

File MEREC -
Tacloban

PDWAIN 468
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THRU : Mr. Harold W. Collamer, Controller
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August 17, 1982

Audit of Pre-Test for Managing Energy and Resource Efficient Cities
Project - Tacloban City

REF : Ervin/Collamer Memo dated August 3, 1982

As requested in the ref memo, the subject was conducted at the City Hall of Tacloban City from August 9-11, 1982 and the following is my audit report and recommendations.

A. Purpose and Scope of Audit

The purpose of the audit conducted was to (1) ascertain the reliability of financial reports submitted by the implementing agency, (2) test the integrity of financial transactions, and (3) measure the capability of the implementing agency to financially manage future USAID-assisted projects.

To attain these objectives, audit procedures deemed necessary under the circumstances were undertaken, such as:

1. Interviewed project staff concerned about the accounting system set up for the project;
2. Examined books of accounts maintained for the project;
3. Examined payment vouchers and supporting documents where available;
4. Confirmed payments with some of the payees;
5. Ascertained the validity and reasonableness of payments for local travels; and
6. Verified cash balance as of April 30, 1982.

B. Audit Findings

1. In general, the project was found to be overbudgeted and the implementing agency (Tacloban City) took advantage of it by maximizing its expenditures to the extent of charging invalid claims to the USAID-advanced money.
2. The maximizing of expenditures was acknowledged by the City Mayor and the City Budget Officer. Transactions involving overpayments and invalid charges included:

- a. Payments of honoraria to project personnel including non-working days. On top of this, payment to a certain Alejandro Quintero, draftsman, which appeared to be questionable, was verified with the payee. It was found out that out of the ₱900 payment shown in the voucher, only ₱200.00 was given to him. He was, however, made to sign the voucher for ₱900.
- b. Local travel claims of some project personnel were found to be fraudulent. These claims were supported by tampered plane tickets which were verified with the airlines company and were confirmed to have been falsified. Travellers particularly involved in these types of transactions were:

<u>Traveller</u>	<u>Plane Fare Claimed</u>	<u>Remarks</u>
A. Zeta/Project Administrator	₱826.00	Tac/Mla/Tac trip actually made by service car
C. Gonzales/Engineer	413.00	Tac/Mla trip made with A. Zeta in a service car
w. Arpon/Consultant	826.00	Mla/Tac/Mla trip reimbursed by GOP

- c. Taxi fares were advanced/reimbursed in most cases at a flat rate of ₱150/day without justifying the payment therefor.
- d. BLT registration fee of ₱202.30 for Ford Fiera car was charged against USAID funds. It is to be noted that the Project Agreement authorized only for the charter of a car for project use. The budget for the charter of a car of ₱18,000 was used by Tacloban City government as downpayment in buying the Ford Fiera and the balance was allegedly paid out of the City Government funds.
- e. A certain Antonio Teves was contracted as Administrative Assistant for the project and was paid the sum of ₱24,000 from August 1, 1981 to January 31, 1982. This person, however, was never known to most of the project personnel, was never introduced to USAID representatives visiting the project and was never seen working for the project. When the City Mayor was asked about the whereabouts of Mr. Antonio Teves and his participation in the project, she could not give specific information especially about his contribution to the project. This confirmed our doubt as to the inexistence of Mr. Teves insofar as project participation is concerned.

f. Mrs. Aurora Zeta, the wife of the Project Administrator, was also contracted as Administrative Assistant for the project and was paid the amount of ₱24,000 from August 1, 1981 to January 31, 1982

Time for a report. Aurora Zeta

When taken up with the City Mayor, the latter alleged that Mrs. Zeta prepared a report for the project at home and she expressed her intentions never to hire again the services of Mr. Teves and Mrs. Zeta in the future projects to be undertaken by the City of Tacloban.

9. Costs incurred over and above the USAID budget for supplies and materials, freight charges of equipment and reports and other miscellaneous items with a total of P4,644.50 were charged against USAID budget for "Communications" instead of charging it to the GOP counterpart funds under the "Miscellaneous" cost category.
3. Some payments under the project were found not duly supported by receipts like local travels where no travel authorizations were issued and/ or required to support the travel claims. The purpose of travels for which payments were made were neither indicated in the payment vouchers.
4. No authorizations were issued for payments of honoraria and no daily time records were maintained for the time spent by the persons detailed to the project.
5. Financial transactions of the project were not subjected to audit by GOP auditor - pre or post audit.
6. As approved by AID/W in STATE 154431 (attached) the cost of disseminating the end-product of the project amounting to P23,431.35 was charged against the "Consultants" line item of the USAID budget. This change, however, was not officially integrated into the Pro-Ag by means of a Project Implementation Letter.
7. The extension of the project PACD was likewise approved by AID/W but neither was there any implementation letter issued to make the extension official, from April 30, 1982 to October 31, 1982.
8. Project funds were deposited in a current account with PCI Bank and was found to be in order at the time of audit. Fund balance as of April 30, 1982 was P1,594.08.
9. Bank statements and checks issued from January 1 - April 30, 1982 were examined and found in order. Bank statements and paid checks from August 31, 1981 - December 31, 1981 were allegedly misplaced and could not be found up to the date of our departure from the place and therefore were not subjected to examination.
10. Books of accounts were properly maintained but recording was made by the City Budget Officer, who is one of the authorized signatories in the checking account with PCI Bank.

USAID



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C. Recommendations

1. *OK* Since the project is completed and the report accepted by USAID, I recommend that USAID approve the payments made out of USAID-advanced money; except for some fraudulent transactions and invalid claims listed in the attached schedule A. While there may be some defects in the payment procedures under the project, USAID also had its own shortcomings in the implementation of the project. Item No. 10 of the Pro-Ag calling for the establishment of implementation and payment procedures by Tacloban City and approval by USAID was apparently overlooked by both parties. This has given the implementing agency too much leeway in disbursing USAID grant funds for the project.
2. To avoid similar problems in the future USAID-assisted projects to be implemented by the City, I suggest that USAID requires that the hiring of at least, administrative personnel for the project, be subjected to USAID approval. *Project coordinator*
3. I also suggest that payments under the new projects be required to be audited by the COA resident auditor.
4. Finally, I recommend that project implementation letters be issued by the mission - (a) to formalize the extension of the project PACD; (b) to include the cost of disseminating the project end-product in the Pro-Ag budget; and (c) to approve the realignment made by the implementing agency on the original budget of USAID funds.

D. Others

The City Mayor of Tacloban was apprised of the audit findings and she expressed her being upset for the fraudulent transactions discovered, apparently participated by the appointed Project Administrator.

She submitted to the disallowance of invalid claims that were found and promised to personally manage future projects which USAID may again entrust to Tacloban and to tighten the control over the grant funds to prevent the occurrence of unhealthy practices discovered.

I personally believe that with the careful selection of the local government people and with the setting of guidelines on project implementation and payment procedures, I find no reason to doubt the capability of the City of Tacloban to properly implement and financially manage future USAID projects.

Attachments:

- A. Schedule of Costs Recommended for Disallowance
- B. Tampered Plane Tickets
- C. STATE 154431 authorizing extension of Project PACD and approving the cost of disseminating the project report

cc: LErvin/OD/E

TVB:lnl

SCHEDULE OF PAYMENTS
RECOMMENDED FOR DISALLOWANCE

A. Local Travel

<u>Date of Voucher</u>	<u>Particulars</u>	<u>Amount</u>
03/09/82	Cresencio Gonzales, Jr. - Tacloban to Manila trip made by car. Claim is for round trip ticket	413.00
03/09/82	A. Zeta - Tac/Mla/Tac plane fare Trip actually made by car Per diem (2 days excess claim)	826.00 400.00
10/31/81	BLT registration fee - Ford Fiera	202.50
09/31/81	A. Zeta - Tac/Mla/Tac plane fare No plane ticket attached Per diem - 3 days	826.00 600.00
09/30/81	A. Zeta - Representation Allowance official Travel to Manila August 21-26/81 - 6 days Sept. 5-11/81 - 6 days Sept. 24-25/81 - 1 day 13 days @ P200/day	 2,600.00
	Per diem was likewise paid by Tacloban City government as well as the plane tickets for the trips	
		<u>P 5,867.50</u>

Workshop

10/21/81	W. Arpon - Mla/Tac/Mla plane fare reimbursed by GOP. Plane ticket attached is tampered	826.00
	Unused ticket of E. Terrado - refund being followed up by Tacloban with PAL	<u>826.00</u>
		<u>P 1,652.00</u>

<u>Date</u>	<u>Particulars</u>	<u>Amount</u>
<u>Project Management Consultant</u>		
11/16/81	A. Teves - Salary as Administrative Assistant - August 1/81-Nov. 15/81	P14,000.00
01/25/82	A. Teves - Salary as Administrative Assistant - Nov. 16/81 - Jan. 31/82	<u>10,000.00</u>
		<u>P24,000.00</u>
<u>Communications</u>		
10/09/81	Freight charges of copying machine - Phil. Duplicators, Inc.	P 336.10
10/15/81	Focal Engng. & Office Equipment - general cleaning and overhauling of typewriters	2,000.00
11/12/81	Go Pao Trading, Inc. - Film developing - Tacloban Workshop	230.50
11/12/81	Go Pao Trading - 2 rolls - films	100.00
11/21/81	Kameraworld - Developing of films plus taxi fare. Actual cost P228.40 Balance refunded 4/15/82	1,000.00
11/21/81	Airfreight of reports to Manila	29.70
11/21/81	Go Pao Trading, Inc. - films	530.70
01/26/82	Phil. Duplicators - freight charges of office supplies	76.25
03/09/82	Interest paid to allow immediate withdrawal of P121,500 USAID-deposited check to be used for US travel Doc. stamp	303.75 37.50
		<u>P 4,644.50</u>
<u>Honoraria</u>	Honoraria payments for non-working days	
	Project Management Staff - P17,550.00	
	Staff Support - <u>14,920.00</u>	<u>32,470.00</u>
	GRAND TOTAL	<u><u>P68,634.00</u></u>