. Although we were unable to obtain reliable estimates of what may become available, both DOD and USAID/Panama officials anticipate significant increases in the amount of DOD excess property which under the terms of the MOU will be transferred through USAID/Panama.

In conclusion, USAID/Panama has taken actions to improve its system of transferring DOD excess property. However, further improvements are needed, to assure that it will be able to properly and effectively transfer forthcoming DOD excess property for humanitarian relief purposes to qualified recipients in Panama. Therefore, USAID/Panama should coordinate with the Bureau for Latin America and the Caribbean to decide whether USAID should continue to participate in transferring DOD excess property and, if so, meet with the Department of State and review and revise the MOU as needed, including clearly documenting requirements and terminology. Additionally, USAID/Panama needs to improve its internal controls to assure compliance with the modified MOU. Furthermore, USAID/Panama needs to resolve the DOD excess property identified in this report as unfit, not being used, or used for prohibited purposes or purposes which may not be humanitarian relief. Lastly, coordinate with the Regional Legal Advisor to determine whether USAID/Panama has the authority to repossess DOD excess property when the recipient does not comply with its transfer agreement, and, if not, take actions such as revising the standard recipient agreement.

Management Comments and Our Evaluation

USAID/Panama generally concurred with the findings and recommendations and has taken steps to implement the recommendations.

Regarding Recommendation No. 1, USAID/Panama and the Bureau for Latin America and the Caribbean decided to continue the excess property program. USAID/Panama added that a draft amendment of the MOU is presently under review by all interested parties. Additionally, USAID/Panama stated it confirmed that the term "humanitarian relief" has not been defined by Department of Defense, Department of State, or the United States Congress. However, USAID/Panama stated that the United States Congress has been fully informed of the nature of property transfers and USAID/Panama assumes that it would have been notified already if any of the transfers fell outside of the intention of the Congress. USAID/Panama also stated that USAID has independent authority to transfer excess property under Section 608 of the Foreign Assistance Act which is not limited to "humanitarian relief purposes" and that after study and recommendation by the USAID Office of General Counsel, USAID has decided that the MOU and subordinate agreements will reference Section 608 of the Foreign Assistance Act rather than Section 2547, Chapter 151, Title 10 of the United States Code.

Based on USAID/Panama's actions, we consider Recommendation No. 1 to be resolved. However, USAID/Panama did not provide any documentation to support its contention that the United States Congress has been fully informed of the nature of the property transfers. USAID/Panama also did not provide to us a written legal opinion from the USAID Office of General Counsel to support its claim that Department of Defense excess property can be distributed in Panama under Section 608 of the Foreign Assistance Act. This recommendation can be closed when USAID/Panama provides a formal legal opinion that Section 608 of the Foreign Assistance Act authorizes the distribution of Department of Defense excess property in Panama and provides documentation to show that a revised MOU has been signed and adequate internal controls have been implemented.

Regarding Recommendation No. 2, USAID/Panama has taken steps to resolve the problems found with the transfer of specific DOD excess property. However, USAID/Panama stated that the issue of DOD excess property not being used for "humanitarian relief" is moot because of USAID/Panama's intention to use Section 608 of the Foreign Assistance Act as discussed above. Also, USAID/Panama stated the report inaccurately stated that the USAID/Panama Executive Officer decided to transfer property to the Government of Panama without any information of which organization would actually receive the property. USAID/Panama stated that all transfers are made to specific organizations and that each organization is required to acknowledge receipt of property by signing a transfer order. Thus, the Executive Officer knew which organizations received the property.

Based on USAID/Panama's actions, we consider Recommendation No. 2 to be resolved. Regarding the transfer of property to the Government of

Panama, the report refers to the point in time prior to actual distribution of the property when USAID/Panama should have reviewed each request for eligibility including whether the property was going to be used for authorized purposes. Instead, USAID/Panama permitted the Government of Panama's Office of Controller General to decide which governmental organizations received property. USAID/Panama's response refers to the point in time when the property was actually received by a governmental recipient. Furthermore, the transfer orders do not state how the property is to be used. Consequently, USAID/Panama did not know whether the property was going to be used for authorized purposes. Recommendation No. 2 can be closed when USAID/Panama provides documentation that it has resolved the problems for all the items of DOD excess property covered by this recommendation.

Regarding Recommendation No. 3, USAID/Panama has consulted with the Regional Legal Advisor and determined that USAID/Panama does not have the authority under current agreements to repossess DOD excess property when a recipient has not complied with agreed to requirements. USAID/Panama stated that it does not intend to request the return of any transferred property that is not used for authorized purposes. Instead, USAID/Panama proposes to recommend that the items be sold and the proceeds used by the recipient. USAID/Panama added that the audit did not assess the impact of the program in which tens of thousands of items had been transferred because the barge accounted for 83 percent of the value of total items tested in our sample.

Based on USAID/Panama's actions, we consider Recommendation No. 3 to be resolved. Concerning repossession, we believe not having recourse against organizations which do not use the property as intended allows for the potential for significant abuse. For example, an organization could obtain the property and immediately sell it and use the proceeds for whatever purpose it wanted. Regarding the selection of our sample, we believe the sample was a representative cross-section of the types of recipients which received DOD excess property. As shown in Appendix IV, the sample includes both governmental and non-governmental Panamanian organizations and items of large and small original acquisition cost. Further, as the report shows, we found problems with a number of our sample items and not just the barge. Consequently, we believe our sample adequately assessed USAID/Panama's system to transfer DOD excess property in Panama. Recommendation No. 3 can be closed when USAID/Panama takes action to have some recourse against recipients who do not comply with the terms of their respective agreements with USAID/Panama.

SCOPE AND METHODOLOGY

Scope

We audited USAID/Panama's management of its system for transferring DOD excess property in accordance with generally accepted government auditing standards. We conducted the audit fieldwork from January 17, 1995 to February 3, 1995, and generally covered certain system procedures relating to transfers in calendar years 1993 and 1994. USAID/Panama reported transferring DOD excess property with a cumulative original acquisition cost to the DOD of \$26.4 million from 1991 through December 31, 1994.

The audit included the following scope limitation:

We were not able to determine the number and amount of excess property transferred from the DOD to USAID/Panama because USAID/Panama did not maintain a verifiable record of property received from the DOD.

Methodology

To accomplish our audit objective we reviewed the requirements governing the transfer of DOD excess property of the DOD as contained in Title 10 of the United States Code and in the MOU. Further, we reviewed USAID/Panama's mission orders and operations manual which set the policies and procedures for operating and managing the distribution of the excess property. We interviewed appropriate USAID officials and examined records and monthly and annual reports supporting the receipt of DOD excess property and the distribution of the DOD excess property to recipients. Additionally, we interviewed various officials from the Department of Defense to: (1) determine how they operate their end of the excess property program and identify any additional requirements the DOD may have imposed on USAID/Panama, (2) obtain any records itemizing all DOD excess property transferred to USAID/Panama since 1991, and (3) obtain estimates of potential transfers in future years.

Annual reports prepared by USAID/Panama showed that 728 recipients received DOD excess property with a cumulative original acquisition cost of \$17.7 million during calendar years 1993 and 1994. We reviewed USAID/Panama records pertaining to some of these recipients to determine whether USAID/Panama followed the procedures established in the MOU for receiving and transferring DOD excess property, and for monitoring recipients subsequent to the transfer of the excess property. Additionally, we judgmentally selected 12 of these recipients for site visits. For the site visits, we judgmentally selected 83 items of DOD excess property with a cumulative original acquisition cost of \$11.2 million of the \$17.7 million reported transferred in these two years. We visited each of the recipients to determine whether the selected items of DOD excess property were in their possession, in usable condition, and being used for humanitarian relief purposes. Of the 83 items, we were not able to physically inspect 17 because they were not located at the site we visited or because there were no serial numbers or alternative ways to specifically identify these items as the items transferred through USAID/Panama.

AGENCY FOR INTERNATIONAL DEVELOPMENT
PANAMA CITY, PANAMA

UNITED STATES GOVERNMENT
MEMORANDUM

DATE: June 6, 1995

TO: Coinage N. Gothard, RIG/A/San Jose

FROM: David E. Mutchler, Mission Director 

SUBJECT: Audit of USAID/Panama's System for Administration of Excess DOD Property in Panama

I want to again thank you and your staff for undertaking this audit at my request. We appreciate this opportunity to comment on the draft report on the subject audit, dated April 6, 1995. The report makes three recommendations which we will respond to in the same order.

Recommendation No.1: We recommend that USAID/Panama, in coordination with the Bureau for Latin America and the Caribbean, decide whether USAID should continue to participate in the transfer of Department of Defense excess property program and, if so, (a) meet with officials from the Department of State to review the Memorandum of Understanding, (b) make any agreed upon revisions including clear definitions of what is considered humanitarian relief purposes and what constitutes an eligible request, and (c) clearly document what is required to implement each provision and implement adequate internal controls to ensure compliance with the modified Memorandum of Understanding.

The Action Plan for USAID/Panama was reviewed in Washington the week of April 10, 1995. The Mission and the Bureau are in agreement that the excess property program should continue. We agree that changes will be necessary in the Memorandum of Understanding. See the attached draft amendment of the MOU which is presently under review by all interested parties.

The Mission has confirmed that the term "humanitarian relief" has not been defined by DOD, State, or the U.S. Congress insofar as 10 USC 2547 is concerned. However, the U.S. Congress has been fully informed of the nature of the property transfers made by USAID/Panama. If there were any question of whether such transfers

fell outside of the intention of the Congress, we assume this would have been brought to our attention already. USAID has independent authority to transfer excess property under Section 608 of the Foreign Assistance Act which is not limited to "humanitarian relief" purposes. See USAID Handbook 16. USAID/Panama operated a Section 608 "Situs Country Excess" program for many years prior to termination of the program in 1987. After study and recommendation by the USAID Office of General Counsel, USAID has decided that the MOU and subordinate agreements will reference this independent authority rather than 10 USC 2547. While we believe we can improve our documentation, we do not believe any violation of law has occurred.

Recommendation No.2: We recommend that USAID/Panama resolve the problems of the Department of Defense excess property identified in this report as unfit, not being used, or used for prohibited purposes or purposes which may not be humanitarian relief. For example, USAID/Panama should take appropriate action to ensure the property is repaired and used for humanitarian relief purposes or is returned to the Department of Defense for redistribution.

The issue of uses which are not "humanitarian relief" is believed to be moot for the reasons mentioned in response to recommendation number 1. As for property which has not been used, or is unfit for use, as well as to clear up some inaccuracies which we believe exist in the draft audit report, USAID wishes to offer the following comments:

a. The last sentence on page 3, "Furthermore USAID/Panama did not know whether the agreements between itself and the recipients permitted the repossession of transferred property when a recipient failed to comply with the terms in the agreement." is inaccurate. The USAID Mission believed it did not have authority to repossess property delivered. The Regional Legal Advisor has confirmed that we were correct in that belief. See discussion under Recommendation 3 below.

b. On page 6, full 2nd paragraph, the statement, "This official (referring to the USAID/Panama/EXO) also decided that USAID/Panama would transfer property to the Government of Panama without any information of which organization would actually receive the property" is not accurate. All transfers were made to specific organizations, private or public. A representative of the receiving organization is required to acknowledge receipt of the property by signature on each transfer order. The USAID/EXO knew which organizations received the property. There were no permanent transfers of property to "the Government of Panama". All transfers were (and continue to be) made to specific public or private entities. It is true that some vehicles were transferred on a temporary basis to the Office of the Controller General in order to permit that office to repair the vehicles and paint them with the official markings used on Government vehicles, prior to the

transfer to specific organizations. These temporary transfers were then cancelled and the receiving institution signed for the vehicle when the repainting and repairs were done. In these instances too, the USAID/EXO who managed the program was aware of the ultimate beneficiary at the time the temporary transfer order was made to the Controller General's Office.

c. The Mission has established a committee to oversee the Excess Property Program. In addition, the Mission plans to hire a USPSC whose sole duty will be to manage the day to day operations of the Program. This PSC will work under the direct supervision of the Executive Officer. This dispersal of responsibilities will separate duties and provide additional internal controls over program operations.

d. We are continuing to update and make more effective the inventory control system which was in test phase at the time of the audit. Specifically, USAID, as of June 1st will place a reference number on each piece of property to enable us to identify the source and disposition of all property which moves through the system.

e. With regard to the floating barracks transferred to the Controller General in 1993, please see the attached letter of March 31, 1995 from the USAID Director to the Controller General of Panama and the Controller General's response to Mr. Stader dated 25 May 1995 as evidence of USAID's continuing efforts to resolve this issue.

f. Concerning the two boats donated to the Province of Colon, please see the attached letter of April 17, 1995 from the USAID Director to the Governor of Colon. The draft audit report is inaccurate in stating that the boats were being repaired. The boats were in storage at the Servicio Marino and were not under repair. We have been informed by the Governor of Colon that he is looking for an appropriate non-police use for the boats.

g. Concerning the lathe donated to Artes y Oficinas in January 1993, we have been informed by the school that the lathe is not economically repairable. Through the Controller General's Office we are requesting that the school sell the lathe following GOP policies, with the proceeds of the sale to be used for educational purposes at the school.

h. Reference Appendix III, page 7, concerning two pieces of road construction equipment donated to the Ministry of Public Works, valued at \$60,109. Please note that since the inception of the Program over \$4.2 million of equipment has been donated to the Ministry of Public Works. Given that virtually all of this equipment was old and heavily used at the time of transfer, USAID believes it is commendable that only two pieces of this equipment were not in operating condition.

i. Concerning the x-ray machine at Coco Solo Clinic, all the equipment at Coco Solo was transferred together with the land and buildings, at one time. The x-ray machine was installed in the clinic and was not removed when the building was turned over to the GOP. Both the GOP representative and the USDOD MEDAC representative believed this machine was economically repairable. Since the MOU stipulates all property will be transferred on an "as is - where is" basis and given that the x-ray machine was economically repairable, USAID does not believe this transfer violates the guidelines for the Program.

Recommendation No.3: We recommend that USAID/Panama, in coordination with the Regional Legal Advisor, determine whether USAID/Panama has the authority under current agreements with recipients to repossess property transferred to them when the recipient does not comply with the terms mutually agreed upon in the agreement. For example, the recipient should use the property in accordance with the purposes established in the agreement, and repair any property requiring repair within three months of receipt of such property.

We have consulted the RLA and have been advised that the transfer agreements constitute a donation contract, subject to Panamanian law. The agreements themselves state simply that the recipient must make use of the items within 3 months. If repairs are necessary, they must be made by the recipient if **the repairs can be made economically**. If the recipient believes the transferred items cannot be economically repaired, the recipient must inform USAID and "solicit written instructions." No remedy of repossession is explicitly stated, although it is possible that one might be implied by a Panamanian court. There is no limitation on the nature of the instructions which may be delivered.

The Mission will deliver written instructions to recipients who we know to be in possession of items which are not being used in the manner contemplated and/or which are in need of repair. However, the Mission does not intend to request that any such items be returned; instead, the Mission will recommend that any such items be sold and the proceeds used by the recipient. Any court proceeding in Panama would require concurrence by the U.S. Department of Justice. The RLA advises that it is extremely unlikely that such concurrence would be forthcoming, given the costs and uncertainty of any definite remedy under Panamanian law. Moreover, the Mission has no desire to recover unusable or irreparable items. Since the USG has the authority to donate usable items to third parties, it also has the lesser authority to allow such parties to sell any scrap which has been inadvertently or mistakenly donated, provided the proceeds go to benefit the same organization.

We appreciate the suggestions made by the report insofar as the internal control procedures at the Mission are concerned. We are taking steps to implement improved internal control. And while the report raised legitimate questions about the uses of various items of property and the need to conform documentation to practice, the report seems to assume that a deviation of practice from initial documentation is a violation of procedures imposed on USAID by third party regulations and/or by law. Neither is the case. USAID consented to and/or generated the initial documentation and has the authority to amend to conform to current practice. In addition, by using a test case in which a single item accounts for approximately 83% of the total value of items tested (the \$9,000,000 original cost of the barge, compared to the \$10,737,453 total original cost of 66 items tested), the audit does not assess the impact of a program in which tens of thousands of items have been transferred to a broad spectrum of public and private users in Panama.

Based upon the above actions and explanations please close all three recommendations upon issuance of the final report.

**DETAILED COMPARISON OF PROVISIONS IN THE
MEMORANDUM OF UNDERSTANDING (MOU) TO
ACTUAL PRACTICES OF USAID/PANAMA**

USAID/Panama records regarding the transfer of Department of Defense (DOD) excess property identify the property at the original DOD acquisition cost of the property-- not the fair market value of the property when it was declared excess. Consequently, the amounts shown in this appendix for the DOD excess property are the original acquisition cost.

The following is a comparison of the MOU's provisions to USAID/Panama's actual practices.

PROVISION NO. 1

All requests for nonlethal Department of Defense (DOD) excess supplies for humanitarian relief purposes shall be referred to USAID/Panama for action. USAID/Panama will open a case file, notify the requesting party that the case is under review, and when necessary, ask for more information.

Since neither USAID/Panama nor the DOD kept readily verifiable records of DOD excess property transferred to USAID/Panama, we could not determine whether all requests were referred to USAID/Panama for action.

Also, USAID/Panama did not open a case file for each request. Instead, for nonprofit agencies, documents such as written requests for DOD excess property, transfer records, and eligibility documentation are kept by month rather than by request. Additionally, eligibility documentation and lists of requested equipment are not always obtained nor is there documentation of requests received and responded to via telephone. For example, of 31 new applications received in calendar year 1994 only 24 had proof of nonprofit status and only 14 had lists of needed equipment. Further, for GOP recipients, USAID/Panama keeps only transfer records with no record of eligibility or of a humanitarian relief need because, as discussed under Provision No. 3, Government of Panama (GOP) recipients were submitting requests directly to the GOP Controller General for action rather than USAID/Panama.

USAID/Panama officials stated that their mandate was to make the transfer of DOD excess property as simple and efficient as possible and that to

maintain individual case files would have required too much of their limited resources.

PROVISION NO. 2

USAID/Panama will review all requests and determine whether (a) the request is eligible for such humanitarian relief assistance, (b) the fulfillment of the request is consistent with the overall objectives and principles of U.S. foreign policy, and (c) arrangements can be made to assure that all necessary monitoring and reporting will be carried out.

USAID/Panama had no written policies defining what was required to meet the above MOU conditions. For example, no document existed describing: (1) what the MOU considered to be an eligible request or humanitarian relief purposes, (2) how to determine whether a request was consistent with the overall objectives and principles of U.S. foreign policy, or (3) what the MOU considered appropriate arrangements for necessary monitoring.

According to its operations manual for the excess property program, USAID/Panama considered only GOP and private nonprofit agencies engaged in humanitarian relief and/or economic and social development needs to be eligible for DOD excess property. However, there was no mission order or other formal document which stated that this definition of an eligible recipient was the intended MOU definition of an eligible request. We do not believe it was because neither the MOU nor Section 2547 of Title 10 of United States Code use the term "economic and social development needs." Rather, they use only the term "humanitarian relief purposes". Consequently, USAID/Panama broadened the definition of an eligible recipient beyond what was stipulated by the MOU and the law. Further, no definition existed of what the MOU or USAID/Panama considered to be humanitarian relief purposes, the key term in the whole program, nor what USAID/Panama considered social and economic development needs.

DOD officials also did not have a definition of humanitarian relief purposes. They stated that a specific definition did not exist but that the DOD was preparing a directive which hopefully would provide a definition. However, one of the officials suggested using a dictionary. The American Heritage Dictionary defines "humanitarian" as "concerned with the needs of mankind and the alleviation of human suffering" and defines "relief" as "anything that lessens pain, discomfort, fear, anxiety, or the like." Using this definition as a guide, in our opinion, 18 items totaling \$10.3 million did not meet the

requirements of "humanitarian relief purposes" as prescribed in the MOU and the law. Listed below are some of the items which, in our opinion, do not qualify. Appendix IV lists all 18 items.

- The floating barracks with an original acquisition cost of \$9.0 million donated to the GOP for use as offices by various GOP agencies including police and anti-drug agents.
- Two boats with a cumulative original acquisition cost of \$300,020 donated to the province of Colon which were to be used for patrolling the coast of Panama against drug smuggling.
- Ten items of DOD excess property with a cumulative original acquisition cost of \$624,452 donated to the GOP Ministry of Public Works to support general road construction and repair in Panama.
- Two vehicles with a cumulative original acquisition cost of \$24,778 were being used by GOP Controller General employees to conduct the general business of this agency.
- Two boats with a cumulative acquisition cost of \$321,786 donated to the GOP National Port Authority in 1994. One of the boats with an original acquisition cost of \$157,037 was being used to ferry pilots to and from larger vessels in the Panama Canal. The other boat, which was not usable when received and has not been repaired, is expected to be used for similar purposes.

Our determination was limited to the sample. However, we noted, for example, that GOP Ministry of Public Works has received DOD excess property with a cumulative acquisition cost of \$4.2 million since 1991. As another example, Controller General employees were using a total of eight DOD excess vehicles, the two identified above plus six others donated at various times since 1991, to conduct the general business of that agency.

Concerning the use of the term "economic and social development needs" to define an eligible recipient, the USAID/Panama Executive Officer stated that he came up with the term after discussions with the DOD. However, he had no documentation of the discussions. Furthermore, there is no record supporting that either the DOD or the Department of State agreed to adding social and economic development needs as permissible activities under the MOU.

Without a document specifying what is required by the MOU including appropriate definitions of terms such as "humanitarian relief purposes," there was no assurance that USAID/Panama had transferred much of the DOD excess property with a cumulative acquisition cost of \$26.4 million to the recipients and for the humanitarian relief purposes intended by the MOU and the law. Consequently, it is imperative that policies outlining what is required to meet the MOU be developed and agreed to by USAID/Panama and the Department of State.

PROVISION NO. 3

The Agency for International Development and the Department of State understand that the Government of Panama will establish a special commission to receive requests from private and public sector Panamanian entities and will provide recommendations to USAID/Panama. The recommendations will be non-binding, and USAID/Panama shall not be precluded from accepting applications directly. Final approval of all transfers resides with USAID/Panama except as noted in Section III (4) of this Memorandum of Understanding. USAID/Panama may also enter into agreements with private voluntary agencies, government ministries, and other intermediaries to assist in the processing of applications, distribution and end-use monitoring.

Contrary to this provision, the commission was not established. Further, USAID/Panama allowed the GOP to make distribution decisions rather than just recommendations.

In February 1991, USAID/Panama and the GOP entered into an agreement to transfer DOD excess property to the GOP. Representatives from the GOP Controller General's Office and two other agencies, which were to compose the commission, signed the agreement on behalf of the GOP. Representatives from these same agencies signed a renewed agreement in January 1993. However, neither the original nor the renewed agreement actually required the establishment of the commission. USAID/Panama officials acknowledged that commission was never established. Instead, the Controller General took charge of the program and implemented the agreement on behalf of the GOP. USAID/Panama officials added that they did not insist on a commission because they felt it was easier to work with one GOP agency as opposed to three.

The GOP was making actual distribution decisions rather than just recommendations to USAID/Panama. An employee within the Controller General received requests from other GOP organizations and decided which GOP organizations received the DOD excess property which USAID/Panama allocated to the GOP. This has made USAID/Panama's excess property program susceptible to political influence or favoritism. This is important because the majority of DOD excess property, in terms of dollars, is transferred to GOP organizations. For example, in calendar year 1994, GOP organizations received \$2.6 million of the \$3.6 million in DOD excess property transferred by USAID/Panama.

PROVISION NO. 4

USAID/Panama will not transfer any excess supplies for use or support of police or military purposes. From time to time as he deems necessary, the Ambassador may determine that transfer of any specific DOD excess supplies may be administered by the Embassy or some entity or federal agency other than USAID/Panama. Where the U.S. Ambassador determines that an agency or entity other than USAID shall acquire and distribute DOD nonlethal excess, that agency or entity shall be responsible to assure that all necessary monitoring and reporting will be carried out.

We did not determine whether the U.S. Ambassador authorized another agency or entity to acquire and distribute DOD excess property. However, records and site visits indicated that for at least three items, DOD excess property transferred by USAID/Panama was to be used wholly or partially for police or military type activity. For example, correspondence prepared by the GOP's Controller General showed that the floating barracks donated to the GOP in May 1993, was to be used as government offices including housing the national police and anti-drug agents. Additionally, our site visit found that two boats with a cumulative original acquisition cost of \$300,020 donated to the Province of Colon in September 1993, were in the possession of the provinces' police force. According to the current governor of Colon the boats, once repaired, are expected to be used to patrol the coast of Panama against drug smuggling.

As discussed under Provision No. 5, USAID/Panama officials stated the Mission was against the transfer of the floating barracks. However, USAID/Panama's correspondence file on this case does not contain any documentation to show that USAID/Panama opposed the transfer because it would violate this MOU provision. Rather, a memorandum from the

Mission Director to the Ambassador concerning the floating barracks dated April 7, 1993, the month before the boat was transferred, states that USAID/Panama advised the GOP "that beneficiaries cannot be any organization involved in law enforcement activities with the exception that if it is the police they must be primarily engaged in anti-narcotics efforts (per the change introduced in the FY 1993 legislation)." As a result, USAID/Panama did not ensure that the GOP would not use the floating barracks for police type activity prior to transferring the vessel.

Regarding the boats donated to the Province of Colon, USAID/Panama officials stated that they did not know the boats were going to be used by the police and that this was not the purpose stated by the recipient for using the boats when they were transferred. However, both the former governor of Colon and his assistant stated that the boats were requested specifically and only for the province's police force. In fact, the assistant to the governor, who was present when the boats were transferred, stated that the ceremonial transfer of the boats was delayed because police representatives were late in arriving. The assistant added that he did not understand how USAID/Panama could not have known the boats were requested solely for the use of the provincial police.

PROVISION NO. 5

USAID/Panama will acquire DOD nonlethal excess supplies directly from the DOD or its designated agent. USAID/Panama will only accept transfer of supplies after USAID/Panama or an agent acting on its behalf has identified a qualified recipient, humanitarian relief need, and the fitness of the supplies for the intended purpose.

USAID/Panama complied with part of this provision by acquiring DOD excess property directly from the DOD. However, USAID/Panama (1) accepted transfer of DOD excess property before it identified a qualified recipient or a humanitarian relief need, and (2) transferred unfit DOD excess property to recipients.

As discussed under Provision No. 6, USAID/Panama on some occasions accepted transfer of DOD excess property before identifying a qualified recipient or humanitarian relief need. Also, Provision No. 2 discusses the definition problems with the terms qualified recipient and humanitarian relief.

In regard to transferring excess property which was not usable at the time the property was transferred to recipients, USAID/Panama officials stated that the recipients were aware of the property's condition prior to it being transferred and still wanted the property thinking that they could get good use of the property by making repairs within the three months allotted in the agreements with the recipients. In our site visits to recipients we found 13 items of DOD excess property with a cumulative acquisition cost of \$10.1 million which were not fit (usable) at the time USAID/Panama transferred them to a recipient. Ten of these items were not repaired within the three months allotted in the transfer agreements and are still not usable even though up to two years have elapsed since the transfer. The floating barracks donated in May 1993 was the principle item not usable at the time of transfer and still not usable at the time of our audit. Other examples include:

- a lathe and two other items with a cumulative original acquisition cost of \$92,987, donated in January and May of 1993 to a GOP School of Arts and Crafts;
- two boats with a cumulative original acquisition cost of \$300,020 donated in September 1993 without engines to the government of the Province of Colon;
- two pieces of road construction equipment donated to the Ministry of Public Works in September 1994, with a cumulative original acquisition cost of \$260,109; and
- an x-ray machine with an original acquisition cost of \$62,997 donated in May 1994 to the GOP's Coco Solo Clinic.

Some of the above items clearly were not fit at the time of transfer. For others, we could not determine whether USAID/Panama knew that the items were not fit when transferred because USAID/Panama did not document the condition of DOD excess property prior to transfers to recipients. It did not do so even though it has an employee who screens the DOD excess property and its own policies state that only DOD excess property that is in usable condition or requires minor repair will be acquired for the program.

At the time of our field work, the GOP was trying to sell the floating barracks because the river on which it was to be transported to its intended location is not deep enough to allow passage. In an internal memorandum

to the Mission Director, the Executive Officer concluded that the floating barracks should not be transferred to the GOP. One reason he opposed the transfer was because he felt it would be too costly to put the floating barracks into usable condition. However, the file on this transfer did not contain any documentation to show that USAID/Panama relayed the Executive Officer's conclusion to the U.S. Embassy. Regarding the other cases, he stated that the recipients accepted the DOD excess property with the intention of repairing and using them.

Although the recipients may have accepted the items, transferring unfit DOD excess property, apart from being prohibited by the MOU, raises several problems for USAID/Panama. For example, USAID/Panama is open to criticism for transferring DOD excess property which is never used or which sits idle for months awaiting repair. The floating barracks is a prime example. Also, USAID/Panama could be perceived as dumping unwanted property on Panamanian organizations which cannot afford to repair them.

PROVISION NO. 6

USAID/Panama and the Department of State understand DOD will be responsible for inventory management, quality control, and warehousing of the supplies until transfer. USAID/Panama will transfer all excess supplies in an "as is" condition without reconditioning.

Contrary to this provision, USAID/Panama was warehousing DOD excess property at a GOP warehouse prior to transferring the excess property to recipients. Although the GOP owned the warehouse, USAID/Panama employees worked there receiving the DOD excess property and then transferring it once USAID/Panama found a recipient. Since 1991, the individual hired by USAID/Panama to conduct end-use inspections has essentially worked full-time at the GOP warehouse at a cost of \$88,626 to USAID/Panama. In December 1994, another employee was hired to work full-time at the GOP warehouse.

USAID/Panama officials stated that they had to use the GOP warehouse because a DOD official had said that the Defense Reutilization Marketing Office did not have space to store the excess property being donated through USAID/Panama. Another reason given by these officials, and confirmed by an official at the Defense Reutilization Marketing Office, for using the GOP warehouse was that storing the excess property presented security problems for the DOD. These same officials also stated that

sometimes they do have a recipient in mind when they pick-up DOD excess property and sometimes they do not, and added that there is a big demand for general use DOD excess property which they will obtain without identifying specific recipients beforehand.

We found no instances where USAID/Panama reconditioned DOD excess property prior to distributing the items to recipients.

PROVISION NO. 7

USAID/Panama will not be responsible for incurring or paying any expenses or costs related to the transportation, shipping, packaging, handling, delivery, warehousing, safeguarding or storage of nonlethal DOD excess supplies.

As explained under Provision No. 6, USAID/Panama was incurring these types of costs because, since the inception of the program, its employees have worked at the GOP warehouse receiving and distributing DOD excess property.

The Executive Officer did not agree that USAID/Panama was engaged in these types of activities because the warehouse belonged to the GOP. Regarding the cost of the two USAID/Panama employees who spent most of their time at the GOP warehouse, the Executive Officer stated that the issue was moot because the GOP is setting up a trust fund to pay the salaries and other associated costs of these employees as well as the other two foreign service nationals employed by USAID/Panama to work on the excess property program.

Although a Trust Account Agreement was signed in August 1994 between USAID/Panama and the GOP, the trust fund had not been setup at the time of our field work. Further, the trust fund of \$600,000 will not be limited to paying for the costs of the excess property program. Consequently, there is no assurance that the trust fund will be used to cover all operating expenses of USAID/Panama's excess property program.

PROVISION NO. 8

The Department of State is required to file an annual report to Congress on the DOD excess supplies program to include all transfers made during the previous calendar year. All necessary information (up to transfer to USAID/Panama) required for this report will be obtained by the Department of State from DOD.

This provision does not pertain to USAID/Panama.

PROVISIONS NOS. 9 AND 10

USAID/Panama will monitor the transferred supplies as follows: (a) for expendable property, a determination will be made that the supplies were in fact delivered to the recipient entity for specific or immediate needs; and (b) for nonexpendable property, USAID/Panama will administer and carry out an end-use audit program to ensure equipment is used for its intended purpose and to determine that it is still in useable or operable condition. USAID/Panama, at its option, may verify end-use by random inspections, site visits, or audits of transferred nonexpendable excess supplies. USAID/Panama will not supervise end-use by recipient entities of nonlethal DOD expendable excess supplies.

For both expendable and nonexpendable DOD excess property, USAID/Panama used transfer forms signed by recipients to prove actual delivery. However, USAID/Panama did not have an effective system to monitor the excess property to ensure it was used for intended purposes.

We could not readily determine how many end-use inspections USAID/Panama conducted in calendar years 1993 and 1994 because of inaccurate reports and a lack of supporting documentation. For example, USAID/Panama's Recipient Inspection Report dated April 8, 1994, reported that it had performed end-use inspections in eight provinces of 101 of the 445 recipients which received DOD excess property in calendar year 1993. However, site inspection reports and travel vouchers indicated that only 26 recipients located in three provinces were inspected. The Recipient Inspection Report for calendar year 1994 dated January 23, 1995, reported end-use inspections in six provinces of 81 of the 283 recipients which received DOD excess property. Included in the Recipient Inspection Report were end-use inspections of nine recipients located in three provinces. However, there was no site inspection report for these end-use inspections. The employee who prepared the Recipient Inspection Reports for both years confirmed that he had not inspected the nine recipients. In addition, the Recipient Inspection Reports were inaccurate because the employee did not include end-use inspections conducted in the current year of recipients who had received excess property in prior years but not in the current year.

In addition to not being able to readily determine the number of end-use inspections conducted by USAID/Panama, we could not determine which

DOD excess property was inspected. For example, site inspection reports showed which recipients were inspected but did not identify which excess property was inspected. Consequently, not only could we not determine the number of end-use inspections, we could not determine whether the end-use inspections covered an adequate number of excess property items.

The employee who prepared the Recipient Inspection Reports did not have a logical explanation for reporting he had conducted end-use inspections of recipients which he did not actually visit nor could he explain the lack of support for the balance of 75 end-use inspections claimed to have been made in calendar year 1993. Further, the Executive Officer stated he was not aware of the employee's reporting methods nor could he explain the lack of support for the 75 end-use inspections. Additionally, USAID/Panama had no policies and procedures governing end-use inspections such as written instructions describing what documentation to keep in support of end-use inspections or detailing how to properly report the results of such inspections.

In addition to inaccurate and unsupported reports and a lack of policies and procedures, we believe USAID/Panama's end-use audit program was affected because the employee hired to be the end-use inspector has worked essentially full-time at the GOP warehouse since he began in 1991. For example, based on available records, the end-use inspector spent only 19 days in calendar year 1994 and only six days in calendar year 1993 conducting end-use inspections.

Further, USAID/Panama's end-use audit program did not consider risk in determining which recipients to inspect. Rather, USAID/Panama would select a province and inspect a number of recipients that were located in the same vicinity. USAID/Panama did not give priority to the largest recipients of DOD excess property nor the type of DOD excess property. For example, of the 14 largest recipients which received more than \$50,000 in DOD excess property in calendar year 1993, only three have since been inspected according to available site inspection reports. USAID/Panama did not consider the type of DOD excess property in deciding which recipients to inspect. For example, vehicles and boats would seem more susceptible to misuse. However, the Controller General, which has a number of vehicles, has never been inspected according to the end-use inspector. Another example is the two boats given to the government of Colon in September 1993, which were never inspected even though the end-use inspector was in the area in July 1994.

STATUS OF PROPERTY REVIEWED								
ITEM	DATE OF DONATION	ORIGINAL ACQUISITION COST (\$)	RECIPIENT	UNUSABLE AT TRANSFER	CURRENT STATUS		NOT HUMANITARIAN RELIEF	STORED IN WAREHOUSE
					USABLE	NOT USABLE		
Ford truck	2/24/94	\$26,850	MOP		X		X	
Truck tractor	4/25/94	48,358	MOP		X		X (1)	
Tractor crawler US 3217	9/30/94	125,099	MOP	X		X	X (1)	
Tractor crawler PCC 1761	9/30/94	135,010	MOP	X		X	X (1)	
Forklift	5/26/93	79,497	MOP		X		X (1)	
Tractor fare mower	12/20/94	12,201	MOP		X		X (1)	
Crane hydraulic	12/20/94	65,582	MOP	X		X	X (1)	
Lathe	1/19/93	70,000	MOP		X		X	
Truck tractor	10/8/93	27,000	MOP		X		X (1)	
Ford truck	8/2/93	34,855	MOP			X	X (1)	
Launch "Dorado"	9/30/94	157,037	Aut. Port. Nal.	X	X		X	
Launch "Comorant"	11/30/94	164,749	Aut. Port. Nal.	X		X	X	
Stove/gas	5/25/94	500	Hogar Bolivar			X		X
Washer/Dryer	5/25/94	875	Hogar Bolivar			X		X
2 Utility carts	5/25/94	250	Hogar Bolivar		X			X
Night table	5/25/94	125	Hogar Bolivar		X			X
8 Dining chairs	5/25/94	800	Hogar Bolivar		X			X
2 Dressers	5/25/94	500	Hogar Bolivar		X			X
Launch "Hawk"	9/13/93	163,750	Gob. de Colon	X		X	X	
Launch "Orea"	9/13/93	136,270	Gob. de Colon	X		X	X	
Lathe	1/19/93	80,000	Esc. Artes y Oficios	X		X		
Milling machine	5/13/93	8,487	Esc. Artes y Oficios	X		X		
Shaper	5/13/93	4,500	Esc. Artes y Oficios	X		X		
Vacuum cleaner	3/23/94	70	Hogares Crea		X			
2 Rugs	3/23/94	358	Hogares Crea		X			
Ford van truck	11/18/93	31,810	Contralori a Gral.		X			
Ford van truck	11/18/93	31,810	Contralori a Gral.		X			
Dodge van	7/22/94	14,000	Contralori a Gral.		X		X	

STATUS OF PROPERTY REVIEWED								
ITEM	DATE OF DONATION	ORIGINAL ACQUISITION COST (\$)	RECIPIENT	UNUSABLE AT TRANSFER	CURRENT STATUS		NOT HUMANITARIAN RELIEF	STORED IN WAREHOUSE
					USABLE	NOT USABLE		
Corseca Sedan	12/1/94	10,778	Contraloría Gral.		X		X	
Chevrolet Celebrity	12/1/94	8,708	Contraloría Gral.		X			
Ford Taurus	12/19/93	15,880	Contraloría Gral.		X			
Floating barracks	5/6/93	9,000,000	Min. Gob. y Justicia	X		X	X	
4 Nursing carts	8/20/93	600	Hogar Sta. Luisa		X			
3 Rotating chairs	9/24/93	270	Club de Ciegos		X			
2 Refrigerators	9/24/93	250	Club de Ciegos		X		X (2)	
Chevrolet Suburban	1/6/94	16,324	Union Nal de Ciegos		X			
Tractor	6/6/94	19,403	Coco Solo Hospital		X			
Ambulance	5/27/94	43,618	Coco Solo Hospital		X			
Camera	5/27/94	939	Coco Solo Hospital		X			
Blood cell counter	5/27/94	15,328	Coco Solo Hospital	X		X		
Blood cell counter	5/27/94	16,751	Coco Solo Hospital		X			
Centrifuge	5/27/94	10,421	Coco Solo Hospital			X		
Water Demineralizer	5/27/94	6,568	Coco Solo Hospital		X			
Microscope	5/27/94	1,618	Coco Solo Hospital		X			
Microscope	5/27/94	2,691	Coco Solo Hospital		X			
Microscope	5/27/94	2,050	Coco Solo Hospital			X		
Microscope	5/27/94	2,691	Coco Solo Hospital		X			
X ray proc. unit	5/27/94	7,313	Coco Solo Hospital		X			
X ray machine	5/27/94	62,997	Coco Solo Hospital	X		X		
X ray machine	5/27/94	71,880	Coco Solo Hospital		X			
TOTALS	66	\$10,737,421		13	49	17	18	15

NOTES:

- (1) An official for the Ministry of Public Works (MOP) stated that DOD excess property is not permanently assigned to specific road projects but used to fulfill the agency's responsibilities for road construction and repairs throughout Panama. The DOD excess property housed at Curundu is used for road projects in and around Panama City and the province of Panama. The Executive Officer stated that if we did not consider the Controller General and National Port of Authority to be engaged in humanitarian relief then the MOP's use of DOD excess property could also be questioned as not being humanitarian relief. He offered no documentation to show that the MOP used DOD excess property for specific humanitarian relief projects.
- (2) Represents the refrigerator kept at home by the Director of the Home for the Blind.