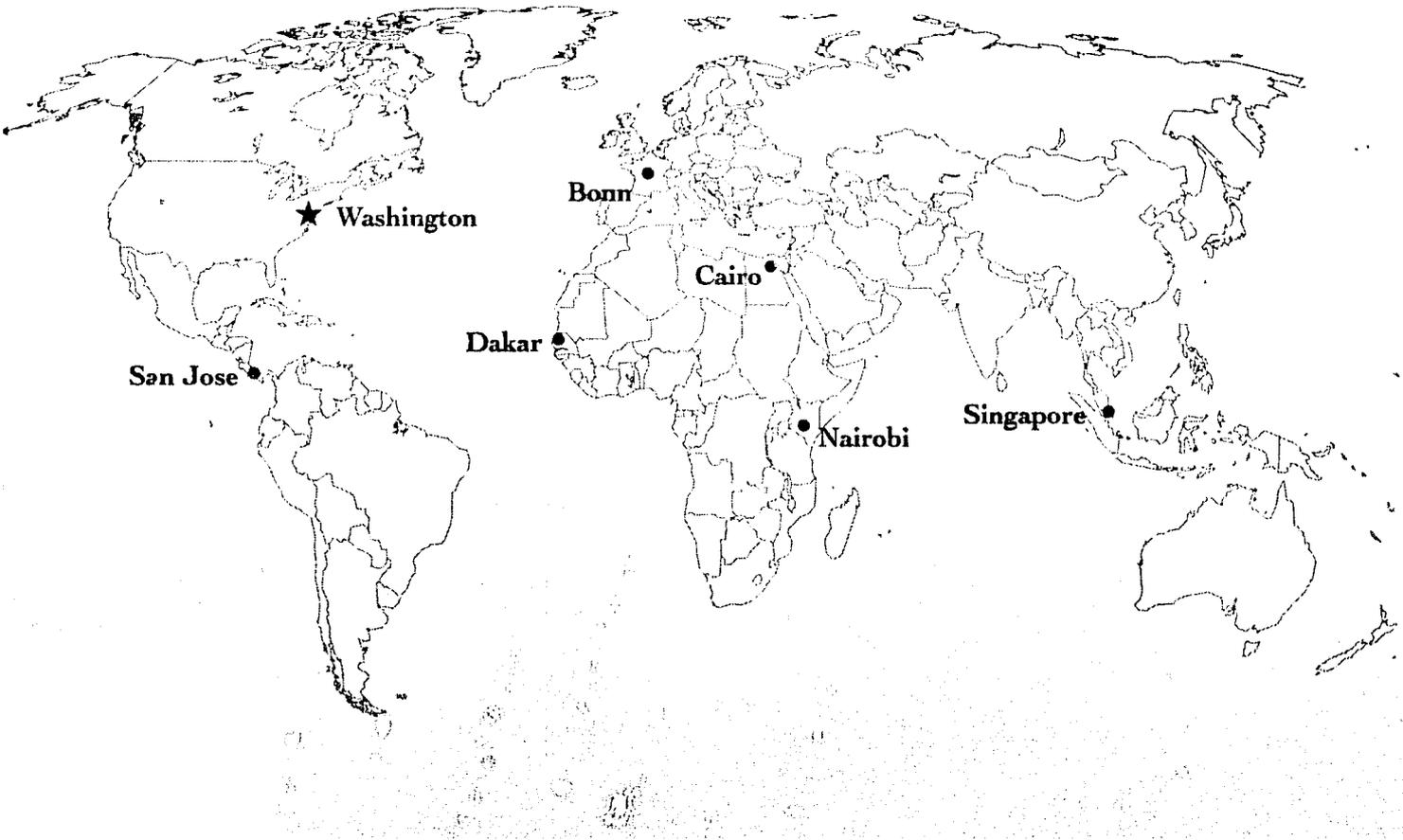


**Regional Inspector General for Audit
Singapore**

**AUDIT OF THE CLOSE-OUT OF
USAID/PAKISTAN & AFGHANISTAN**

**Audit Report No. 5-391-95-012
June 20, 1995**





U.S. AGENCY FOR
INTERNATIONAL
DEVELOPMENT

June 20, 1995

MEMORANDUM

TO: John S. Blackton, Mission Director
USAID/Pakistan & Afghanistan

FROM: Richard C. Thabet, RIG/A/Singapore *Richard C. Thabet*

SUBJECT: Audit of the Close-out of USAID/Pakistan & Afghanistan

Attached is a copy of the subject report.

This report reflects the Mission's official comments. Due to the fact that the Mission was in the final stages of closure, we did not address any official recommendations to you, and therefore, this report does not require the usual thirty-day response outlining actions to be taken in response to the recommendations. However, if you, or the Asia and Near East Bureau should have any additional comments on the substance or utility of the report, we would be pleased to have the benefit of your views.

If you or your staff should have any questions or would like any additional information, please contact our office. I appreciate the cooperation and courtesies extended to my staff during the audit.

Attachment:a/s

EXECUTIVE SUMMARY

The Office of the Regional Inspector General for Audit, Singapore audited the close-out of USAID/Pakistan & Afghanistan to determine whether: the management of the Mission closure was in accordance with USAID policies, procedures and the Mission's Close-out Plan; non-expendable property and equipment were disposed of and whether assistance projects, contracts and other agreements were effectively closed out.

We found that USAID/Pakistan and Afghanistan managed the closure of both programs in accordance with the applicable guidance, generally ensured that proper policies and procedures were followed with regard to non-expendable property, and closed out assistance projects and related agreements in accordance with USAID procedures and regulations. In the case of the contractor-managed non-expendable property, we were unable to conclude that accountability was adequate, given the absence of required inventory reports.

Since the Mission is scheduled to close in June, we did not address any recommendations to the Mission. We have, however, included suggestions and "lessons learned" within the report as a guide for other closing or down-sizing Missions. For example, we suggest that other missions consider:

- the use of specialized tools, such as a wind-down staffing pattern, close-out working group and close-out status report to provide management with key information during the wind-down process;
- issuance of a set of formalized procedures for contractor demobilization;
- obtaining host country compliance with programming and reporting requirements for the local currency funds well in advance of mission closure;
- requiring all contractors to submit the annual inventory reports on contractor-managed non-expendable property at least six months prior to the contract completion date.
- requesting designation of a follow-on accounting station and location for contracting authority for residual matters well before the last quarter of the Mission's existence.

In responding to a draft of this report, USAID/Pakistan's officials concurred with the report's contents and findings, and made effective use of the interim findings of the audit team as they completed the final stages of the close-out. The Mission also expressed its appreciation for the professional, systematic and constructive role which RIG/A/S played in the closeout process. The complete text of the Mission's comments to our draft report is provided in Appendix II.

Office of the Inspector General

Office of the Inspector General
June 20, 1995

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INTRODUCTION

Audit Objectives

The Office of the Regional Inspector General for Audit, Singapore audited USAID/Pakistan & Afghanistan's management of the Mission close-out to answer the following objectives:

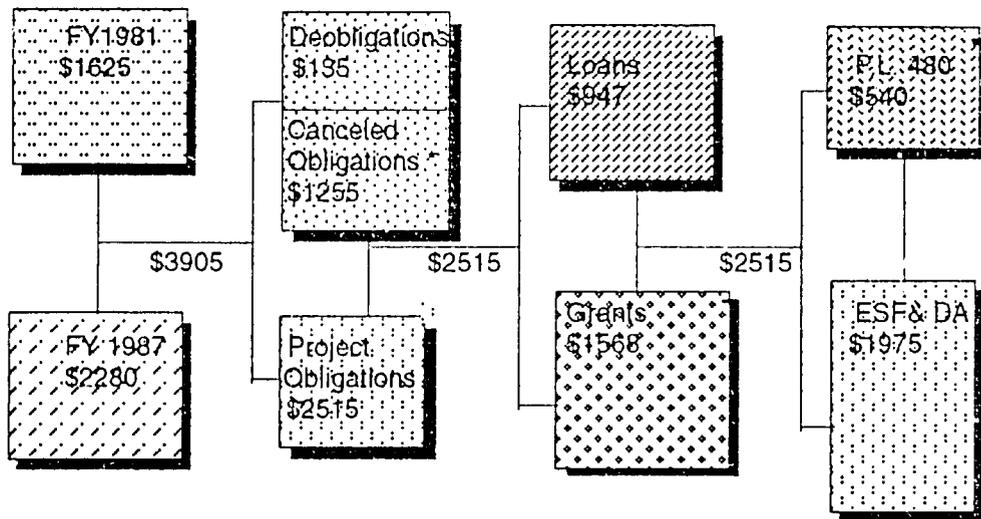
- **Is USAID/Pakistan & Afghanistan's management of the Mission closure in accordance with USAID policies, procedures, U.S. Government regulations and the Mission's Close-out Plan?**
- **Did USAID/Pakistan & Afghanistan dispose of non-expendable property and equipment in accordance with applicable USAID policies, procedures and U.S. Government regulations?**
- **Did USAID/Pakistan & Afghanistan close out assistance projects, contracts and other agreements in accordance with USAID policies, procedures and U.S. Government regulations?**

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

Background

The United States' economic assistance program in Pakistan has been one of the largest in the USAID's worldwide program. In FY 1981, an economic assistance package amounting to \$1.625 billion was authorized, followed by a second package of \$2.280 billion in FY 1987. However, due to U.S. concerns over the possible development of a Pakistani nuclear weapons capability, the U.S. Congress adopted legislation in FY 1991, commonly referred to as the Pressler Amendment, which greatly curtailed the level of assistance, and called for the phase-out of the assistance program altogether. With the imposition of the Pressler Amendment, only \$2.515 billion of the total \$3.905 billion authorized was actually obligated by the Mission. The following chart shows the composition of the U.S. economic assistance program in Pakistan.

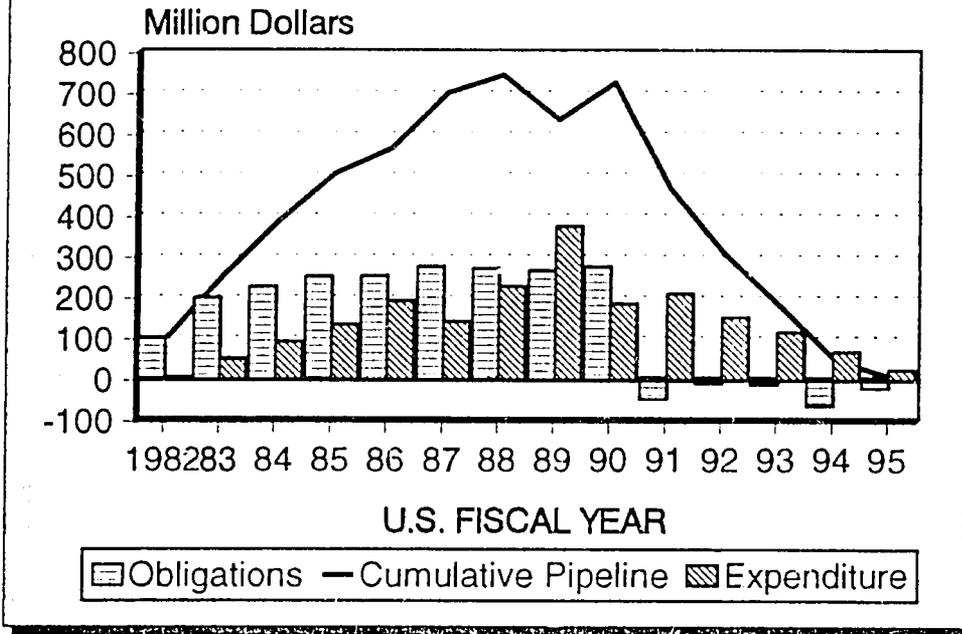
U.S. Economic Assistance For Pakistan FY 1981 to 1994



**Planned obligations canceled due to Pressler restrictions
 ESF: Economic Support Fund
 DA: Direct Assistance
 PL 480: Food Program
 All amounts in million of dollars*

Since October 1990, there have been no new obligations, although the Mission did have the authority to deobligate and reobligate funds within its portfolio through May 1991. Events in neighboring Afghanistan led to a draw-down of that program in July 1993. The ability of the Mission to "deob-reob" was withdrawn in 1991, and pursuant to the FY 1994 Foreign Operations Appropriation legislation, the U.S. Department of State also mandated the rescission of \$56.2 million for Pakistan and \$9 million for the Afghanistan program. By the end of FY 1994, the pipeline had shrunk to the level of \$43 million for Pakistan and \$4 million for Afghanistan. The following bar chart illustrates the wind-up of the Pakistan Mission's project assistance portfolio.

PAKISTAN PROGRAM ANNUAL FINANCIAL PROFILE



The Mission staff has been reduced from 589 employees in 1990, to 450 in September 1993, and to 155 by December 1994. At the time of our audit in February 1995, only five U.S. Direct Hire officers and 105 FSNs remained on board. This reduction in size was an enormous undertaking, and may have been the largest single reduction, with the obvious exception of Vietnam. While there was ample time to prepare for the closing, the sheer size of the program posed a substantive challenge to USAID's management, and resulted in a RIG/A/S decision to include a review of the close-down process as part of its FY 1995 audit plan.

The Mission has been responsible for 27 projects under the Pakistan programs and 11 projects under the Afghan program with total life of project funds of \$2 billion and \$360 million respectively. As of December 31, 1994, all but two projects (one Pakistani and one Afghan) are completed and in process of being closed out.

Mission management is using a variety of means to oversee and control the close-out process. A close-out plan was developed and close-out guidance was

provided to the Mission staff through the issuance of directives and a close-out manual. The Mission has reorganized offices as down-sizing of the Mission has occurred. The technical offices were reorganized to focus on project close-out, and as projects approached completion they were monitored and the wind-up process tracked and reported on. Mission staff have been assigned broadened responsibilities across sector portfolios. Contractor demobilization has been performed using appropriate documentation and checklists. End-use checks of USAID's non-expendable property and equipment have been ongoing to improve accountability over the disposition of property. Regular status reports on the close-out are also reviewed by Mission offices for action.

The audit team initiated the audit in late November and completed its final field trip in February 1995. Since the Mission is scheduled to close in June 1995, we will not be addressing any recommendations to them. However, we see our review as providing some useful "lessons learned" for other USAID Missions, particularly during a time when several others are scheduled for closure elsewhere in the world, and further closures are considered extremely likely. While few if any of these Missions will be of comparable size, and none are likely to have had the advantage of as much advance warning of closure, we believe that there are many useful tools and techniques developed by USAID/Pakistan and Afghanistan, that could be usefully applied in other reduction or close-out scenarios.

REPORT OF AUDIT FINDINGS

Is USAID/Pakistan and Afghanistan's Management of the Mission Closure in Accordance with USAID Policies, Procedures, U.S. Government Regulations and the Mission's Close-out Plan?

USAID/Pakistan & Afghanistan managed the Mission's closure in accordance with existing guidance and its approved close-out plan. Since no large repository of information relating to the closure of a Mission was available, USAID/Pakistan and Afghanistan developed various initiatives which enabled it to better control the closure process. For example, close-out guidance was provided to Mission staff through directives and a close-out manual. Other missions facing closure would be well advised to adopt the various initiatives USAID/Pakistan and Afghanistan developed, and thus profit from the experience of this Mission's closure.

Criteria for Closing a USAID Mission

USAID Handbook 23, Chapter 13, entitled "Closing a USAID Mission", establishes procedures and responsibilities for closing a mission. Missions are required to prepare an operation plan for closing out the USAID mission. They are also responsible for retaining sufficient and suitable staff members and delegating authority and assignment of specific responsibility to each to carry to completion the required closeout actions (in accordance with the plan and time schedule). A Mission's closure requires closing-out of personnel activities, financial management activities (including the transfer of any residual responsibilities), and procurement activities. The USAID's guidance also addresses the disposition of personal property and terminating leases for real property. (Disposition of operating expense-, project- and trust-funded personal property is reviewed under Objective No. two, page 15). All leases for real property must be terminated, but the terminations must be coordinated with the scheduled departures of employees in order to provide facilities for as long as the need exists. Reports on the progress of the close-out action must also be submitted to the geographic bureau's Assistant Administrator.

Because of the unprecedented number of Missions closing (21 Missions in three years), USAID/W issued several worldwide cables disseminating closure guidance. Specifically, State 380556, dated December 20, 1993 and State 003579, dated January 6, 1994, provided general guidance related to program and operational close out plans and other information. State 192675, dated July 1994, established a reporting procedure to address any difficulties which might impede an orderly and timely close out process. This cable also emphasized the importance of communication and information exchange between field missions and USAID/Washington coordination staff to ensure the success of this complex undertaking.

In addition, a USAID/Washington memorandum dated January 6, 1994 entitled Mission Close Out procedures, provided checklists identifying three areas (personnel, financial management and procurement) that must be taken into account in closing down a Mission. These checklists were not intended to be definitive guidance, but a first attempt at some of the most obvious issues.

Closure of the USAID/Pakistan & Afghanistan Mission is in Accordance with Appropriate Guidance and Closeout Plan.

In accordance with Handbook 23, Chapter 13 guidance, USAID/Pakistan and Afghanistan submitted a Close-Out Plan which was approved by the Assistant Administrator on March 17, 1994. The close-out of the Mission's portfolio has progressed smoothly and has been focused on completing projects' activities by the project completion dates (See Objective three). The Mission's schedule for reducing personnel is proceeding as planned, with the Mission continually refining the downsizing of Foreign Service National (FSN) personnel. The last major exodus of staff, both Americans and host country nationals, will take place during April, May and June 1995. A residual staff of two FSNs will remain to complete the remaining administrative close-out activities. During this two to three month period, USAID will use Embassy space and receive support from the Embassy. At the time of our audit, a formal agreement for this arrangement was being worked out by both agencies.

Disposition of Leased Real Property: The USAID Mission does not own any real property in Pakistan. The Mission building (see photo below) and the warehouse building were provided by the Government of Pakistan to the Mission on a long-term lease arrangement. These facilities are being transferred back on or about June 15, 1995. Residential and staff houses leased from private landlords are terminated as USAID's need for them ceases. Lease agreements require properties to be returned to landlords in the same

condition as when rented, except for normal wear and tear. Because the General Services Officer's (GSO) staff no longer has sufficient personnel to accomplish restoration of leased properties, such costs are negotiated with the landlord. To ensure that the negotiated amounts are reasonable, the GSO implemented a process to calculate restoration estimates. Upon the vacancy of a property, GSO's personnel visits the premises and identify the restoration required.



The USAID Mission Office Building in Islamabad Which Was Leased From the Government of Pakistan, and Will be Returned to Them When the Mission Closes Down in June 1995
Source: USAID/Pakistan & Afghanistan, February 1995

After determining the restoration needed, two estimates are calculated. The first is based on using local labor to do the work, and the second estimate is calculated on what it would cost using USAID in-house staff. These estimates are then used to negotiate restoration costs with landlords. As a result, the Mission has in almost every case been able to negotiate restoration costs which are considered reasonable, and which are below what it would cost to restore the premises with USAID's staff.

Disposition of USAID's Non-expendable property has been processed in accordance with USAID's guidance and the close-out plan. The USAID Mission's non-expendable Operating expense property is classified into two main categories: (1) Trust funded, and (2) USAID owned. The Trust funded non-expendable property was purchased over time with Pakistani rupees made available by the Government of Pakistan to the USAID Mission. USAID owned non-expendable property was purchased with operating expense (OE) funds. All USAID owned vehicles were purchased with USAID OE dollar funds. The automated data processing equipment was purchased with both operating expense and trust funds. In accordance with USAID guidance the Mission disposed of trust fund property by turning such property over to the host government or by sale, with the proceeds deposited into the trust fund account. The OE dollar procured non-expendable property which is in good or new condition, was periodically offered to other USAID missions at no cost other than the cost of packing, crating, handling and transportation. Since the beginning of the close-out program, the Mission has provided new household equipment to New Delhi, Dhaka, Manila, and the Newly Independent States.

Non-Expendable property (NXP) in residences presently occupied by U.S. employees, is picked up and transported to the USAID's warehouse as residences are vacated. Residential furniture was locally procured with Trust Funds, and residential equipment was procured offshore with OE dollar funds. These items of non-expendable property and vehicles were sold at auctions which were conducted monthly. These sales will continue until stocks are depleted by the close-out.

Closure of the Mission's Project Portfolio

One Mission official stated that "USAID isn't known for closing projects". Therefore, there are no "experts" in this area. It is apparent, given the numerous inquiries USAID/Pakistan and Afghanistan has fielded from other missions, that a need exists to provide more information on managing Mission closures. Lessons learned by this Mission can prove useful to other USAID entities responsible for Mission closures.

USAID/Pakistan and Afghanistan dedicated considerable effort to ensure the Mission closure is conducted in an orderly and proper manner (in accordance with appropriate guidance). Mission management recognized that as staff reduction occurs, flexibility in performing work and increased communications between offices must become more prevalent. For example, in the project office, a streamlined organizational structure was created, giving some key people broad responsibilities over various projects to ensure that residual staff have sufficient knowledge of each of the project activities to handle residual

actions. Such a strategy has been viewed by some Mission personnel as key to the successful continued closure of the Mission's project portfolio.

However, existing USAID/Washington guidance was primarily focused on closure of **administrative and support functions**. For example, USAID/Washington provided a checklist for closeouts with the following sections:

- Personnel;
- Financial management;
- Procurement and supply;
- Personal property;
- Real property;
- Records management;
- Participant training; and
- Notes for missions without an Executive Officer.

As can be seen, little attention was given to closing the project portfolio i.e., the orderly reduction of development activities. However, USAID/Pakistan & Afghanistan independently developed various tools to manage the closure of the Mission and its project portfolio. **Six of the initiatives** lend themselves to being of great utility to other Missions facing closure, and are:

- Establishment of the wind-down staffing pattern;
- Close-out Manual;
- Close-out Directives;
- Establishment of a close-out working group;
- Development of a close-out status report; and
- Formalized procedures for contractor demobilization.

Our review of these documents and procedures led us to conclude that they were effectively utilized by USAID/Pakistan. We would like to discuss each of these tools briefly.

Wind-down Staffing Pattern: The Mission's personnel office compiled and periodically issued a staffing pattern which reported on the remaining employees planned departure dates. The months remaining until July 1995 closure were shown as headings, with the employees listed under the month of their departure. When employees left earlier than planned, or when the amount of work was greater than or less than that projected, office chiefs used the wind-down staffing pattern in making revisions to ensure that sufficient and adequate staff remained on board.

Close-Out Manual: In February 1993 the Mission developed a close-out manual (See attachment 1 for table of contents). The manual provided Mission staff in all offices with a ready reference for implementation issues related to close-out and assisted the Mission staff in better planning necessary to reserve declining Mission resources for important implementation problems arising from close-out.

Close-Out Directives: As questions and issues arose, the Mission issued close-out directives to provide additional guidance to Mission staff on significant areas.

Close-Out Working Group: A working group was established in 1993 to provide for better coordination of close-out actions within the Mission. It was originally staffed with members from the Office of Development Resources and Portfolio Operations. As an example of one of the many adjustments in managing the Mission closure, in November, 1994, the Mission's close-out working group was re-staffed with members from each of the Mission's offices. The close-out working group is headed by the chief of the Office of Portfolio Operations and draws upon members with broad knowledge of their respective offices operations, who thus are able to present their office's perspective. The working group is primarily responsible for resolution of close-out issues and problems, and is also responsible for issuing the close-out status report discussed in the next section. The Head of the close-out working group attends the weekly Management Group meetings and reports the results to the Mission Director. This committee has been a key mechanism by which the Mission Director has ensured that day to day closure issues are addressed, and given the needed attention.

Close-Out Status Report: The close-out status report was developed to manage the closure of the Mission's project portfolio. The checklist that USAID/Washington provide to the Missions focuses on the administrative and

financial operations (support functions), with little thought given to how the entire project portfolio should be brought to a closure.

The close-out status report (See Attachment II) is generally issued bi-monthly and reports on the actual status of the project portfolio close-out. Major information categories reported for each project are (1) contract closure, (2) equipment disposition and end-use check status, (3) financial closure, (4) disposition of project records, and (5) End of Project completion report. Projects which fall into certain thresholds are "flagged" for special attention. In November, 1994 the close-out status report was expanded to include information on the status of contractor disposition of household equipment and furniture, and the disposition of project vehicles. Due dates for outstanding actions were also incorporated into the report to enable managers to monitor the timely completion of various tasks.

The working group also issues a second close-out status report showing only the remaining action necessary for closure. This report is reviewed by the Mission Director and allows him to relate the remaining activity necessary for closure of the Mission's project portfolio to the size of the remaining staff. Mission personnel feel this status report has been very useful and recommend it to other Missions facing closure.

Guidelines for Contractor Demobilization: USAID/Pakistan & Afghanistan had a significant number of contractors and private voluntary organizations (PVOs) providing technical assistance under the various projects. Therefore, the Mission determined that a comprehensive plan was required for these organizations that would track their activities during the six to nine months prior to their completion of work (see objective three, page 33).

In summary, the USAID/Pakistan & Afghanistan closure has been managed in accordance with existing guidance and the Mission's close-out plan. Furthermore, the Mission has enhanced its management of the close-out and its project portfolio by using the various initiatives cited above. Our review of the procedures showed that the process allowed a remarkable degree of flexibility and self-criticism (see objective Three on page 37). Other Missions facing closure would be well advised to adopt similar initiatives and thus profit from the experience of this Mission's closure.

Two other areas relating to the close-out process merit special mention.

Responsibility for Mission's Monitoring of Local Currency Funds

There were several local currency funds with substantial balances as of December 1994, and in some cases the Mission had not been receiving the information specified in the various related agreements as necessary to monitor the accounts. As of January 18, 1995, there were over \$42 million in rupees that remained unprogrammed, and over \$202 million rupees for which the required expenditure reports had not been received at the time of our audit. Subsequent to the completion of our fieldwork, the Mission has obtained two more expenditure reports accounting for \$149.69 million in rupees.

At one point, the Mission considered requesting that the U.S. Embassy assume residual responsibility for oversight of these accounts. Instead, the Mission drafted a cable requesting USAID/Washington to provide a waiver from reporting requirements for the local currency accounts. In the interim, the Mission director visited USAID/Washington and discussed the issue of local currency. In March, 1995 the Mission sent USAID/Washington a cable announcing that the monitoring of local currencies would cease with the Mission's closure. We note that the Mission is continuing its efforts to obtain expenditure reports from the host government, and has received two additional expenditure reports since the completion of our field work. However, local currency generations will continue to accrue, and in view of the Mission's unilateral decision not to transfer monitoring of local currency responsibility to another entity, we question whether expenditure reports will be prepared by the host government after the Mission's closure.

To put the problem in perspective, it should be noted that while the remaining amount of unprogrammed funds is over \$48 million, that this is a relatively small percentage (6%) of the total of \$694 million in rupees generated by the four P.L. 480, two C.I.P. programs, and one sector support grant since 1982. The failure of the Government of Pakistan (GOP) to report expenditures for the P.L-480 Agreements for 1988 and 1990 account for most of the unreported expenditure, the unequivocal signal of the impending Mission closure received by GOP provided no binding accountability. This delay, and failure to report on such expenditures is not a unique problem limited to USAID/Pakistan. The Mission also maintains that the P.L.-480 funds have already been spent. Therefore, all that is required is information on the attribution of these funds from the GOP following which a book adjustment can be made.

We did not include a detailed review necessary to make a definitive recommendation with regard to each of these seven local currency funds in the scope of our work. We are concerned however, with the apparent decision not

to transfer continuing responsibility for the accountability for these funds. We had suggested that the Mission make renewed attempts to reach an agreement concerning residual monitoring responsibilities with the Bureau and the GOP. Subsequently, the Mission has obtained addition expenditure reports and expect they will be able to obtain expenditure reports for all accounts except the local currency that are still being generated.

Since the Mission is closing, we report the difficulties in obtaining host government expenditure information on local currency funds for terminating projects as another "lesson learned" for other Missions. If a Mission does have the advantage of advance notice of a closure decision, we strongly suggest it should expedite attempts to obtain programming of all unprogrammed funds, and obtain required expenditure reports well in advance prior to the closure announcement. It would also be advisable for such missions to reach agreement with their respective Bureaus and the host government on whatever residual monitoring responsibility is deemed necessary.

Mission's Efforts to Assist Terminated Employees

USAID Handbook 23, Section 13F3b requires that to the maximum extent possible, USAID will assist its soon-to-be terminated employees to secure new employment, as well as assure that their termination be in accordance with USAID Handbook 31 and the approved local compensation plan.

We reviewed Mission actions in this regard, and found that the management had taken several steps to assist their FSN employees in this respect. The Mission Executive Officer had visited five of the largest foreign embassies in Islamabad and explained the high caliber of the employees currently employed at the Mission. As a direct result of these visits, several calls and contacts ensued. At one embassy, three former FSNs have already been employed, and interviews are scheduled for several others. Other U.S. Direct Hire (USDH) employees report having written several recommendation letters for their local staff.

The termination of the local employees was carried out in accordance with the approved local compensation plan. The Mission's severance benefits plan was revised following a post survey by the FSN Personnel Section, Department of State (PER/FSN). This compensation plan has been the subject of a separate RIG/A/Singapore review and AIG/A memorandum, and so will not be repeated here.

A final issue we want to bring up is the timing of the designation of offices to which the mission's accounting and contracting functions would be transferred

to. It was not until January, for the contracting function, and February for the accounting function that the Agency specified the offices to be responsible for these residual activities. While the mission minimized the problem, stating that ample time remained for coordination of the relatively few matters that remained, we still believe that a more timely decision would benefit the offices inheriting the additional workload.

Management Comments and Our Evaluation

The Mission Director fully concurred with the draft report. He agreed with the draft report's assessment that Agency guidance was absent or inadequate in many areas pertaining to close-out. He further concurred that many of the procedures, rules, systems and controls discussed in this objective which the mission devised due to the absence of Agency guidance were suitable to wider application in other missions.

The Mission Director categorized the role played by RIG/A/Singapore personnel as being "professional, systematic and constructive". Although formal recommendations were not made because of the late stage of the closure, the mission was very responsive where timely action could still be made to alleviate vulnerabilities. For example, at one time the mission was actively considering obtaining a waiver to cease accounting and reporting on local currency after mission closure. However, because of the auditors' concerns on this issue, USAID/Pakistan & Afghanistan officials revitalized their monitoring efforts and obtained additional reports from the host government. We also note that procedures for complete resolution are now in place, as the ANE Bureau in Washington will manage this process after closure.

Did USAID/Pakistan & Afghanistan Dispose of Non-expendable Property and Equipment in Accordance with Applicable USAID Policies, Procedures and U.S. Government Regulations?

USAID/Pakistan & Afghanistan generally followed USAID policies and procedures to ensure that non-expendable property and equipment was disposed of in accordance with applicable USAID policies, procedures and U.S. Government regulations. However, in the case of contractor-managed NXP, due to the absence of inventory reports, we do not believe that accountability for the disposition of non-expendable property and equipment was adequate. In the case of the Afghan Commodity Export Program, records which would have allowed us to make a determination on the accountability of NXP were no longer at the mission.

The policies and procedures which we reviewed and which USAID carried out successfully included: (1) seeking approval from the Assistant Administrator for the Asia Near East Bureau to donate the Afghanistan program-funded property to U.N. Agencies and PVOs, (2) conducting auctions of Dollar and Trust-funded OE non-expendable property and depositing the proceeds in the appropriate accounts, (3) conducting end-use checks of non-expendable property and equipment under the USAID/Pakistan's Commodity Import Program and (4) incorporating the appropriate contract clauses in contracts and turning over property in the custody of contractors to the Government of Pakistan at the end of the contracts.

The audit universe for NXP and equipment under the Afghanistan program and USAID/Pakistan as of December 31, 1994 comprised mainly of equipment imported under the USAID/Pakistan's Commodity Import Program. This program, which covered three projects, amounted to \$636.55 million in commodities and equipment. In addition, commodities and equipment were also separately procured as inputs for the other projects. Under the Afghan Program, \$10.77 million in commodities were procured by a USAID contractor (a U.S. based logistics and technical assistance contractor) and exported to Afghanistan. We reviewed the Mission's records on the end-use checks of the equipment imported and used under the relevant projects. Since the Mission's records showed that these checks have been substantially performed and the results were satisfactory, we limited our audit work in this area. Our audit therefore focussed on the disposition of equipment and non-expendable property that was still under Mission's responsibility. We also reviewed records to determine if project funded and contractor managed equipment and NXP was properly disposed of. The following table summarizes the values of the respective categories of equipment in our audit universe:

CATEGORY	AFGHAN.	PAKISTAN	TOTAL
Project-funded	\$44.35 ¹	\$867.23	\$911.58
DOD Flights and Shipments	3.59 ²	N/A	3.59
OE Dollar and Trust-funded	N/A	2.35 ³	2.35
TOTAL	\$47.94	\$869.58	\$917.52

Amounts in Millions of Dollars

O/AID/REP Afghanistan NXP and Equipment

The U.S. Congress established the Cross-Border Humanitarian Assistance Program to Afghanistan in 1985 to provide humanitarian assistance to war-affected Afghanistan. USAID'S Office of the AID Representative for Afghanistan Affairs (O/AID/REP), located in Islamabad administered the Assistance Program, until July 1993 when the O/AID/REP was merged with USAID/Pakistan. The Afghanistan program officially closed on June 30, 1994. Much of the program was implemented through grants and cooperative agreements to PVOs in cooperation with Afghan non-government organizations.

With respect to the management of non-expendable property, the O/AID/REP contracted with a U.S. based logistics and technical assistance contractor, in February 1989, to manage and operate the Commodity Export Program for USAID's assistance to Afghanistan. During the term of the contract, \$44.35 million in commodities and NXP for the Afghanistan program was procured.

¹ This amount includes NXP and commodities procured by the procurement contractor under the Afghan Program. It does not include items procured by the contractors or recipients themselves, nor does the amount include procurement made by another earlier procurement services contractor.

² This amount consists of 177 pieces of heavy equipment and vehicles donated by the U.S. Department of Defense. The Relief Flights also carried expendable supplies which were not included in our audit universe

³ The O/AID/REP's NXP records were merged with USAID/Pakistan's records in October 1993.

In addition to this NXP, the Department of Defense also donated heavy equipment and vehicles, and various supplies through the Afghanistan Relief Flights and surface shipments.

Because of the unusual nature of the Afghanistan program between 1986 and 1993, there were no bilateral project agreements governing the use and the disposition of the Afghanistan program-funded property. The Mission sought approval from the Assistant Administrator for the Asia and Near East Bureau (AA/ANE) to donate the property to United Nations' Agencies and other PVOs. The donations would support those organizations continuing humanitarian assistance programs for the benefit of the Afghan people. The special notwithstanding authority⁴ associated with the Afghanistan program was invoked by AA/ANE to permit grants of program-funded property to international and non-profit organizations. The approval was given based on the fact that transferring the equipment to these agencies would fulfill the original Congressional intent to appropriate funds for the benefit of the Afghan people. The Mission had records of property totaling \$8.4 million which were approved for donation to various PVOs. All the 177 pieces of heavy equipment and vehicles costing \$3.59 million also have been donated.

USAID/Pakistan NXP and Equipment

Operating Expense and Trust-funded equipment

Operating expense and Trust-funded equipment consist of mainly household furniture, and office equipment including computers and vehicles. When the O/AID/REP merged with USAID/Pakistan, the Mission also took over the accountability of OE and trust-funded equipment in October 1993.

USAID/Pakistan held numerous auctions to dispose of OE and Trust-funded property and deposited the proceeds in the appropriate accounts in accordance with 6 FA 227. Vehicles were also auctioned and proceeds of these sales deposited into the Budget Clearing Account 72-F-3845, U.S. Government Treasury Account, in accordance to Handbook 23. According to Mission officials the proceeds for the auctions since October 1993 have amounted to about \$1.1 million.

RIG/A/Singapore observed several auctions, and also conducted random sample testing of certain high-value equipment to determine the disposition.

⁴ This refers to the "notwithstanding any other provision of law" clause in legislation under Section 535 of the FY 1993 Appropriations Act which authorizes U.S. humanitarian assistance to Afghanistan.

We found that the record-keeping relating to present location of all items tested was accurate. We also traced a sample of computers authorized for disposal and found that all of the seven computers were traced to specific auction sales. The following photographs show auctions of some household furniture and vehicles held at the USAID 's warehouse:



USAID Owned Household Furniture Displayed for Inspection by Potential Buyers in an Auction at the USAID Warehouse
Source: USAID/Pakistan & Afghanistan. February 1995



USAID Owned Vehicles Being Inspected by Potential Buyers in an Auction at the USAID Warehouse

Source: USAID/Pakistan & Afghanistan, February 1995

Project-funded NXP and Equipment

Under USAID/Pakistan's Commodity Import Program, \$636.55 million in commodities and equipment were procured by the Mission. As part of the close-out process, USAID/Pakistan ensured that end-use checks of non-expendable property and equipment were conducted as required by Mission Close-out Directive 003.

For the four contracts reviewed under the Pakistan projects, USAID/Pakistan also included the appropriate contract clauses (USAID Acquisition Regulation No. 752.245.70 and 71) which required the contractor to establish a program to properly control non-expendable property and to submit an annual inventory report on non-expendable property. However, contractors were not always submitting annual inventory reports and as a result there was poor

accountability for inventory disposition when contracts were completed. Based on our review we found the Mission turned over most contractor-managed non-expendable property to the Government of Pakistan or sold the property at auctions, we could not determine from Mission records available whether these lists of non-expendable property turned over were complete.

For the Afghanistan program, we also could not determine whether the accountability for inventory disposition was complete because the records were not available at the Mission. The inadequate accountability for inventory which was disposed of is discussed below:

Accountability For the Disposition of Contractor-Managed Property Was Inadequate

USAID Acquisition regulations require missions to ensure that USAID-financed commodities are properly controlled by contractors and accounted for by submissions of annual inventory reports. According to one Mission official, previous GAO audits showed that AID does not exercise adequate accountability over AID-financed NXP in the possession of contractors, AID/W issued Contract Information Bulletin 91-2, to remind all missions to include the AIDAR clauses 752.245-70 and 71 in all contracts. This will ensure that all the annual reports are submitted and that contractors submit any missing reports. However, the Mission did not ensure that all the required annual reports were submitted and as a result, NXP disposition could not be completely accounted for when the contracts were completed. The Mission indicated that obtaining annual inventory reports from contractors is always difficult and is a world-wide problem. Mission officials indicated that the Agency should develop a standard computerized system to account for contractor-managed non-expendable property and equipment.

USAID Handbook 14 and USAID Acquisition Regulation 752.245-71 state that:

"... Contractor shall prepare and establish a program, to be approved by the Mission, for the receipt, use, maintenance, protection, custody, and care of nonexpendable property, for which the contractor has custodial responsibility, including the establishment of reasonable controls to enforce such program.

For NXP property titled to the Cooperating Government, the Contractor shall, within 90 days after completion of the contract,, submit an inventory schedule covering all items of non-expendable property under its custody,... and also indicate what disposition has been made of such property".

Furthermore, USAID Acquisition Regulation 752.245-70 requires contractors to provide the missions with an annual report of non-expendable property. For the four contracts reviewed, not all the contractors were submitting annual inventory reports nor the final inventory disposition reports. For example, although two of four contractors reviewed were submitting annual inventory reports, none of the four contractors submitted the final inventory reports when the contracts ended. Without these final inventory reports, we could not determine what non-expendable property was supposed to have been in the contractors' custody at the time of contract termination and therefore we could not determine whether what was bought was turned in.

The voucher payments submitted to Mission's Office of Financial Management did not contain detailed information of what NXP was procured. For example, in one case, payments to the contractor was made through Letter of Credit and the vouchers were processed in USAID/Washington. An Advice of Charge was then sent to USAID/Pakistan with an attachment of the listing of the expenses by budget line item only and they did not provide a detailed listing of what was procured under the "Equipment" line item.

The Commodity Tracking System implemented by the Mission in 1989 recorded all procurement made by USAID/Pakistan but did not track all non-expendable property procured by the contractors. However, mission officials claimed that contractors were generally not allowed to procure NXP (only supplies and consumables).

In one instance, where the contractor did not submit a final listing of contractor-managed inventory at the end of the contract period, the Contractor's Final Report submitted later provided a listing of inventory that was in the contractor's custody and had been transferred to the Government of Pakistan. When we compared this Listing of Transferred Items with the Commodity Tracking System, we found at least 10 items in the Commodity Tracking System (i.e., procured by AID) that was not in the Transfer Listing provided by the contractor. In addition, we could not determine the value of these 10 items as the information could not be readily accessed.

In two other contracts, USAID/Pakistan's warehouse personnel conducted a physical inventory of house-hold furniture and equipment when the contractors left post. Any discrepancies were subsequently resolved. However, no physical inventory was conducted at the contractor's offices. There was accountability of the residential furniture and equipment when contracts were closed out but, as the Mission kept no records of contractor-procured property, we could not determine conclusively that **all** the contractor-managed property had been turned in when the contracts ended.

As discussed earlier, a contractor was engaged by O/AID/REP Afghanistan in February 1989 to procure and manage the Commodity Export Program. However, when the O/AID/REP was winding down, the Mission enlisted the contractor's assistance to resolve the problem of NXP accountability by assuming responsibility for all NXP, whether procured by them or other contractors/grantees. This difficult task of providing guidance to all organizations on how to categorize and inventory NXP was not totally successful. However, the contractor not only managed to standardize the inventorying of NXP portfolio, it also was responsible for warehousing and distributing all NXP to various non-profitable organizations. Nevertheless, accountability of the property donations was inadequate. Although the property donations to the various PVOs were properly approved, we could not determine the value of all equipment which was transferred to the various organizations. The Mission indicated that the contractor did not leave any of their records with the Mission when the contract ended. The Mission only has records of \$8.36 million in property donated to various organizations out of the \$44.35 million procurement made by the contractor. The following chart shows the organizations that benefited from the equipment donations:

ORGANIZATION	TOTAL DONATIONS	
	(\$ Millions)	(%)
CARE	\$2.31	27.50
ONYCHIA	\$0.74	8.81
International Rescue Committee	\$0.96	11.43
UNDO/OHS	\$1.78	21.19
Others	\$2.61	31.07
TOTAL	\$8.40	100%

The Mission relied heavily on the contractor's management capabilities and did not keep any records of what was procured. Mission officials indicated that because of the closure of the Mission, they did not see the need to retain their contractor's records (the contractor is only required to retain records for three years after expiration of the contract).

In February 1993, an assessment team reviewed the management and operations of the O/AID/REP for the Cross-Border Humanitarian Assistance Program for Afghanistan. With respect to management of NXP, the team found

that the USAID did not maintain records of O/AID/REP project-funded NXP procured through its contractor.

Another issue that the team looked at was whether the contractor maintained an adequate system for tracking commodities for its needs and USAID's. The team concluded that although the contractor had a tracking system adequate for its needs, the system lacked the ability to produce discrepancy reports automatically.

As a result of the heavy reliance on the contractor's management capabilities of NXP by the Mission and the inadequate commodity tracking system used by the contractor, we cannot be absolutely certain that all the property in contractor's custody has been accounted for. Of the \$44.35 million in non-expendable property and commodities procured by the contractor for Afghanistan projects, the Mission only had records of \$8.36 million in property donated to the various organizations.

In summary, accountability of NXP disposition when contracts are completed could be improved. We suggest that all missions facing closeout require that contractors submit the required annual inventory reports of contractor-managed non-expendable property at least six months prior to the contract completion date.

Management Comments and Our Evaluation

Because of the late stage of the mission closure recommendations were not made. However, mission officials (as noted in the management comments under Objective One) were responsive to interim findings where mission action was feasible. Under this objective we found that management of contractor procured property was in need of strengthening. However, given that most contractor procured property had been disposed of (or processed for disposal), this finding was no longer actionable. USAID/Pakistan & Afghanistan's mission comments acknowledged this vulnerability and seconded the draft report's suggestion that this area of property management be strengthened world wide.

Did USAID/Pakistan & Afghanistan close out assistance projects, contracts and other agreements with USAID policies, procedures and U.S. Government regulations?

USAID/Pakistan & Afghanistan generally followed USAID policies, procedures and government regulations in closing out projects, contracts and agreements. Contracts, grants and other agreements are being closed-out in a timely manner in accordance with the Federal Acquisition Regulations, Contract Information Bulletins, Mission Orders and USAID Handbooks. Most contract termination settlement claims and other claims received were processed and settled. However, a number of agreements still need to be audited as part of the close-out process and they will have to be completed after the Mission closes down in June 1995. Projects have been closed out on schedule and in accordance with the Mission's wind up plans. Project activities have been substantially completed as scheduled, and the Mission is in the process of winding up the remaining administrative, reporting and financial close-out procedures. All but two projects ended as of December 31, 1994, and when the Mission closes in June 1995, only a small part of one Afghan project will remain active until 1996.

The results under this audit objective are discussed in two sections. The following section discusses the close-out of Contracts and Agreements while the close-out of the Project Assistance portfolio is discussed under a separate heading on Page 28 of this report.

Close-out of Contracts and Agreements

The close out of a contract, grant or cooperative agreement is the final phase of the USAID contracting process for acquisition and assistance instruments. This enables USAID to determine whether all applicable administrative actions and required work relating to such agreements have been expeditiously completed after the goods have been received and services performed under the agreements. The close out of agreements is to ensure that (1) USAID-funded property and equipment were accounted for and properly disposed of, (2) excess funds from expired contracts and agreements were decommitted, (3) cash advances to contractors and recipients were liquidated, and (4) required audits were performed.

The Federal Acquisition Regulations System (FARs) provides for the close out of USAID-direct contracts to be conducted in an orderly and timely manner. For host country contracts, Handbooks 3 and 11 contain guidance on close-

out procedures. The Office of Management and Budget (OMB) Circular A-110 and Handbook 13 contain close-out procedures for grants and cooperative agreements. In addition, USAID/Washington issued the Contract Information Bulletin (CIB) No. 90-12 in June 1990 which provides guidance to its contracting officers on agreement closeout procedures for contracts, grants and cooperative agreements.

In closing-out agreements, the Mission used a close-out checklist that required the controller, project officer and contracting officer to complete the necessary close-out procedures and confirm that "all required contract administration actions have been fully and satisfactorily accomplished" before the agreement can be closed. The checklist required the various officials to confirm whether:

- the contractor/recipient had completed all requirements under the contract, including submitting all the required reports;
- the contractor/recipient had submitted a final inventory and disposed of all non-expendable property;
- all advances are liquidated, questioned costs are resolved, indirect costs settled, and the final contract price established;
- a final audit or a desk review has been done to determine if costs are acceptable, funds obligated have not been exceeded and if the contract's release form (AID Form 1420-40) for contracts has been filed; and
- the final voucher has been paid and all unused funds have been decommitted.

For small value instruments (\$500,000 or less), the Mission adopted quick-close-out procedures provided for in FAR. 42-708 and Contract Information Bulletin (CIB) No. 90-12. These provisions allowed the Contracting Officer to negotiate the settlement of indirect costs for a specific contract in advance of the determination of final indirect cost rates when the amount of indirect costs is insignificant. The Mission has the flexibility to desk-review contract files and close-out these contracts in a timely manner. In summary, from our review of the Mission's records, except for our finding on the accountability of contractor-managed non-expendable property disposition (reported on page 20), the Mission generally followed these procedures in closing out contracts, grants and other agreements.

According to the CIB No. 90-12, cost-type contracts and grants in excess of \$500,000 each must be audited as part of the close-out process. Those that are less than this amount only need to be desk-reviewed. For contracts and

agreements above the threshold of \$500,000, the Mission requested USAID/Washington procurement office to arrange for audit of these contracts. However, the final audits of these agreements are not expected to be completed before the planned closure of the Mission in June 1995. According to Agency guidance contained in the FAR, Part 4, Section 804-1, the time frames for closing-out fixed-price and cost reimbursable contracts are six months and 36 months respectively after contract completion. All other contracts should be closed-out within 20 months of completion. As USAID/Washington has been designated responsibility for the Mission's residual contracting activity, and arrangements are being made to transfer the records pertaining to these unaudited contracts to the responsible Contracting Officer for follow-up.

Although the costs incurred under these agreements and contracts have been certified by the contractor, their vouchers reviewed and administratively approved for payment by the Mission, the costs have to be audited to verify the allocability, allowability and reasonableness. Furthermore, in accordance with the FARs, indirect cost rates used under such agreements have to be determined through final audits. The provisional rates are revised and final audited rates are applied in ascertaining the actual indirect costs charged under the agreements. In certain cases, indirect costs make up a significant amount of the total contract costs. For example, the following table summarizes information from a sample of six unaudited agreements showing that indirect costs represent about 4% to 24% of total contract amounts.

Examples of Contracts Requiring Audit

Contractor	Proj.	Contract	Indirect	% of Cont.
Univ. of Idaho	0467	\$10,831,640	\$1,506,892	14
DAI	0485	2,079,929	388,391	19
Louis Berger	0479	6,585,297	1,611,563	24
AED	0474	93,603,442	3,837,167	4
Univ. of Illinois	0488	25,173,189	3,129,222	12
RONCO (Afg)	0205	15,124,976	2,878,159	19
TOTAL		\$153,398,47	\$13,351,39	9

Six Contracts which Need to be Audited to Determine Whether Indirect Costs Claimed Under These Agreements are Reasonable, and to Finalize Provisional Indirect Cost Rates Used for Billing Purposes

Source: Respective Contract Budgets/Vouchers

Contract Termination Claims

In the wind up of projects under Pressler, the Mission had to terminate selected contracts for the convenience of the U.S. Government as provided for in the FAR Part 49. In addition, the Mission also had to resolve claims arising from contractual disputes during and after the completion of several other contracts. According to provisions in the contracts and the FAR, the contractors are allowed to submit a termination settlement proposal to the contracting officer, supported by appropriate schedules. The Contracting Officer examines the settlement proposal and settles the claim by negotiation, by making a determination or by a combination of these methods.

USAID/Pakistan & Afghanistan established a system to manage and process such claims. Proposals/claims received were reviewed and where necessary, additional information was requested from the contractor or other relevant parties, meetings to negotiate settlements with the contractors were held by Mission officials and assistance was sought from USAID/Washington. The Contracting Officer would negotiate or make a written determination on the costs to be allowed based on available supporting documentation and justifications. The Contracting Officer informed the contractors of the results of the Mission's decisions after negotiations/determinations were made and, when agreement was reached, written settlement agreements were signed with contractors. These agreements were incorporated into contract modifications when appropriate and the contractors were required to acknowledge their acceptance. In certain cases, when settlement could not be reached by negotiations, unilateral actions were taken based on the Contracting Officer's determination on costs to be allowed. CIB 90-12 requires the Contracting Officer to obtain the contractor's release form for USAID-direct, cost type contracts (USAID Form 1420-40). The Mission required this form for settled contracts, and when applicable, the contractors did submit signed release forms stating that they release and discharge the U.S. Government from liabilities and claims arising.

The Mission completed negotiations and settled 10 of the 11 claims reviewed as of February 28, 1995. For one uncompleted settlement, the contractor submitted a proposed settlement claim amounting to \$1.5 million. The Mission conducted a non-Federal financial audit of the claim (RIG/A/Singapore Audit Report No. 5-391-008-N) which questioned about 89% of costs claimed or \$1.34 million. Most of these costs were found to be ineligible. The Mission also hired the services of an engineer (a former USAID employee) who was familiar with the project's activities undertaken by the contractor, to assist in the settlement negotiations. Post audit negotiations are in progress and the Mission Contracting Officer indicated that negotiations would be completed and settlement reached before he departs from post in May 1995.

In addition, the Mission has had to deal with various claims expected from a U.S. based construction contractor for the construction of a university under the Transformation and Integration of the Provincial Agricultural Network project (TIPAN, see page 37 of this report). The Mission recently received part of the claim from the contractor for various different costs that had been previously disallowed by the Mission. On February 2, 1995, the Contractor filed a lawsuit of \$292,000 with the U.S. Court of Federal Claims. The Mission expects that the contractor will submit more claims for owner-caused delays and other miscellaneous cost items that may amount to a few million dollars. In February 1995, the Contractor indicated that they will file the remaining claims in the near future.

USAID/Washington was consulted on this disputed contract and the Mission commenced preparing for this claim well before the first claim was received. In addition, this case will have to be handled by USAID/Washington after the Mission closes. At the time of the audit, a lawyer from the General Counsel's office in USAID/Washington was at the Mission preparing for litigation. Mission records were reviewed and compiled, discussions were held and several individuals were interviewed, including some that had already left the Mission. Mission officials indicated that the delay by the contractor in submitting the claim could be part of a strategy to erode the overall institutional memory of the Mission on the project and contract--i.e., with closure of the Mission and the departure of project staff previously involved in monitoring and administering the contract, none of the vastly experienced personnel will be around to effectively present a persuasive case for USAID. However, the efforts undertaken by the Mission to prepare for the claims and to properly document the official records is commendable. USAID is now much better prepared to deal with the claim and the likely litigation that will emerge after the closure of the Mission.

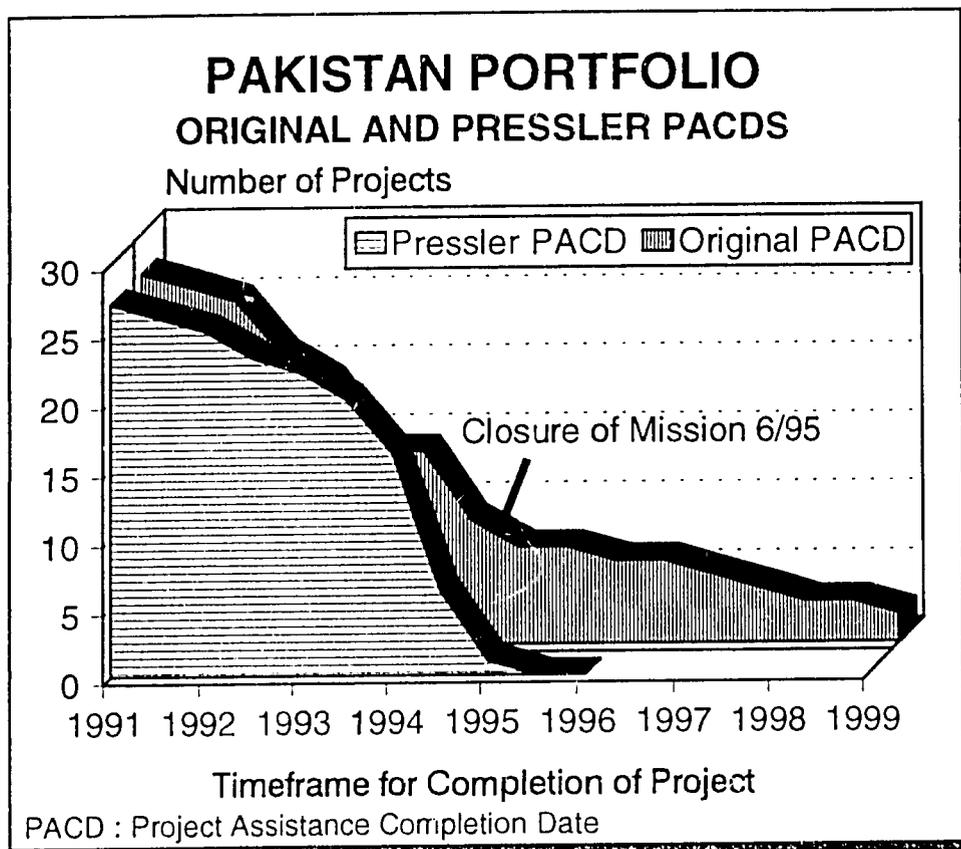
In general, the Mission did exercise prudence in negotiating the settlement of claims, ensuring that claims were legitimate, costs could be supported or justified, and that the disposition of claims was generally made in a timely manner during the last few months of the close-out of the Mission.

CLOSEOUT OF PROJECT ASSISTANCE

Background: The USAID/Pakistan & Afghanistan project assistance portfolio comprised a total of 38 projects (27 Pakistan and 11 Afghan Projects). Total project obligations were \$1.97 billion and \$359 million respectively. These projects commenced from May 1982 and will end in February 1996. The Afghanistan and Pakistan Missions were merged in July 1993 after the official closure of the Office of the AID Representative for Afghanistan (O/AID/REP).

Since then, the remaining activities of the Afghanistan program were taken over by USAID/Pakistan.

The phase out of the Pakistan Mission began in FY 1991 after the enactment of the Pressler Amendment⁵. At that time, the Mission submitted a phase out plan as required by USAID Handbook 23 Ch. 13. The plan included a comprehensive review of all active assistance projects to identify the useful units of assistance that would continue to be funded during the phase out of the Mission. Activities remaining under each project were identified and selected for continued implementation, and decisions were made whether to commence new activities, suspend or terminate them. Project Assistance Completion Dates were also reviewed and a number of projects were revised to ensure an orderly termination of the Pakistan program. The completion dates for at least nine projects were brought forward as in two cases from 1999 to 1994, a reduction of about five years. The following chart shows the overall reduction as a result of the revised Pakistan project portfolio completion dates for all projects.



⁵ The Pressler Amendment had the effect of suspending new U.S. economic assistance because the President did not certify that Pakistan does not possess a nuclear explosive device.

Accordingly, given the remaining time for completing projects, and the available resources, funding levels were adjusted for each project to ensure that funds are available to implement the selected useful units of assistance. As provided for under Section 617 of the Foreign Assistance Act, the Mission obtained approval from the Bureau for wind-up obligation authority. Where a statutory prohibition against further obligations of assistance is in effect, this Section provides for funds to remain available for the purpose of liquidating programs so as to minimize waste and loss of assistance already furnished. The April 1991 Bureau approval of the Pakistan wind-up plan included approval for a net deobligation of \$47.2 million⁶ in project assistance funds.

Deobligations. Since the implementation of this plan in 1991 until the end of FY 1994, a total of \$136 million has been deobligated from the Pakistan program. The following table summarizes deobligations from the Mission's project portfolio for the last four fiscal years.

**USAID/Pakistan & Afghanistan Pipeline and
Deobligations For Fiscal Years 1991 Through 1994**

End of Fiscal Year	Total Pipeline (\$'000)	Deobligations (\$'000)		
		Afghanistan	Pakistan	Total
1991	534,818	103	47,214	47,317
1992	362,687	697	10,114	10,811
1993	214,157	899	13,406	14,305
1994	47,486	10,745	64,991	75,736
TOTAL		12,444	135,725	148,169

The Agency administrator's 1993 decision to close 21 USAID missions worldwide as part of the Agency's reorganization plan triggered the closure of the Afghan Cross-border Humanitarian Assistance Program. This decision could be attributed to the complete withdrawal of the Soviet Union troops from Afghanistan, and the breakout of civil unrest amongst the different Afghan

⁶ This amount comprises deobligations of \$143 million from nine projects less \$96 million re-obligated for 11 projects. The authority for such action under the wind-up obligation authority in the F.A.A. is available for eight months after which the country becomes statutorily ineligible to receive further assistance.

warring factions. The O/AID/REP was closed down in July 1994, six months after the decision was taken. In the last four fiscal years, \$12.4 million have been deobligated due to the scale down of the program, including the \$10.7 million deobligated under the FY 1994 mandated rescission (see above table). As of January 1995, all projects under the Program have ended, except for two grants under the Technical Support Services Project.

Financial Status: As of December 31, 1994, the Mission's records showed obligations of \$1.455 billion and expenditures of \$1.409 billion in project assistance funds, leaving a pipeline of \$46.2 million under 31 remaining projects (22 Pakistan and nine Afghan projects). The table below provides a listing of these amounts for each of the two Missions:

	Pakistan	Afghanistan	Total
Obligations*	\$1,142	\$313	\$1,455
Expenditures*	1,108	301	1,409
Pipeline*	34	12	46
No. of Projects	22 Projects	9 Projects	31 Projects

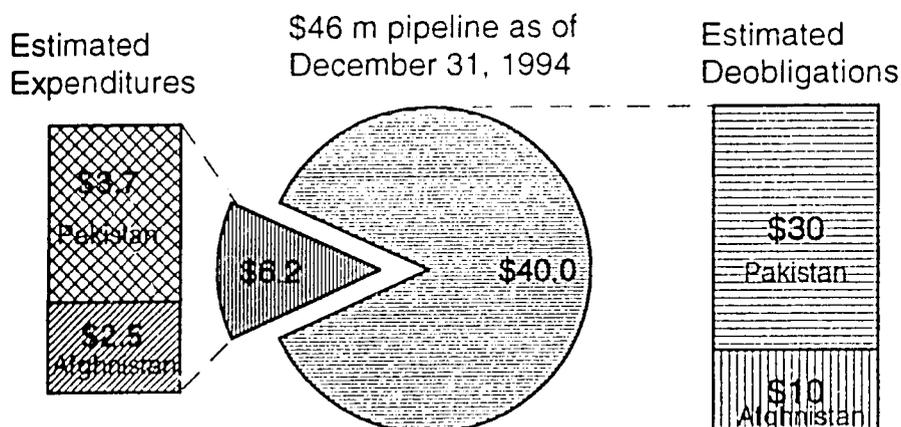
* Amounts in Millions of Dollars

The Pakistan project assistance portfolio started in 1982 with a \$1.625 billion economic assistance package, followed by a second \$2.28 billion package in fiscal year 1987. In 1986, the Mission entered into a stable implementation stage and expenditures peaked in 1989 to a high of \$374 million. The pouring in of sizeable obligations contributed to the building up of the pipeline of \$721 million in fiscal year 1990. This is the last year before the Pressler Amendment affected the program and no new obligations were made. However, this huge pipeline was reduced to \$46.2 million in December 1994 (See bar chart on Page 3). This substantial decrease over four years was due to the continuing pace of expenditures made and deobligations of project funds of about \$136 million. The following chart illustrates the extent of estimated deobligations and expenditures from the remaining pipeline.

ESTIMATED DEOBLIGATIONS

After Closure of Mission in 1995

(million dollars)



The Mission estimates that about \$40 million of the total of \$46.2 million in the pipeline as of December 31, 1994, will be deobligated after the closure of the Mission (\$30 million from Pakistan Projects and \$10 million from the Afghan Program) . The remaining \$6.2 million will be used to fund on-going activities under two Afghan grants (see below) and to settle outstanding final payments to various contractors under different projects that ended in the last few months.

Key Close-out Steps Adopted by the Mission

When the audit field work was completed in February 1995, the Mission's project assistance portfolio had been reduced to just one uncompleted Pakistan project (PACD March 31, 1995), and one remaining Afghan project. All other projects were completed and were being closed out. Since March 1994, a total of 21 projects (including six Afghan Projects) were completed on their respective scheduled completion dates. In closing out the project assistance portfolio, the Mission:

- Established a project completion alert reporting system to address tasks to be undertaken one year, six months, and three months prior to the completion of projects. This report served as a checklist for project officers and other Mission officials to focus on completing ongoing activities and necessary actions to be taken during the last year before the project ended, thus allowing sufficient time to initiate and complete such actions;
- Included, as part of the Mission's closeout manual, checklists for contractors' demobilization and end of contract reports for individuals and contractors. Contractors were required to submit phase out/demobilization plans and these plans were reviewed and approved by the Mission. In certain cases, the approved plans were specifically incorporated into the contracts by modifications;
- Established Close-out Directives on a number of subjects such as end-use checks, reorganization of various offices, and the disposition of project records. These directives, which were in addition to Mission Orders, clearly spell out specific procedures to be followed by the different offices in closing-out projects;
- Established a Project Portfolio Close-out Team in the Mission comprising representatives from each of the Mission's principal offices to coordinate the close-out of the development assistance program and to assist the timely completion of necessary tasks;
- Prepared a comprehensive project closeout status report that included specific completed tasks and remaining action to be taken by various offices in the Mission on pending matters. Datelines were set and highlighted for remaining tasks and meetings were held to discuss problems encountered. This report was updated every two weeks and circulated to pertinent staff including senior Mission management;
- Continued to perform project implementation reviews and prepared reports on these reviews, the last as of September 1994, six months before the last Pakistan project ended. This review focused on the closeout of projects and included discussions on the assessment of overall accomplishments of the projects;
- Ensured compliance with the Agency's requirements for preparing Project Assistance Completion Reports (PACRs) by providing additional written guidance and establishing a Close-out Directive for the preparation of these reports. The Mission retained key project personnel where possible, to complete their input for the Project

Assistance Completion Reports. These completed reports were then submitted to the Asia Bureau in Washington;

- Ensured that the various offices completed end-use checks of project-funded commodities and equipment by establishing a system to verify these items and account for the use of these items, or prepare adequate justifications for not performing such checks;
- Conducted a series of meetings between the controller and various project officers on a periodic basis to focus on financial closeout actions. These meetings included the review of outstanding commitments and their liquidations, advances, and accruals for expenditures incurred to ensure that excess funds are decimated or deobligated where necessary. Other financial related issues are also brought up and addressed at these meetings; and
- Established a system for proper compilation and transfer of project records, files and reports to USAID/Washington (DIE).

Mission officials indicated that the availability of project and other support personnel even in the later stages of the phase out greatly contributed to the orderly closeout. These personnel, comprising mainly local professional staff, could be retained in the Mission because the Government of Pakistan continued to substantially fund the Mission's operating expenses during that time. We recognize that such resources are not normally made available in other smaller Missions. On an overall basis, the above systems and procedures, combined with the available resources, assisted Mission staff and management to achieve an orderly, effective and timely close-out of such a large project assistance portfolio in accordance with the Mission's close-out plan.

Project Assistance Completion Reports: USAID/Pakistan & Afghanistan established a system for reporting on completed projects as part of the Mission close-out. USAID Handbook 3 Chapter 14, Section D requires PACRs to be completed within six months after the project completion date (PACD). PACRs for seven Afghan projects were completed and submitted within six months after project completion dates. However, for 15 Pakistani projects, eight PACRs were dated after six months from project completion date and seven PACRs were completed within the required six-month period.

In establishing written guidance clarifying procedures to be followed for the preparation and completion of PACRs, the Mission's Closeout Directive (on PACRs) stated as a general rule, that the six month due date is not applicable to a close-out Mission. Instead the due dates are dictated by scheduled termination dates of project officers and other relevant project staff. In addition, Mission management also conducted briefings to explain the purposes of such reports, the required format and specific contents to be included.

In ensuring that completion reports are of high quality, the Mission generally followed the guidelines contained in Appendix 14A of Handbook 3. The guidance states that reports should focus on the following areas:

- Status of completion of various project elements;
- Summary of contributions made;
- Review of project accomplishments against planned or revised outputs;
- Assessment of the extent of achievement of the project's purpose; and
- Summary of lessons learned.

The requirement to report on sustainability issues, and both the positive and negative lessons learned from implementing these projects was also stressed. In essence, the Mission set the key objective of ensuring that high quality reports, both in terms of content and presentation, are submitted. Accordingly, draft PACRs prepared by project officers were subject to a thorough review and clearance process at various levels including the division chiefs, Office of Portfolio Operations, and the Office of Financial Management, before they were finalized and distributed.

The Mission made a decision not to perform end-of-project evaluations after the last one in May 1993. However, the Mission continued to carry out their internal Project Implementation reviews (which were very comprehensive) and ensured that proper PACRs were prepared for all projects, as discussed above. In addition all contractors, including personnel services contractors, were required to submit an end-of-tour report for the activities under their contract. These reports discussed project accomplishments, highlighted problems encountered, and lessons learned, both positive and adverse. Although external evaluations of projects could assist a closeout Mission to decide how to bring specific projects to an end, the effective use of internal resources by USAID/Pakistan & Afghanistan and the alternative approach adopted (such

as implementation reviews) had a positive effect on the orderly close-out of the Mission's portfolio.

In reviewing and reporting project implementation, project officers prepared Purpose Level Monitoring reports for each project. Other than reporting on specific project accomplishments and measuring them against the relevant indicators established, the reports also included an analysis of USAID's contributions, and assessments by the project officer and the Mission Director. These six-monthly assessments were also presented in summarized form in the Director's narrative report. The reports discussed both the positive results of selected projects and highlighted the significant problems and delays encountered. For example, in commenting on the Tribal Areas Development Project, although the Mission reported some significant achievements, the use of a full staff of long-term expatriate technical advisors was not considered an effective use of resources. The Mission stated:

"A team of Pakistani professionals would likely have been more adept at dealing with the complex national/provincial/tribal areas dynamics involved in the project, and would therefore have provided more effective general management oversight. Carefully chosen short-term technical assistance personnel could then have been brought in as required to fill in gaps in expertise."

The body of the reports included narratives on various aspects of the program, numerous graphs and charts depicting the composition of the Mission's portfolio, financial profiles, pipeline and expenditure analyses. In reviewing the Mission's Project Implementation Review reports for fiscal year 1994, we found them to be very informative, objective and well balanced.

Close-out Status of Selected Projects

We reviewed the status of the closeout of five projects, four from the Pakistan Program and one from the Afghan Program. This review was limited to cover pertinent documentation⁷ on these projects and discussions with available project staff. We selected projects that had been completed and were being closed out at the time of the audit, and those that were not yet completed at that time but were winding up as planned. Our selection of projects was constrained and limited by the availability of project personnel and project records in the Mission in Islamabad. Set out below are some of our observations for each of the five projects reviewed.

⁷ Documentation on the Useful Units of Assistance, Project Assistance Completion Reports, Project Implementation Review Reports, Purpose Level Monitoring Reports, Contractor Reports, and relevant supporting documentation.

Transformation and Integration of the
Provincial Agricultural Network (TIPAN) (391-0488)

The \$55 million ten-year TIPAN project was completed as scheduled on August 29, 1994. The PACR was prepared in accordance with the Mission's guidance and that in Handbook 3 Chapter 14. It contained detailed narratives on the project's accomplishments and those for each component of the project. The section on sustainability highlighted the inadequacy of host government's budgeted funds as a concern and the section on "lessons learned" highlighting shortcomings in the project which was particularly comprehensive. For example, the Mission reported the two-year delay in the USAID-funded construction of the campus buildings for the Agricultural University in Peshawar. The report stated that the delay:

"adversely affected the University's development program. The Learning Resource Center and the Continuing Education Center could not function due to lack of space."

In addition, the extremely high cost of U.S. technical assistance and A & E consultants calls into question whether local firms that have the required technical expertise should have been used instead, as demonstrated in the construction of another building in the same campus. Furthermore, the Mission reported that with hindsight, the project would have been more manageable if the construction had been undertaken in phases. The facilities could have been occupied as they were completed and the University would have gained years of use of the buildings during the life of the project.

The construction contractor has since filed a claim against the U.S. Government for costs and other liabilities primarily as a result of the delays associated with the performance under the contract (see report page 26, under termination claims)

Rural Electrification Project (391-0473)

The Rural Electrification Project was among the largest project in the Mission's portfolio. This \$181 million 12 year project ended as planned on December 24, 1994. This project was affected by the Pressler Amendment and the originally planned funding levels were accordingly reduced to complete only the units of assistance under the Pressler phase out plan. The Mission Director's Assessment of the project recognized that the project was "ending with mixed results." The Mission reported that while power generation component of the project was successfully completed and helped reduce the country's deficit in the energy sector, the intended institutional changes in the power development authority were not fully achieved. Another major activity,

the surveying/mapping of the system, was not completed when the project ended. The Mission recognized this and took action to provide the host government implementing agency with the capability and the necessary equipment to complete the mapping of the system after the project ends. Other reported accomplishments include improved training, significant energy loss reductions in the distribution system, and improvements in the overall efficiency of the power development authority.

The project's completion report is in draft and the Mission expects to finalize and complete it in March 1995. As of 12/31/94, the Mission estimates that \$8.3 million of the \$13.1 million in the pipeline will be deobligated and the remaining \$4.8 million will be used to settle the final billings from contractors.

Technical Services Support Project (306-0200)

The \$13 million Technical Services Support Project under the Afghanistan Program started in 1986 and ends on February 24, 1996. The Mission justified the need to leave this project "open" until 1996 as a mechanism for providing possible assistance to Afghanistan after the formal close-out of the program. It is the only remaining project under the Afghan Cross-border Program comprising two active grants to UN agencies in Pakistan and Afghanistan. Funds under these grants support the activities of the mine-detection dogs center in Pakistan and the immunization program in parts of Afghanistan. While a Pakistani project officer currently monitors these activities, the Mission plans to transfer all implementation, monitoring and oversight responsibilities to USAID/Washington after the Mission closes. A USAID/Washington Project Officer will be visiting Pakistan and Afghanistan in March 1995 to familiarize himself and assume these project responsibilities. The project has a pipeline of about \$3.3 million as of December 31, 1994 which is expected to be expended by the end of the project. The photograph below shows some of the ongoing activities under the project.



Mine-Detection Dogs Training Funded by the USAID Grant to the U.N., Supports Demining Operations Inside Afghanistan
Source: USAID/Pakistan & Afghanistan, February 1995

Development Support and Training Project(391-0474)

This \$103 million project is essentially the Mission's training project. This 1983 project supported in-country training, and participant training for over 6,600 participants in the U.S. and third countries. The project also partly funded the establishment of a private university in Lahore to meet the need for management education. The draft PACR which was being completed at the time of the audit was prepared in accordance with the Handbook 3 requirements and the Mission's guidance. It included relevant examples of sustainable benefits acquired by participants and addressed a number of important lessons learned including the diversity of the project, and administration and management problems. The Mission expects a \$3.8 million deobligation after all remaining payments are made.

Agriculture Sector Support Program (391-0492)

All components of this project have been completed except for a few participants that are still in training in the U.S. and are due to complete their training before the project ends on March 31, 1995. The management of the

remaining participant training component has been assigned to a contractor in the U.S. This \$206 million program which commenced in 1987 included an \$80 million sector assistance grant to the host government for policy reforms in the agricultural sector, and another \$85 million was spent on agricultural commodities and equipment imported into the country for the public and private sectors. The remaining \$41 million was mostly spent on technical assistance and training. The Mission expects to deobligate about \$4.5 million when the project ends.

In summary, our review disclosed that the Mission has made significant progress in the closeout of the project assistance portfolio. Activities under three of the five projects reviewed were completed as of January 31, 1995. Some participants under one project are in training, and the activities of two grants under another Afghan Project will continue until 1996. The Mission is continuing to administer, manage and complete all remaining financial, contract and other applicable closeout actions as planned, in accordance with the directives and established procedures. Based on the Mission's progress made, these remaining tasks are expected to be substantially complete when the Mission closes in June 1995.

Management Comments and Our Evaluation

Closure of the mission's project and contracting activity was well managed. Particularly noteworthy was the focus placed by mission officials on dealing with actual or perceived contract claims. The mission's proactive approach is evidenced in their comments where they note the action they have initiated for the one important contract claim which remains outstanding. At their prompting, the Agency's General Counsel has made arrangements to retain the services of the most knowledgeable Foreign Service National which should serve to ensure the Government's interests are defensible in potential litigation.

<p style="text-align: center;">SCOPE AND METHODOLOGY</p>

Scope

The Office of the Regional Inspector General for Audit, Singapore, audited USAID/Pakistan & Afghanistan's management of Mission close-out in accordance with generally accepted government auditing standards. The fieldwork took place from November 21, 1994 through February 28, 1995 and included work at USAID/Pakistan & Afghanistan in Islamabad.

The audit covered the management of the Mission close-out, including closure of administrative, support and project related operations. The Mission's project portfolio comprised of 27 projects under the Pakistan program and 11 projects under the Afghanistan program with total life of project funds of \$2 billion and \$360 million respectively. As of December 31, 1994, all but two projects are completed and in process of being closed out.

In addition to the methodology described in the following section, we have requested written representations from USAID/Pakistan & Afghanistan's management confirming information that we consider essential for answering our audit objectives and for assessing internal controls and compliance.

Methodology

The methodology for each audit objective is discussed below:

Audit Objective One

The first audit objective was to determine whether USAID/Pakistan and Afghanistan's management of the Mission closure was in accordance with USAID policies, procedures, U.S. Government regulations and the Mission's Close-out Plan. We reviewed applicable policies and procedures contained in

Handbook 13 and other USAID/Washington guidance issued through cables and memorandums relating to Mission closure. We also reviewed the Mission's approved close-out plan and close-out directives.

To answer this audit objective, we held discussions with the Mission Director, key close-out team members, office chiefs and members of their staff to assess their management of the closure. We also reviewed the Mission's documentation providing guidance and direction to its staff on the closure. As the workload changed and activity decreased the Mission reduced and reorganized its offices. Therefore, we obtained data from the Personnel office on the number of employees at various stages of the closure and reviewed the projected staff reductions for the months leading to closure. We obtained data on the reorganizations of Mission offices and delegations of authority made. We judgmental selected a sample of leases terminated during the past year to assess the restoration costs incurred. The Controller's office financial records dealing with local currency generations were reviewed, as were the host government's local currency expenditure reports. Discussions were held with Mission personnel on the Mission's efforts to promote its workforce to potential employers. We also held discussions with the Embassy's Administrative Counselor to obtain the Embassy's perspective on USAID's management of the closure.

Audit Objective Two

The second audit objective was to determine whether USAID/Pakistan and Afghanistan dispose of non-expendable property and equipment in accordance with applicable USAID's policies, procedures and U.S. Government regulations. We reviewed applicable policies and procedures contained in Handbooks 13, 14 and 23, relating to the property management standards and closing out personal property

We determined the disposal methods used by discussions with Mission officials, reviewing documentation relating to disposal of OE and Trust-funded non-expendable property, contract close-out files and Contractors' Final Report, and attending auctions of OE-funded equipment and vehicles. Using judgmental sampling techniques, we tested the accuracy of USAID/Pakistan's records relating to the location and disposition of vehicles and computers.

Audit Objective Three

This objective was to determine whether USAID/Pakistan & Afghanistan closed-out assistance projects, contracts and other agreements in accordance with USAID's policies, procedures and U.S. Government's regulations. To

accomplish this audit objective, we reviewed the Mission's records pertaining to the project assistance portfolio and the lists of contracts that were closed-out and those that were being closed out at the time of the audit. For the close-out of projects, we reviewed the Mission's project implementation review reports and the relevant documentation for the last two semi-annual reporting periods ending September 30, 1994. Discussions were held with Mission management on the approach adopted to bring the Mission's project assistance portfolio to a close, and pertinent documentation relating to the Mission's closeout plan, the useful units of assistance proposed and approved for all projects, and correspondences with USAID/Washington were obtained and examined. We reviewed financial records for projects and selected five projects for detailed review. Our work included interviews with mission management and available project officers, and the review of relevant project documentation and contractor reports. For the selected projects, we reviewed the purpose-level monitoring sheets and held discussions with project officers on the reported accomplishments and other details reported. With regards to completed projects we reviewed the final and draft project completion reports, ensuring that they were in accordance with the Mission's guidance and relevant Handbook requirements.

For the closeout of agreements and contracts, we reviewed the Mission's procedures for the close-out process. We reviewed the relevant criteria for close-out and the Mission's documentation in ensuring that the controls established were followed. Our audit procedures in this area were limited due to the adequacy of the Mission's procedures. These procedures were implemented following a RIG/A/Singapore prior audit of the closeout process that was done in 1994. All recommendations made then were implemented, have been resolved and closed at the time of our current audit. Accordingly, our audit focussed on the Mission's efforts in the disposition and settlement of termination and other claims filed by contractors. We documented the Mission's system to process and settle these claims, reviewed each claim and held discussions with mission management, project officers, and contracting officials. We examined documentation pertaining to the settlement agreements reached and determined the status of the remaining unsettled claims.



UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT
MISSION FOR PAKISTAN AND AFGHANISTAN

OFFICE OF THE DIRECTOR

May 25, 1995

Mr. Richard C. Thabet
Regional Inspector General for Audit/Singapore
U.S. Agency for International Development

Dear Mr. Thabet:

The mission received and reviewed Draft Audit Report 5-391-95 reporting the audit of the close-out of USAID Pakistan and Afghanistan. I am writing this letter on the last business day of USAID operations. We cease operations this afternoon and transfer the USAID building back to the Government of Pakistan (the owners) on Sunday morning, May 28 1995.

The audit function is central to a well structured system of management controls. It ensures that objective, external reviews of procedures and transactions are undertaken in a manner which re-enforces the integrity and consistency of management operations. I would like to take the opportunity in the final audit response from this USAID to express our appreciation for the professional, systematic and constructive role which the RIG/Singapore has played in the closeout of this very large operation. Beginning more than two years ago I and my senior staff began a dialogue with you and your staff on the risks, vulnerabilities and management challenges of closing such a large program. We were candid in sharing with you our perceptions of potential system and control weaknesses. You and your staff were consistently forthcoming in sharing your insights and perceptions of the risks and in sharing your thoughts about how those risks could best be controlled and limited. Throughout the process the RIG maintained an appropriate distance from the mission management process, while at the same time assisting us in framing the control and risk management concepts we would use in the final years.

Your final draft audit report has identified areas where our systems could have been stronger. You underscored the gap between our strong controls on OE funded and project funded property on the one hand and the relatively weaker controls on contractor-managed property on the other hand. We concur in the draft report's suggestions that this area of property management be strengthened world wide. Your draft report notes that Agency guidance was absent or inadequate in many areas pertaining to close-out and that the mission found it necessary to devise procedure, rules, systems and controls in the absence of specific Agency policies. We are pleased that the audit finds our mission approaches to have been generally sound. Many of the mission systems are suitable for wider application in other missions, and we concur with the draft report suggestions in this regard.

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The mission continued to work on closing the local currency issues noted in the draft. Sustained efforts by the Government of Pakistan's Auditor General have resolved a good deal of the incomplete reporting. In fact they just provided us with two more reports today, and are working hard on the balance. Procedures for complete resolution are in place, and the ANE Bureau in Washington will manage this process via correspondence with the appropriate officials of the GOP.

The report notes one important contract claim which will continue past the mission closure. At our prompting, the Agency's General Counsel has made arrangements to retain the services of the most knowledgeable Foreign Service National to assist them in records review and in the detailed analysis of the claim. This process may continue for some time, but the GC's litigators now have the expert support and records needed to appropriately pursue the U.S. Government's interests in this matter.

The last American staff depart Pakistan at the end of May. The Mission is officially closed. A residual skeleton FSN team will handle remaining property issues through the month of June, working from the USAID warehouse located about 10 miles outside Islamabad. At the end of June they will return the warehouse to the GOP. During the month of June this team will take guidance and direction from M/OMS in Washington and the Embassy GSO will provide supervisory and signatory authorities where they are required. Two financial specialists from the FSN staff of the Controller's office will remain at the the Embassy Budget and Fiscal Office until September, 1995. They will be under the direction of Mr. Jim Stanford, the USAID Controller in Bangkok. Bangkok is the accounting station for Pakistan since the closure of our Controller operations in Islamabad. Residual project concerns will be managed by the ANE Bureau in Washington. These are expected to be minimal.

In sum, we agree with the basic analysis and narrative reported in the draft, and have made effective use of the interim findings of the audit team as we completed the final stages of the close-out. I would be pleased if the audit proves useful to Agency management and to other closing missions.

Sincerely,

A handwritten signature in black ink, appearing to read 'John S. Blackton', written over a horizontal line.

John Stuart Blackton



UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT

MISSION FOR PAKISTAN AND AFGHANISTAN

THE DIRECTOR

May 24, 1995

Mr. Richard C. Thabet
Regional Inspector General for Audit/Singapore
U.S. Agency for International Development

Dear Mr. Thabet:

You have asked the Mission Director of USAID/Pakistan and Afghanistan to provide a Representation Letter in connection with your audit of the management of the Mission's close-out. The audit was made to answer three audit objectives:

- Is USAID/Pakistan and Afghanistan's management of the Mission closure in accordance with USAID policies, procedures, U.S. Government regulations and the Mission's Close-out Plan?
- Did USAID/Pakistan and Afghanistan dispose of non-expendable property and equipment in accordance with applicable USAID policies, procedures and U.S. Government regulations?
- Did USAID/Pakistan and Afghanistan close-out assistance projects, contracts and other agreements in accordance with USAID policies, procedures and U.S. Government regulations?

I was assigned as the Mission Director of USAID/Pakistan in August 1992 and the A.I.D. Representative for Afghanistan Affairs in January 1993 and accordingly was not personally involved before that time with the close-out activities audited. My Controller, Chief of Portfolio Operations and Contracts Officer have briefed me on certain matters pertaining to the Mission close-out covered in the audit, and concurred with the representations which follow. Please note, however, that the Contracts Officer arrived in August 1992 and the Chief of Office of Portfolio Operations has served in this position since July, 1993.

I confirm the following representations with respect to those aspects of the audited close-out activities that were under the full control of this Mission.

Cont'd.....P/2

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1. For close-out activities the Mission was responsible for (a) the internal control system; (b) compliance with applicable U.S. laws and regulations; and (c) the fairness and accuracy of the accounting and management information.
2. To the best of my knowledge and belief, the Mission has made available all records relating to the activities audited which were requested by the auditors and provided access to all other records.
3. To the best of my knowledge and belief, those records are accurate and complete and give a fair representation as to the status of the activities audited, except to the extent that some records were intentionally destroyed at the direction of Embassy security officers during the Gulf War evacuation of this Post in 1991.
4. To the best of my knowledge and belief, the Mission has disclosed all known irregularities related to close-out activities under audit (that we consider substantive) involving Mission employees with internal control responsibilities. For the purposes of this representation, "irregularities" means instances of intentional noncompliance with applicable laws or regulations and/or intentional misstatements, omission, or failures to disclose same.
5. To the best of my knowledge and belief, the Mission is not aware of any instance (that we consider substantive) where financial or management information directly relating to this audit have not been properly and accurately recorded and reported.
6. To the best of my knowledge and belief, the Mission is not aware of any instance (other than what has been included in the draft audit report or reported by the Mission during the course of the audit) of noncompliance (that we consider substantive) with A.I.D. policies and procedures or violation of U.S. law or regulation.
7. After review of your draft audit report and further consultation with my Controller, Chief of Portfolio Operations and Contracts Officer, to the best of my knowledge and belief, I know of no other facts as of the date of this letter (other than those expressed in the Management Comments to the draft report), that would materially alter the conclusions reached in the draft report.

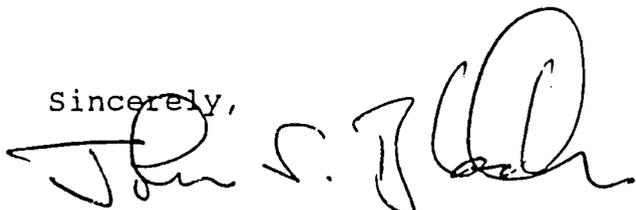
Cont'd.....P/3

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

Sincerely,

A handwritten signature in black ink, appearing to read "John S. Blackton". The signature is written in a cursive style with a large, prominent initial "J".

John S. Blackton
Mission Director

CLOSE OUT MANUAL
USAID MISSION FOR PAKISTAN AND AFGHANISTAN

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PAKISTAN PROGRAM
CLOSE-OUT STATUS AS OF FEBRUARY 2, 1995

PROJECT (TITLE/NO) CONTRACT/ GRANTS	OOR CONTACT	PACD	CONTRACT CLOSURE					CONTRACTOR UTILITY BILLS PAID OR ARRANGEMENTS MADE	EQUIPMENT DISPOSITION			END-USE CHECK STATUS	FINANCIAL CLOSURE			DISPOSITION OF PROJECT RECORDS		P A C R		
			CONTRACT COMPLETION DATE	END OF CONTRACT REPORT	RELEASE FORM	CLAIMS SETTLED/ TRANSFERRED	CONTRACT RECORDS RETIRED/ TRANSFERRED		HOUSEHOLD/ OFFICE	YELLOW- PLATED VEHICLES	OTHER EQUIPMENT TRANSFERRED TO GOP		UNLIQUIDATED ADVANCES	REVIEW/ LOCAL AUDITS COMPLETED	UNSPENT BALANCE	ACCOUNT- ING RECORDS RETIRED	RETIREMENT	SHIPMENT	DATE RECEIVED/ EXPECTED	DATE FINALIZED/ EXPECTED
ASSP (0492) USDA/PASA IFPRI Chemonics IESC KSU RONCO SRD * Abt Associates AED SMS Inv'tl Travel PLs Misc.	M.D.MAUK/ A.BHATTI	3/31/95	12/31/94	Overdue	N/A	N/A	3/31/95	YES	YES	2/15/95	YES	5	2/28/95	509,841 1,858,878 0 72,220 0 0 0 1,456,557 10,256,561 1,408 3,600 300,472	5/1/95	5/1/95	5/15/95	1/31/95 As noted (Overdue- expected 2/16/95)	4/30/95	
FP&D (0481) Winrock Ahmadullah Pioneer Consul. Eng Associates AED Hagemeyer Ele. PLs Misc.	M.D.MAUK/ A.BHATTI	12/31/94	9/30/94	YES	YES	N/A	YES	YES	YES	YES	YES	3 & 4	NIL	2/28/95	500,230 10,371 0 0 123,618 7,247 787,003 6,850	5/1/95	5/1/95	5/15/95	10/18/94 As noted- Utilize	2/15/95
DSTP (0474) AED Inv'tl Travel Misc.	M.D.MAUK/ A.BHATTI	12/31/94	11/30/94	Overdue	NO	Unknown	3/31/95	2/15/95	2/28/95	2/15/95	YES	1	NIL	2/28/95	1,779,436 0 9,506	5/1/95	5/1/95	5/15/95	12/31/94 BHussain/ LBr dehaer Overdue- expected 2/10/95	2/15/95

* - Payment to local staff was not made by SRD; USAID is pursuing this issue.
Misc. - This line item includes purchase orders; PSCs; local vendors; etc.

NOTE: The commodity contracts, PLs, inv'tl travel, and misc. items are included in the list only to track unliquidated advances and/or unspent balances.

End-Use Check Status Codes:
1. All categories complete
2. Categories B & C complete
3. Category C complete
4. Category A complete
5. Category A & B complete

End-Use Categories:
A - Under \$10,000
B - \$10,000 - \$50,000
C - Over \$50,000