ASSESSMENT OF USAID/PAKISTAN'S SUPPORT TO TECHNICAL ASSISTANCE CONTRACTORS

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INTRODUCTION

USAID/Pakistan's (USAID/P) program is the second largest within the U.S. Agency for International Development (A.I.D.). Since 1981 this program has grown considerably in both terms of funding and personnel. The program funding level grew from $50 million in 1981, to $278 million in 1983, to $350 million in 1989. The number of direct-Hire and contract employees (U.S. and Foreign Service Nationals) was 102 in 1981 and 281 in 1983 as compared to 520 in 1989. These figures do not include USAID/P's 473 employees hired under service contracts, the 649 employed by USAID/P contractors, the 18 USDHs with the Office of the AID/Representative for the Afghanistan Program (AID/REP), its 38 U.S. contractors, its 16 FSNs, or the 627 employees of its contractors. All of these categories have workload implications for USAID/P and create the largest administrative management span of control of any Mission in the world today.

Since 1983, the level of services USAID/P has provided to its TA contractors has been extensive. The full scope of the services currently provided greatly exceed those normally provided by other USAID Missions throughout the world (see Attachments I and II which show the services provided to TA contractors by USAID/Cairo and USAID/Quito, respectively).

USAID/P expends significantly large levels of effort to carry out its normal operating functions and in providing services to its TA contractors. Some examples of those levels of effort are: the leasing, furnishing, and maintenance of 173 residences and 38 offices in 10 locations; the leasing and operations of 10 staff houses in 10 locations; the leasing and operations of 6 warehouses in 3 locations, the operations of 4 Liaison Offices in 4 locations with satellite operations at another 6 locations; the accountability and issuance of 208 sets of residential furniture; the operation and/or repair of about 374 vehicles; and procurement activities which exceed $250 million each year.

OBJECTIVES AND SCOPE

The objectives of this assessment were to (1) assess the adminstrative, financial, and logistical support services being provided by USAID/P to TA contractors operating in Pakistan under AID financing; (2) develop recommendations based on findings which are economically feasible for the U.S. Government to implement, and which would provide improved services to TA contractors; and (3) develop an action plan to implement the recommendations. A team composed of a Personnel Management/Executive Officer, a Controller, and a Contracting Officer were selected to conduct the assessment during the period February 9, through February 28, 1990. In order to meet

these objectives, the Team was asked to do the following:

--Review existing contract agreements for compliance with applicable A.I.D. policy, with particular emphasis on those provisions relating to administrative, financial, and logistical support services.

--Compare the actual provision of administrative and logistical support services with the services stipulated in contract agreements to determine consistency within contracts.

--Review the provision of USAID/P's acquistion and management of residential housing, and office facilities provided to the contractors with a view to assure consistency with those provided to USDH employees.

--Assess cost accounting systems and procedures that enable USAID/P to fully charge contractors for services provided.

--Review payments made by USAID/P on behalf of TA contractors to determine if payments can be better made directly by TA contractors.

In order to meet its objectives and cover the areas listed above, the Team interviewed several key Mission officials including the Mission Director, the Executive Officer and Deputy Executive Officer, the Controller and Deputy Controller, the Chief of the Commodities Division, Contracting Officers, the Chief, Office of Project Development and Monitoring, the Chief, Office of Agriculture and Rural Development, several USDH Project Officers, and senior FSNs from various offices. The Team also met with the AID/Representative, Deputy AID/Representative, USDH Project Officers, the Controller, and Contracting Officer for the AID/REP program. In addition, the Team met with the Chiefs of Party of the majority of the

Mission's and the AID/REP's contractors, and with representatives of other donors or private contractors doing business in Pakistan. Finally, the Team reviewed pertinent Mission records pertaining to the assessment objectives and scope.

ASSESSMENT RESULTS

The assessment results are summarized below. The first three topical headings cover the areas listed in the Scope Section that the Team was specifically asked to cover. The subsequent headings cover areas noted by the Team during the assessment which it believed should be brought to management's attention.

IS THE CURRENT SUPPORT BEING PROVIDED BY USAID/P TO ITS TA CONTRACTORS (1) IN ACCORDANCE WITH A.I.D. POLICY, (2) CONSISTENT WITHIN CONTRACTS, AND (3) CONSISTENT WITH THAT PROVIDED TO USDH EMPLOYEES?

USAID/P presently provides, among others, the following services to some or all of its TA contractors: leasing, furnishing, and maintenance of housing and offices; vehicle maintenance; procurement of vehicles, supplies, and commodities; travel and transportation; visa and custom clearances; and personal services such as paying utility bills, insurance, obtaining vehicle registrations and driving permits, etc.

USAID/P's current policy is to provide its TA contractors with virtually all of the same types of services that are received by its USDH employees with only a few exceptions. For example, TA contractor personnel do not receive some entitlement services such as the APO and receive more restrictive State Department pouch services.

While the current support being provided to TA contractors is significantly greater than that normally provided by other USAID Missions--the level and kinds of services being provided do not appear to be contrary with A.I.D. Policy, and appear to be consistent within contracts. A.I.D.'s policy with regard to providing support to TA contractors requires each Mission to assess the local logistical support situation and determine which method, based on three options, is best suited for its program or individual projects. Although the policy requires that the Mission Director make a determination on the method to be followed--we did not find that this had formally been done.

A.I.D. POLICY

Appendix C to the AID Acquisition Regulations (AIDAR) provides the following policy statements in furtherance of AID's objectives to (1) increase the utilization of contractors in accordance with section 621 of the Foreign Assistance Act of 1961, as amended, (FAA), and (2) reduce the administration

burden on the AID establishment in Cooperating Countries (emphasis added). Appendix C to the AIDAR states:

> "Each Mission should assess the local logistical support situation and determine which method is best suited for its program or individual projects. While the following three options are listed in descending order of preference, the Mission is encouraged to use the option which is in the best interest of the project:
>
> (1) Arrangements by the contractor itself where feasible and reasonably economical. (It is assumed that this test will be met in the case of virtually all construction contracts and in most of the larger engineering and technical assistance contracts).
>
> (2) Arrangements by the cooperating country where these would be timely, adequate, and feasible in terms of the country's economic and administrative resources.
>
> (3) Arrangements by the Mission alone or jointly with either or both of the other parties, **in those cases where the Mission Director determines that adequate and timely logistic support at reasonable cost cannot be assured through the other options** (emphasis added). In such cases, and when direct-hire resources are inadequate, the Mission is encouraged whenever feasible, to contract for assistance in providing logistic support. Guidance on logistics support contracts should be obtained from SER/OP and GC."

RECOMMENDATION NO. 1

The Team recommends that:

If the USAID/P Mission Director makes the decision to continue the current method of providing TA contractor support, he should make a formal determination, for the record, supporting the use of that method.

Should the Current Level of Support Being Provided by USAID/P to its TA Contractors be Continued?

The assessment identified no strong arguments for changing the way major services are being provided to TA contractors by USAID/P. We were unable to find any regulations in the AID Handbooks which would preclude the current arrangement. That finding, coupled with the very laudatory evaluation of such services by TA contractors and USAID/P and AID/REP personnel, has led us to recommend no major changes in the services currently being provided. If TA contractors provided their own logistical support would there be a reduction in USAID/P's staff? In the O/FM probably not; in the EXO certainly, maybe up to 30 to 40 percent of the total staff--country wide--including service contracts. But, we do not believe this in and of itself justifies a change in the status quo.

The assessment disclosed, however, that the Mission currently provides some labor/paperwork intensive services, such as payment of utility bills, certification and processing of medical claims for all contractor FSNs, and some other mundane services such as enrolling new arrivals in the U.S. Government Employees Association, obtaining car insurance, etc., that in the opinion of the Team, should more appropriately be handled by the contractors. It may be necessary to amend some or all of the present TA contracts in order to turn the responsibility for provision of these services over to the TA contractors.

But the overall reduced workload for USAID/P staff would justify that action.

Support for Maintaining the Status Quo

There was unanimous praise among the TA contractors, USAID/P, and AID/REP employees interviewed by the Team for the quality and level of services currently provided by USAID/P. Most felt strongly in their opinions that USAID/P should continue providing most of the current logistical support services.

The main reasons given for maintaining the status quo were: (1) it is more economical to the U.S. Government for the Mission to provide centralized support services; (2) it avoids a three to six month delay in project implementation by allowing contractor personnel to immediately concentrate on project objectives instead of their own personal needs such as housing, furnishings, etc.; (3) most contractors lacked the staff qualified to carry out the support services; (4) adequate support services were not available from established companies, rather, individual contractor teams composed of the different craftsmen required would have to be established; and (5) there was a great need for checks and balances in the leasing and procurement processes and confidence in the procurement agents because of local conditions, and it is assumed that USAID/P provides such checks and balances.

Other reasons given for USAID/P to continue providing services to TA contractors were:

--Newcomers were getting "killed" in their leases and were ruining the market by paying high rents.

--It costs $1,200 a month to rent a car with driver (competively bid).

--Overhead and fees would increase if the TA contractors had to handle logistical support.

--More than just convenience given the local market situation.

--There is a key concern over the control and oversight of procurement activities.

--Local health services are a problem for the expatriate community.

--If TA contractors had to handle their own administrative/procurement, their contracts would have to be amended to include another person on their respective staffs. In most cases this could be an FSN, but where an American would be required, this increase would push the total staff limitation closer toward the 100 limit set by the Embassy. The Team was asked rhetorically if the Mission wanted to utilize the 100 for technical experts--or clutter it up with administrative types. We were also told that the GOP reviews contracts and projects to ensure that administrative types are not included.

--There would be a dis-economy of reduced scale if each contract had to provide its own support.

--USAID/P has a good reputation with landlords, this allows it to get good houses for good prices.

--Contractors are "spoiled" but more "efficient". It was generally agreed that the settling in time by new families would be about 3 to 6 months--without USAID/P's support.

--Security. This issue was most pronounced in Peshawar. One subcontractor interviewed there stated he wished he was "in the A.I.D. package" not necessarily for the residential maintenance but for the peace-of-mind of being under the security umbrella.

--Concern was expressed over the lack of expertise in the local market to repair appliances, and the lack of spare parts and timeliness. Concern was also given over non-screened personnel having access to individual residences and offices.

Officials of private companies, who were providing their own logistical support, generally agreed with the reasons discussed above for the Mission to continue providing the present level of logistical support. These officials pointed out that limiting the contact of TA contractor staff with local vendors--by USAID/P providing logistical services--resulted in improved security for the Americans in this country.

An official of a U.S. oil company told us that his firm had set-up an organization in Islamabad similar to USAID's to provide logistical services for its offices and expatriate employees. He told us that his company did not do so in Peru and Columbia--rather it believed that in these countries adequate services were available on the local economy. He said the company did not feel the situation was similar here.

An official of another private U.S. company told us that he was aware that some of his colleagues in the private sector were "getting ripped off" on their leases and other procurement actions because of their lack of knowledge about local conditions. (This official told us he used USAID type contracts for his leases and insisted that the guard service provide him services at USAID rates).

Some USAID/P Employees Believe the Current Services Provided to Contractors are Inappropriate and Excessive

There were some USAID/P USDH employees that believed the levels of support provided to TA contractors should be greatly reduced. The labor/paperwork and administrative burden were the main reason given by these employees for reducing the level of services provided to TA contractors. The EXO and O/FM USDH staff is so involved in day to day issues that there is little time for management analysis, forward planning, and fine tuning of their operations. The Team had the sense that there could be some reductions in various elements of the large EXO staff but that the EXO USDHs did not have the time to carefully perform in-depth reviews and were completely dependent on recommendations of their senior FSN staff.

Types of Services Available to TA Contractors

There are two basic types of services provided to TA contractors--entitlements and logistical services. Entitlements are granted to contractor employees worldwide as the result of specific policy. They are defined in the AIDAR and cannot be changed by a Mission without a specific deviation subject to AID/W review. Entitlements include use of:

--Health Room Services

--State Department Pouch and APO (If Permitted)

--Post Recreation Facilities and Commissary

--Check Cashing and Money Changing Facilities

Logistical support items are not mandated by regulations and there is not an Agency-wide written policy covering these items. Logistical support includes:

--Obtaining Entitlements

--Dealing With Host Country Institutions

--Setting-up and Maintaining Housing and Temporary Living Accommodations

--Setting-up and Running Offices and Other Professional Facilities

--Arranging and Carrying Out Staff Travel and Transportation of Things

RECOMMENDATION NO. 2

The Team recommends that the Mission, if it is properly reimbursed by project funds, continue to provide the following services to its TA contractors:

--Assistance in Obtaining Entitlements

--Leasing, Furnishing, and Maintenance of Residences and Offices

--Leasing of Warehouses

--Maintenance of Motor Vehicles (Islamabad and Peshawar)

-- Security Investigations and Guard Services

--Off-Shore Procurement of Vehicles and all Other Project Commodities Except Program Technical Equipment Costing Under $25,000.

Services the Mission Should Not Continue to Provide

The Team found that the Mission was providing several services to TA contractors that were very labor/paperwork intensive for the Mission to carry out--because of the volume of transactions resulting from the collective impact of providing these services for all TA contractors. These labor/paperwork intensive services have their greatest impact on the EXO and O/FM operations. Some examples of these services follow.

--EXO receives and prepares vouchers--which are submitted to O/FM for payment--for all of the electricity, water, gas, and some personal telephone bills for TA contractors. Vouchers processed by O/FM have to be sent to the Regional Administrative Management Center (RAMC) in Bangkok, Thailand for issuance of the checks. Because of delays in receiving checks from RAMC the Mission incurred about rupees 1.2 million in late charges last fiscal year. In order to avoid such charges, O/FM is instituting a procedure to make advance payments of all utility bills, including those of the TA contractors.

--EXO receives and prepares vouchers--which are submitted to O/FM for payment--for invoices covering TA contractors and project participants' travel (there are about 900 project funded participants that travel each year). These bills are submitted by various airline representatives and travel agents. Generally, these organizations submit a separate bill for each Government Travel Request (GTR) issued (the maximum number of persons that can be put on one GTR is four). (See pages 31 and 32 for a specific recommendation related to travel services).

--EXO prepares, processes purchases orders, and carries out numerous local project funded procurement actions on the verbal request of various GOP Ministries. O/FM processes these procurement actions for payment and delivers the checks to the vendors.

The above kinds of services create mountains of paperwork for EXO and O/FM. If these services were handled by individual TA contractors, the impact would be far less than it is on the two Mission offices cited above. The assessment also disclosed that USAID/P is providing some mundane services such as enrolling new arrivals in the U.S. Government Employees Association and obtaining insurance for POVs. These services more appropriately should be handled by the TA contractors.

In addition to being concerned about the workload brought about by some of the services provided to TA contractors, the EXO and O/FM staffs expressed concern over the lack of good internal control over payments made on the behalf of others. The Team shares that concern. The O/FM staff rightfully questioned their ability to know if payment being made on behalf of others are being made for the correct amounts. We were advised that this Mission had an EXO employee who abscounded with about rupees 1.8 million that was supposed to have been paid for utility bills but was not. The Deputy Controller advised us that she just recently signed a Mission Order to the effect that O/FM would no longer approve payments for procurement actions taken on the basis of verbal orders from GOP Ministries.

With regard to project commodity procurement, attached are copies of several Cairo Mission Orders and a Contractor Notice that the Team feels might be of interest to USAID/P. The subjects of these Orders and Notice are: "Project Commodity Procurement, Procurement Planning and End-Use Control"; "Utilization of AID-Financed Commodities and Equipment"; "Procurement, Use and Disposition of AID Project Vehicles"; and "Guidance for Local Purchase of AID-financed Commodities" (Attachments III through VI).

RECOMMENDATION NO. 3

The Team recommends that USAID/P take the action necessary to turn the responsibility for providing the following services over to the TA contractors:

--Procurement of Office Supplies

--Procurement of Program Technical Equipment (up to a Limit of $25,000 for Off-Shore and $100,000 for Local Procurement Following Guidelines Contained in Handbook 11, Chapter 3)

--Payment of Utility Bills

--Processing Certifications of Medical Claims for Their FSN Staffs

--Employee Related Travel

--Transportation of Things not Procured by USAID/P

--Enrolling New Members in the U.S. Government Employees Association

--Obtaining POV Insurance

Need for Consistency in Services Provided

The Team found that the services provided to TA contractors varied somewhat between various USAID/P locations. For example, USAID/P procures and warehouses common-use office supplies for Contractors in Islamabad and Peshawar, whereas contractors in Quetta, Karachi, and Lahore handle these functions themselves. The Team has recommended that USAID/P not provide office supplies to TA contractors at any location.

The Team also noted that vehicle maintenance is provided for TA contractors in Peshawar and Islamabad, whereas at other locations the contractors take care of this service themselves. The Team has recommended that for the present, this service be retained at those two locations.

The variance in services provided adds to everyone's confusion and makes reimbursement determinations difficult, if not impossible. The Mission should establish firm policies and practices, regardless of local conditions, and apply them across the board.

RECOMMENDATION NO. 4

The Team recommends that, to the extent practicable, USAID/P should be consistent country-wide in providing services to TA contractors.

DOES USAID/P HAVE COST ACCOUNTING SYSTEMS AND PROCEDURES AVAILABLE TO ENSURE THAT IT CAN FULLY CHARGE TA CONTRACTORS FOR THE SERVICES PROVIDED?

USAID/P does not have an adequate cost accounting system to ensure that it can fully charge TA contractors for the services it provides. A.I.D. Handbook 19 provides that support costs to contractors can be charged to projects to the extent that such costs can be identified and segregated. Although USAID/P has operations in 11 cities in Pakistan, the costs related to each location (as cost centers) are not identified and segregated.

The Team is concerned with the apparent lack of management oversight on the costs associated with TA contractors and the operation of the ALOs. While it does not appear to be a shell-game, answers to our specific questions about budgets, actual expenses, and accountability were generally non-specific--eventhough the combined total of logistical support funds available was about $33 million. If the Mission is to be responsible for providing logistical support to the TA contractors, then it should be exercising more management control over all budgets.

It would now appear that Mission managers have no knowledge of what the total logistic budget is, what is available at any given point of the contracts, or what future needs might be. This knowledge seems to be the sole responsibility of Project Officers in the Mission. But the Team was not assured that these Officers closely monitor the logistical support budgets. When asked if they had any concerns about managing/prioritizing these budgets, the Team was told "there's plenty of money and if we need more we just amend the PIO".

The vast majority of Chiefs of Party interviewed had no idea what the logistical budget associated with their contract was, how their administrative needs or requests were affecting the budget, or for that matter, cared. One Chief stated that when he asked questions about the logistics budget he was

"cut-off". All of the Chiefs of Party assumed that proper controls were in place, and, since the services were excellent, they were glad not to have this management burden.

If USAID/P is to continue to have its staff offices provide support to the TA contractors, then those staff offices should have more knowledge of the total budgets available to them and be principal players in the annual prioritization of their expenditures.

The lack of cost information makes it impossible to determine the actual direct costs for providing services in the locations in which USAID/P operates. In addition, many of the indirect costs incurred by the Mission in providing services to TA contractors are not being recovered. As a result, significant amounts of dollar operating expenses (OE) and the rupee trust funds (RTFs) are being used to support program activities.

If the projects were charged their proper shares for support activities, funds would be available for needed Mission support activities. Funds thus made available could be used to buy needed ADP hardware and software or to pay for any needed support staff (e.g. for a dependent spouse to serve as an Administrative Assistant working with newcomers and GSO (as has been done in Manila, Cairo, Nairobi, and other large Posts). Or in O/FM could eliminate the four person years of overtime

currently necessary). It may also enable the Mission to reduce the level of its annual OE and RTF requests.

For simplicity, the Mission currently uses standard costs developed for Islamabad country wide as the basis for charging TA contractors for housing maintenance, and as the basis for the hourly labor charges for office and vehicle maintenance where provided. Any supplies and parts provided for these last two items are charged on a direct cost basis. The use of Islamabad's standard rates may not be appropriate to ensure that the actual costs of operating in the other 10 locations are recovered, and probably would not be defensible in an audit. Rates for each major location should be developed.

We found that USAID/P had very recently completed a financial analysis in which the hourly rates for housing maintenance, the auto workshop, and shipping services were computed. The analysis correctly included both the direct and indirect costs related to these activities. However, our analysis showed that the salaries and other costs of two USDH employees used in computing the indirect costs may have been inappropriate, and that all non-productive time was not considered in computing these standard labor charges.

A.I.D. Handbook 19 requires that personnel engaged primarily in agency management and support functions be funded under the OE

account, and states that costs from a single commitment should not be split between project and OE funds. A percentage of the Executive Officer's and his Deputy's salaries and other costs were included in the computation of the standard hourly rates discussed above. Since these employees' are primarily engaged in agency management and support functions, according to Handbook 19, their salaries and other costs should not be included in this computation.

The Team also noted that all non-productive time was not considered in computing standard labor charges. While allowances were made in the analysis for absences on annual, sick, and casual leave, no consideration was given to the 26 United States and Pakistan legal holidays that occur each year. By not considering these days in the computation, the hourly rate charged to projects is lower than it should be--and the RTF ends up subsidizing any deficiency.

The assessment also showed that USAID/P should recover more costs from project funds. In several instances, other than the standard rates discussed above, USAID/P only charges projects for the direct costs of services provided by the Mission. The amounts not being charged are significant. For example, We conservatively estimate that about $717,000 in indirect costs are not being recovered by the Mission for operation of the Liaison Offices at Peshawar (about $176,000), Lahore (about

$180,000), Karachi (about $206,000), and Quetta (about $155,000). (Because of the lack of cost information, the above figures are based on estimated budgets). While time limitations did not allow us to do so, we are confident that analysis will show that significant indirect costs (other than those presently being recovered) are also not being recovered from operations in Islamabad.

An in-depth analysis of staffing levels needs to be done to determine the extent of staff which exists wholly because of the level of TA contractor support being provided. USAID/P then needs to install a cost accounting system which will segregate its support costs by location and provide a valid basis for charging projects for the support services provided to its TA contractors. At the present time, other than for payroll costs, there is not an effective, efficient way to identify costs related to each of the locations in which USAID/P operates.

RECOMMENDATION NO. 5

The Team recommends that USAID/P:

A. Revise its analysis used to establish standard hourly rates for housing maintenance, the auto workshop, and shipping services, and remove the costs related to the EXO and Deputy

EXO, and to take into consideration the non-productive time related to official holidays.

B. Take the action necessary to establish a cost accounting system that can serve as the basis for ensuring that services provided to TA contractors are appropriately recovered. This could be accomplished by either designing the cost accounting system in-house or by seeking assistance from a consulting firm to do so.

IS USAID/P PROPERLY ACCOUNTING FOR HOUSING AND OFFICE FURNISHINGS AND EQUIPMENT, AND VEHICLES, PURCHASED WITH PROJECT FUNDS?

Mission records indicate accountability for $11,452,211 in property and vehicles from all sources (including AID/REP). Normally, project commodities (52 % of the above amount) are in the custody of and titled with the host country. This is not done in USAID/P and greatly increases the property control workload and vulnerability.

The Team was initially very concerned with the Mission's practice of co-mingling all furniture and appliances and some vehicles. However, Handbook 23 does not preclude this practice as long as each item is properly identified as to the funding source. We found that this was the case--with adequate records being maintained centrally in Islamabad.

Handbook 23 specifies that the Mission's Property Disposal Officer be a U.S. citizen. We found that this is not the case. The Mission should appoint an American citizen as its Property Disposal Officer.

Currently, property disposals for Peshawar, Lahore, and Islamabad are conducted in Islamabad. Disposals for Karachi and Quetta are handled by the American Consulate General in Karachi. We found that funds received from property sales in Karachi were correctly being accounted for and that funds for project funded equipment sold were properly being credited to that project. We did not find this to be the case in Islamabad. Rather, we were told that the proceeds from sales in Islamabad, regardless of funding origin, were being deposited into the RTF. If true, this practice is in violation of Handbook 23 and the new Property Disposal Officer should review this procedure and take appropriate corrective action.

RECOMMENDATION NO. 6

The Team recommends that:

A. USAID/P designate an American citizen as its Property Disposal Officer.

B. The Property Disposal Officer take the action necessary to ensure that the proceeds from property disposal actions are credited to the proper accounts.

OTHER MATTERS OF INTEREST TO USAID/P MANAGEMENT

Support Provided to the AID/REP

The Team was concerned not only that TA contractors were paying their fair share for Mission provided logistical support but that the AID/REP was doing so as well. At the present time, the O/FM and the EXO both provide significant services to the AID/REP program without reimbursement.

The O/FM estimates that it annually provides the AID/REP the equivalent of about four man years (valued at about $40,000). Extra staff have not been hired because of this workload, rather, it is being handled by existing staff putting in many hours of overtime. The services provided are secretarial, project accounting, OE accounting, and voucher examining.

The AID/REP Controller advised the Team that his OE budget does not include any positions for support staff other than for one project accountant (who works exclusively on AID/REP matters). He stated that there was not any plans to hire additional staff until the unit moved into Afghanistan. He pointed out that

there are some tradeoffs. He said that he sometimes fills in for the Mission O/FM staff when necessary.

The EXO estimates that 25 to 30 percent of his entire office's effort is spent in support of the AID/REP. That estimate appears reasonable. We found in Peshawar, for example, that the large GSO function there was primarily staffed up to take care of AID/REP contractors in the area.

We considered recommending that the AID/REP set-up an EXO function in Peshawar, be wholly responsible for administrative management in that locale and then establish a reverse billing mechanism to charge USAID/P for services. However, given the uncertainty of the AID/REP's program and timing, we now would recommend that as part of its contribution to the EXO operation, that it fund an American PSC position, to be located physically in the EXO in Islamabad. This individual would be charged with primary responsibility for Peshawar and Quetta, under the supervision of the EXO, and would serve full-time as liaison with the AID/REP.

This arrangement would assist in the steady flow of communication between the two organizations. In the past, for example, the EXO was not clearing on all PIOs containing logistical requirements. We understand that this problem has now been corrected. However, the Team is aware of a recent

request to the Peshawar ALO for 8 new residences that were needed within a two month period. Given the limited housing market in Peshawar and the need for the purchase of additional furnishings, this lead-time is not sufficient. The presence of the American PSC in EXO, as liaison with the AID/REP Project Officers on a constant basis, should prevent a recurrence of this type of "tight deadline" request.

RECOMMENDATION NO. 7

The Team recommends that as part of its contribution to the EXO operation, the AID/REP fund an American PSC position, to be located physically in the EXO in Islamabad. This individual would be charged with primary responsibility for Peshawar and Quetta, under the supervision of the EXO, and would serve full-time as liaison with the AID/REP.

Operation of Staff Houses

The Team believes that the operation of the Staff Houses should be continued, although their management could be shifted to a contractor or Employees' Association. The Team feels the Staff Houses are very cost beneficial and they provide limited but sanitary meals and some beverages that are not available on the local market. It was mentioned to the Team that given the

local treatment of women, the Staff Houses provided socially acceptable meeting places for the Mission's female employees when in the field.

RECOMMENDATION NO. 8

The Team recommends that USAID/P consider shifting the management of the Staff Houses to a contractor or Employees' Association.

Operation of the Area Liaison Offices (ALOs)

The Team found that the ALOs all appear to be running smoothly with varying degrees of efficiency and requiring differing levels of support or supervision from Islamabad. The new system of no USDH serving as Liasion Officers (LOs) has greatly increased the workload of the American staff in the EXO. The role of the ALOs in Peshawar and Karachi appears to be wholly logistical, while the time of the Lahore ALO is split between program and administrative issues.

Based on comments received from various individuals, the Team would recommend that as vacancies occur, the LOs be replaced with FSNs who have program backgrounds and who possess exhibited management abilities. The second position in the ALO would have full administrative responsibilities. In the ALOs,

the Team found some cases of American contractors pushing FSNs in a "us-you" manner requiring escalation to the USDH staff in Islamabad. But these incidents are surprisingly rare and this type of attitude receives no support from the Mission. We did not receive any indication that these kinds of incidents have increased since the American LO positions were abolished.

RECOMMENDATION NO. 9

The Team recommends that as vacancies occur, that the LOs be replaced with FSNs who are program oriented and who possess exhibited management abilities. The LOs should continue to report to the EXO.

Customs and Shipping Services

A review was made of the bilateral agreement between the Governments of the United States and Pakistan (GOP) to determine if it might preclude or restrict TA contractors' administrative support or their ability to do the job themselves. We found that there are no restrictions and that TA contractors enjoy all the same benefits as USDHs. One might therefore argue that the large warehousing, receiving operation in Karachi is unnecessary and that TA contractors, working with their host country agencies or counterparts should be involved in the clearing of project commodities.

However, given the antedotal information received regarding port personnel turnover and GOP inefficiencies and lack of resources, the Team does not believe it would be cost beneficial or in any way contribute to project success if the operations in Karachi were turned over to TA contractors. At this time, those operations are necessary and certainly cost effective--the current rent charged by the GOP for the office/warehouse compound is only five (5) rupees per annum.

RECOMMENDATION NO. 10

The Team recommends that the current customs and shipping operations handled by the Karachi ALO be continued.

Need for Briefing Booklets for TA Contractors

The Team found a general lack of interest by TA contractors in A.I.D.'s rules, regulations, and procedures. Some USDHs even question if the contractors have read their own contracts. The Team heard that some of this lack of interest stems from the contractors' feelings that such factors "only tie-them-down". But some of this attitude may have been fostered by a lack of communication and information from A.I.D. EXO is now meeting with each new Chief of Party upon arrival, but then communication seems to be limited to the Project Officers and Chiefs of Party.

It would seem that every arriving TA contractor should receive information and guidance from the Mission on its practices and regulations covering all EXO/GSO activites affecting contractors--from housing to proper procurement procedures. The Team chanced upon a handbook for contractors, entitled "Assignment to Pakistan", produced in 1983. USAID/Egypt has prepared a similar briefing book, a copy of which is attached. The Team believes the 1983 handbook should be reissued, and that the work in preparing a more complete and updated briefing book could easily be done by a dependent spouse hired under contract.

RECOMMENDATION NO. 11

The Team recommends that the Mission prepare a briefing book for TA contractors which contains information and guidance on the Mission's practices and regulations covering all EXO/GSO activites affecting contractors from housing to proper procurement procedures.

Provision of Travel Services

Presently, USAID/P's travel services are handled by its own travel office and by representatives of various airlines which have offices located on the Mission premises. Some TA contractors utilize the Mission's travel office--others do

not. The Team was told that the provision of travel services in this Mission (both for Mission and TA contractor personnel) creates an extensive amount of labor and paperwork, especially for the O/FM. This workload is largely due to the number of individual invoices that the O/FM has to process each month related to travel.

It would appear the O/FM's workload could be greatly reduced if it only had to process one or two invoices each month covering all travel services. A reduction in the number of invoices that have to be processed monthly could be achieved by entering into a contractual arrangement with an outside firm, such as the American Express Company, to handle travel services for the Mission and its TA contractors. Such arrangements have been successful in many other Missions.

RECOMMENDATION NO. 12

The Team recommends that the Mission consider using a contractural arrangement with a firm such as the American Express Company (used in Manila) for providing travel services to both the Mission and TA contractors.

Operation of the Mission Cafeteria

While not entirely within the scope of work, and in the limited time available, the Team looked at administative services provided to USDH as well as TA contractors to determine if any were unnecessary, contrary to Handbook provisions, or too costly to justify their continuance.

The only service that the Team recommends that the Mission review is that of the cafeteria. We believe the operation of a cafeteria to be necessary and justified but are told it is "heavily subsidized". If this subsidy is in the form of space, utilities, and equipment then it is permitted under the Handbooks. But, if the subsidy extends to salaries and actual food and supplies, alternatives to the present operation should be studied.

If salaries and supplies are handled by USAID/P, additional management and paperwork burdens are unnecessarily being borne by EXO and O/FM. The cafeteria should be managed by an outside firm secured through competitive procurement or by an Employees' Association. We understand that some thought has been given to establishing a FSN employees' credit union. If established, this credit union could manage the cafeteria and look to its operations as a means of generating funds for the common good.

RECOMMENDATION NO. 13

The Team recommends that the Mission review the operation of the cafeteria to determine the extent to which it is being subsidized.

A. If this subsidy extends to salaries and actual food and supplies, alternatives to the present operation should be studied.

B. If salaries and supplies are being handled by USAID/P, the operation of the cafeteria should be turned over to an outside firm secured through competitive procurement or to an Employees' Association such as a credit union.

Need for Clearer Definition of the Respective Roles of USAID Offices

During interviews with several Mission USDH employees, concern was raised over the question of whether EXO or CC was responsible for procurement and U.S. and FSN PSC contracting. To research this issue, the Team read three related Mission Orders: (1) "Contract Procurement and Administration Process--Roles of USAID Mission Offices; (2) "Procurement by Purchase Order"; and (3) "Procurement of Books, Publications and Periodicals". Being professional bureaucrats we found them

very readable but noticed the number of "generallys" and "howevers" that are contained in each and which are probably the cause of the current confusion amoung USDH employees.

The Team has no specific recommendation on this issue but wanted Mission management to be aware of its existence. Since it was raised by more than one individual, the Mission may wish to clarify the responsibilities of EXO and CC in a simplified and revised Mission Order on "Contract Procurement and Administration Process--Roles of USAID Mission Offices" (last issued in 1986).