

UNITED STATES GOVERNMENT

Memorandum

NOV 19 1982
150-10-1025

TO : Mr. James A. Norris, Director
USAID/Bangladesh

FROM : William L. Stanford *W. L. Stanford*
Regional Inspector General for Audit - Karachi

SUBJECT: Memorandum Audit Report No. 5-388-83-2
USAID/Bangladesh Operating Expenses - FYs 1980-82

DATE: NOV. 30, 1982

BACKGROUND

Introduction

In 1976 AID established the Operating Expense Account as a distinct budgetary line item for internal management purposes. This separate account was created to provide better financial control and facilitate budget disclosure by separating the costs of basic operating functions from those directly associated with programs.

Operating expenses consist primarily of salaries, benefits, and overhead support costs of direct-hire U.S. and foreign national personnel. Overhead support costs include office and residential leased facilities, utilities, furnishings, travel and transportation, equipment and supplies, and motor pool operations. Consultants and contract personnel engaged primarily in management and support functions are also included in operating expenses.

For USAID/Bangladesh (USAID/B), the embassy provides much of the support services including residential leasing and maintenance, office procurement and motor pool operations under a Foreign Affairs Administrative Support (FAAS) Agreement. The USAID/B has a Management Officer responsible for management services including procurement requests and a Personnel Officer responsible for personnel services. The Controller maintains the operating expense account as part of the normal financial management service requirements.

Over the last three years USAID/B's approved operating expense budgets were for \$4.0 million in both 1980 and 1981 and \$4.3 million in 1982. The estimated budget for 1983 is \$4.5 million. During the same periods mission economic assistance programs, including



PL 480, averaged \$166.2 million annually. The estimated value of the 1983 program, including PL 480, is \$159.5 million. The yearly authorized personnel and operating expenses are detailed below:

	Authorized Personnel Count			
	FY 80	FY 81	FY 82	FY 83
<u>U. S. Direct-Hire:</u>				
USAID Staff	39	38	39	39
Joint Admin. Office	2	2	2	2
IDI's	1	2	1	2
PASA	1	1	1	1
Regional (Legal)	-	1	1	1
Total U. S.	43	44	44	45
FSN Direct-Hire	73	73	68	65
Part Time Direct-Hire	2	2	2	2
Total	118	119	114	112

	Operating Expenses (\$ 000's)			
	FY 80	FY 81	FY 82	FY 83
U. S. Direct-Hire	\$2,121.0	\$2,389.6	\$2,406.3	\$2,523.3
F. N. Direct-Hire	178.5	201.3	201.5	280.3
U. S. Contract (PSC)	8.8	-	6.7	13.0
F. N. Contract (PSC)	13.9	51.3	60.4	62.1
Housing	463.2	533.0	457.8	507.0
Office Operations	1,278.0	907.9	1,169.0	1,125.4
Total Operating Expenses	\$4,063.4	\$4,083.1	\$4,301.7	\$4,511.1
Less: AID/W Allotment				
U. S. D. H. Salaries and Benefits	1,568.5	1,883.1	1,973.4	2,024.8
FAAS Costs	365.1	548.6	485.0	534.1
Less: Trust Funds Used (BDG Contribution)	191.8	321.4	307.7	303.3
Total USAID Allotment (Net)	\$1,938.0	\$1,330.0	\$1,535.0	\$1,648.9

*FYs 80 and 81 actual; FY 82 estimated and FY 83 planned.

Purpose and Scope

The audit was made to determine if the USAID is utilizing operating expense funds effectively, economically and in accordance with authorized purposes. We reviewed and analyzed operating expense budgets, and discussed policies and procedures with concerned mission officials. We also selectively examined transactions and implementation of policies and procedures relating to the mission's utilization of operating expense budgetary funds. Our review excluded the Joint Administrative Office (JAO) managed under the embassy's Administrative Office and subject to audit by the Department of State Inspector General (S/IG). We noted that S/IG reviewed the JAO operations in November 1981 and no serious problems were reported affecting USAID's interests.

Our review focused on operating expense budgets and related internal controls for fiscal years 1980-1982. The draft findings were formally communicated to USAID management during the audit and their responses were considered in preparation of this report.

Our previous audit of USAID/B's operating expenses was made in 1979 (Audit Report No. 5-388-79-15 dated 5/30/79) and the related recommendations were closed on the basis of reported actions. Our follow-up in the cited areas showed that implementation actions are being satisfactorily maintained.

FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

Our selective review indicated that overall USAID/B management of its operating budgetary expenses was generally effective. There were certain areas where improvements were needed in internal controls and related deficiencies. These are discussed in detail below under relevant headings. Our draft report contained 23 recommendations which were resolved based on timely mission actions during the audit.

Office Lease Problems

The mission moved into its present office facilities in October 1980 under a five year lease agreement. Although the lease is now into its third year the lessor has not fulfilled the lease requirements to provide adequate electrical power and reserved elevator services to the facilities. The most critical problem is the deficient electrical power system which causes frequent power outages. This condition is costly to the USAID/B in significant man-hour losses and damages to electrical office equipment. The mission has communicated frequently with the lessor regarding the unresolved issues but failed to take a firm position with the lessor until shortly before the audit.

Electrical power failures automatically disrupt all electrical office equipment and elevators and staff work activities. The mission offices occupy the fourth and fifth floors of the building. Therefore, during power outages the mission staff and visitors must walk up or down to or from these levels to enter or depart from the mission. The auditors experienced this situation the first day at the mission and frequently throughout the audit.

The mission lease costs approximate \$14,500 a month and it has spent about \$270,000 of operating budget funds from inception to improve and furnish the facilities. These operating costs were for partitions, paneling, furniture and equipment and other items. The mission also paid about \$72,000 for the construction of a fire escape from the ground up to the office levels on the fourth and fifth floors. These costs represent a substantial USAID investment in the leased facilities but it had no positive effect with the lessor to correct the power and elevator problems.

The mission's failure to take firm action at inception may have been viewed as complacency by the lessor so corrective measures were not initiated. The mission has taken a firmer position, however,

in recent communications with the lessor. For example, the unresolved problems were highlighted in the USAID/B's letter to the lessor dated August 13, 1982. This letter emphasized that the existing 750 KVA power substation in the leased building is recognized by all as inadequate for existing power use in the building, let alone for the present vacant offices.

The mission's letter stated moreover that the building's recurring power outages are attributable to the existing inadequate 750 KVA substation and not to the power supply coming into the building. The letter cited the lessor's failure to provide a 200 KW back-up generator required by the lease agreement. Although repeated requests had been made to the lessor, no action had been taken to procure and install the required equipment. The mission specifically requested the lessor to provide a formal time schedule to obtain and install the power equipment in accordance with the lease.

The lessor's letter to USAID/B dated September 7, 1982 acknowledged the lease requirement that a 200 KW back-up generator was to be installed in the leased building. The lessor stated that its Board of Directors had now approved the purchase of the generator and that it would be installed by the end of February 1983. However, the lessor disagreed with USAID regarding the present 750 KVA substation equipment by stating the equipment had provided satisfactory service for more than two years with very few instances of substation failure. The mission's letter dated September 9, 1982 took exception to the lessor's view about the adequacy of the present power equipment. This letter also reminded the lessor about the lease requirement to provide USAID with reserve elevator service which it had failed to do.

The mission has always had a potentially effective leverage tool to pressure the lessor to satisfy the lease requirements; i.e., it could have withheld lease payments. This was not done - all lease payments were made on schedule. USAID officials told us that it now plans to withhold the semi-annual lease payment due October 10, 1982, equivalent to approximately \$86,000 at the current rate of exchange. We were told by USAID officials that the lessor had been informally advised of this decision. We agreed with USAID in its decision to withhold payment. We recommended in our draft report, however, that the mission should pursue its efforts to obtain a formal timed schedule and formally notify the lessor that lease payments would be withheld until the lease problems are satisfactorily corrected.

The mission formally notified the lessor by letter dated October 18, 1982 that "no payment will be made until we have received a firm schedule and all conditions have been satisfactorily met". Although these mission actions were long overdue, in our view, we believe the present direction appears reasonably appropriate and necessary without question. Given the lack of suitable office space elsewhere in Dacca in the immediate future, and USAID's substantial financial investment in its present leased facilities, in our opinion, the mission's alternatives are limited. It is therefore imperative for the mission to maintain a firm position to press the lessor to resolve the lease problems as quickly as possible and take the problem to an appropriate level in the BDG government if necessary.

Cashier Fund Controls

Our cash count verification of the mission Class A Cashier imprest fund showed the total of the combination of funds on hand and items in transit for replenishment agreed with the amounts reflected in the statement of cashier accountability filed with the Regional Administrative Management Center (RAMC)/Bangkok. However, our audit revealed the following problem areas:

- Due to the progressive increase in the floating exchange rate of the local currency taka to the U.S. dollar since the fund was established in 1974, there has been significant erosion equivalent to \$778 of the initial \$10,000 cashier fund amount.
- Unannounced cash count verifications were not conducted as frequently as recommended by RAMC/Bangkok.
- An authorization was received on July 21, 1982 to increase the imprest fund from \$10,000 to \$15,000, but a maximum of only \$10,000 is allowable for local employee cashiers by AID Handbook 19.
- The Cashier occasionally informally borrows local currency from the embassy's local Cashier until replenishment was received from RAMC/Bangkok. These informal transactions violate established regulations and sound internal control procedures. Formal records were not maintained for such exchanges.

Decrease in Dollar Value of Cashier Fund

When the fund was originally established at \$5,000 in February 1974, the exchange rate was about 8.2 taka to the U.S. dollar. Then in April 1977 when the fund was increased to \$10,000, the exchange rate was 15.40 taka to the U.S. dollar. As of the date of our audit on September 22, 1982, the exchange rate was 22.55 taka to the U.S. dollar. Currently, the fund is maintained at 200,000 taka plus U.S. \$354. Based on the rate of exchange on the audit date, the imprest fund was valued at only \$9,222 (\$354 plus 200,000 taka @ 22.55 to U.S. \$1).

According to the mission Controller the RAMC/Bangkok replenishes the exact amounts disbursed in local currency at the various USAIDs and embassies serviced in the region. In other words, RAMC/Bangkok does not concern itself that the U.S. dollar amounts it has advanced for operating an imprest fund have eroded due to fluctuation of the local currency exchange rates. Rather, RAMC/Bangkok is satisfied as long as the amount of local currency, regardless of the exchange U.S. dollar value, are fully accounted for in the required reports.

We were informed by the embassy that they are operating under a similar imprest fund system. Likewise, they do not make periodic adjustments to reflect the equivalency of the U.S. dollar value of the established imprest fund amount. We noted that the RAMC/Bangkok regulations do not address this issue nor does the AID Handbook. The Controller indicated that he was not aware that any of the appropriate sources address the fund erosion matter. The mission Cashier's fund satisfies the local currency accountability in taka to RAMC/Bangkok, therefore, no recommendation is being made to maintain the Cashier fund equivalent to the \$10,000 initially established U.S. dollar amount.

Frequency of Unannounced Cash Counts

From January 1980 through August 1982 the mission had conducted 13 unannounced cash verifications of the fund. Section 509.2 of the RAMC/Bangkok regulations requires that verifications be conducted at least on a monthly basis. However, the mission informed RAMC/Bangkok that USAID has been in compliance with AID regulations (Section 1311 of AID Handbook 19) which requires cash count verifications be made at least quarterly.

RAMC/Bangkok responded that based on its past experience in dealing with Cashiers at over 100 posts, they considered it prudent to "hold firm" to RAMC's monthly cash count verification policy. The mission has now initiated unannounced monthly cash verifications in accordance with the RAMC/Bangkok's policy.

Maximum Fund Amount to the Local Cashier

In July 1982, the mission requested that the Cashier's imprest fund be increased from \$10,000 to \$15,000. The requested increase was justified based on the increase in mission size, inflation, and turn around time to replenish the fund. An AID/W authorization was granted to USAID/B to increase the fund to \$15,000 as requested. The Cashier, however, is a local employee and the maximum allowable to local employees by AID Handbook 19, Section 13E1C(3)(a), is \$10,000.

Since the AID Handbook does not specifically state "not to exceed \$10,000", the mission interpreted the AID Handbook provision to mean that the maximum may be up to \$10,000 or more if desired. Our interpretation is that the intent of the provision limits the imprest amount to a maximum of only \$10,000 for the local Cashier. The AID/W authorization to increase the fund from \$10,000 to \$15,000 did not reference or cite a waiver to the applicable regulation. The mission responded to our draft report that AID/W has been formally requested to provide a waiver if required to the \$10,000 limitation cited in AID Handbook 19, Chapter 13. The mission has instructed the Cashier not to cash any check received from RAMC/Bangkok to increase the fund until after this issue is satisfactorily resolved.

Informal Borrowing Transactions

In July 1979 the mission Cashier was authorized to provide personal check cashing accommodations for mission employees. This was primarily for the convenience of the employees and to alleviate part of the burden on the embassy Cashier. As a result of providing these services, the mission Cashier has on occasions run low on funds. This situation prompted the mission Cashier to informally borrow additional funds from the embassy Cashier to meet normal operating transactions until the replenishment checks arrived from RAMC/Bangkok.

The mission Cashier obtained the additional funds under temporary informal loans from the embassy Cashier and/or through exchanging cashed accommodation checks for local currency. In these transactions the mission Cashier provides documentation to the embassy Cashier but he maintains no documentation for mission records. Moreover, the embassy Cashier destroys the receipts when the mission Cashier repays the loan. There is thus no audit trail for these transactions.

The mission Controller agreed during our discussions that the Cashier's informal borrowing of local currency was a weak internal control practice and it violated established regulations related to the Cashier's financial operations. He stated moreover that about a year ago he informally directed the mission Cashier to discontinue the temporary loan practice.

The embassy Cashier told us he believed the most recent loan transaction to the mission Cashier was about three months ago. The temporary loan was for about taka 20,000 and the loan period was five or six days. The embassy's Budget and Finance (B&F) Officer told us that he has granted temporary borrowing to the mission Cashier when verbally requested by the mission Controller's office. The mission Cashier told us that he has not temporarily borrowed funds from the embassy Cashier since he was directed by the Controller to discontinue the practice. We were unable to confirm whether the alleged recent borrowing did in fact happen because no records had been retained.

The mission commented on our draft report that the Controller issued formal instructions on October 6, 1982 to the mission's Budget and Accounting Officer and the Cashier that under no conditions was the mission Cashier to borrow funds from the embassy's Cashier in the future.

Security and Control of Government Transportation Requests

The mission uses the embassy as its source for obtaining Government Transportation Requests (GTRs) to meet official travel requirements. We reviewed GTRs and related controls and noted areas where improvements are needed as follows:

- The personnel responsible for the receipt and custody of GTRs were not formally designated.

- Documentary receipts for GTRs provided to the mission by the embassy were not obtained.
- Formal records of reconciliation of GTRs were not maintained.
- Security control over GTRs, airline tickets and passports can be improved.

Designation of GTR Accountable Officer

The mission Management Officer currently serves as the GTR Accountability Officer and the Controller serves as the alternate in the Management Officer's absence. However, the mission has not formally designated either official or anyone else to serve as Accountable Officer over GTRs as required by Section 116.4 of AID Handbook 22. Moreover, the mission has not formally redesignated either of the two local Travel Assistants who usually have physical possession over all of the mission's GTRs.

The mission responded to our draft report that the Accountable Officer for the receipt, custody and control of GTRs has been formally designated. The formal designation was made in USAID Directive No. 500 effective October 26, 1982. Formal redesignations were in process to cover the local Travel Assistants.

GTR Control Records

The local Travel Assistants obtain the mission's GTR requirements from the embassy. The mission's Travel Assistants sign receipts for the GTRs at the embassy but no receipts for the GTRs are obtained for the mission's records. The Travel Assistants prepare a listing of buff copies of GTRs which are forwarded to the Controller's office. The buff copies are filed sequentially by Controller personnel and are later matched with original blue copies submitted with carriers' billings for payment.

We found in our review, however, that the Travel Assistant's listings are not timely prepared or accurate for reconciliation purposes. We noted that in July 1982, for example, one GTR had been excluded from the list although it had been issued in the previous month. Except for the cited deficiencies the mission arrangement for GTRs from the embassy appeared to be working satisfactorily.

The mission responded to our draft report that receipts will be obtained from the embassy in the future for all GTRs issued to USAID/B. The formally designated Accountable Officer for GTRs will be responsible for maintaining timely formal reconciliations of GTRs on hand and used by mission travelers.

Security Over GTRs

The mission's local Travel Assistants keep unissued GTRs stored in a file cabinet located in the Travel Section. Also stored in the file cabinet are airline tickets and passports temporarily held for travelers until these documents are issued. The file cabinet is secured by a regular key lock and the two keys for the file lock are kept in the USAID dispatcher's office located in the mission office building. The security file is therefore potentially accessible to others which weakens internal and security controls.

We believe the controls can be improved by replacing the key lock on the file with a combination lock and limiting access to the combination similar to the security system used for the Cashier's imprest fund.

We discussed these security and control problems over GTRs in our draft report for mission review and comments. The mission responded that a combination lock is being installed on the file cabinet by the Security Officer. The security controls will be improved by limiting access to the combination of the file lock similar to the mission's cashier security system.

Local Payroll Controls

The USAID's bi-weekly payroll for local employees is processed by the Regional Administrative Management Center (RAMC)/Bangkok. We observed that the mission Cashier, a local employee, handles both the outgoing and incoming payroll data between the USAID and the RAMC/Bangkok. The internal payroll controls would be improved, in our view, by separating the outgoing and incoming payroll functions to different independent individuals. The Cashier is responsible for distributing the payroll calculated by RAMC/Bangkok and may continue this function since he would no longer control the overall payroll packaged data. The mission also needs to prepare current formal detailed procedures applicable to the local payroll system functions.

The mission's local Cashier currently serves as the local payroll liaison officer and performs various duties in addition to regular Cashier responsibilities. He receives the local employees' time and attendance (T&A) cards from timekeepers, reviews the T&A cards and prepares the data which is cabled to RAMC/Bangkok. The RAMC processes the mission's local payroll from the cabled data and also prepares employee updated earning statements. The RAMC prepares a composite check for the total payroll and forwards the check and related supporting data to USAID/Dacca. The composite payroll check is made payable to the name and position of the USAID Cashier.

The Cashier exchanges the RAMC composite check for cash at the American Express Bank in Dacca, and then prepares cash pay envelopes for each employee in the individual net amounts calculated by RAMC/Bangkok. The Cashier issues pay envelopes to employees at the cashier window each payday. The Cashier prepares a recapitulation of the payroll and compares it with the data received from the RAMC. He also distributes employees' earnings statements and new T&A cards prepared by RAMC to the mission timekeepers.

The local payroll system operated between the USAID and RAMC/Bangkok is apparently working satisfactorily. However, we believe formal detailed procedures should be developed by USAID to cover the system and these procedures should be incorporated into the USAID Directive system. The only current USAID Manual Order on the subject is USAID Order No. BD-12 issued in July 1977. This document is primarily concerned with the submission of T&A reports and the maintenance of leave records. It also establishes time schedules for submitting local T&A cards to enable timely processing of the local payroll. It is now out of date, however, because the mission work week days have recently changed from Monday through Friday to Sunday through Thursday.

The mission responded to our draft report that effective October 17, 1982 the local payroll functions were to be separated among different individuals to improve internal controls. Also, the Controller's office is amending the USAID Manual Order BD-12 to provide current detail payroll procedures.

Settlement of Travel Advances

We observed improvements in the mission's timely collection of travel advances but more can be done to keep advance settlements on a current basis.

For example, our prior audit showed a number of U.S. dollar and local currency taka advances were outstanding for more than a year. However, none of the current advances were outstanding for more than ten months. The status of U.S. dollar and local currency taka advances as of September 30, 1982 follows:

<u>Period Outstanding</u>	<u>U.S. Dollar</u>		<u>Local Currency Taka</u>	
	<u>No.</u>	<u>Amount</u>	<u>No.</u>	<u>Amount</u>
Less than 30 days	3	\$ 5,045.00	15	TK 29,555.62
30-60 days	2	1,412.50	9	11,918.07
60-90 days	1	875.00	-	-
Over 90 days	7	5,646.38	3	1,965.30
Totals	13	\$12,978.88	27	TK 43,438.99

Follow-up on Dollar Advances

Several of the dollar advances were made in AID/W to mission funded employees who came to Bangladesh on TDY and they have already returned to AID/W. Several other balances were for employees who transferred from the mission to AID/W and balances had not been settled. The mission Controller periodically cables the status of dollar advances to the Office of Financial Management (M/FM) in AID/W and requests early settlement of balances. We believe that mission follow-up for AID/W employees should be monthly and outstanding advances for new arrivals at the mission should be settled within 30-60 days after completing travel.

The mission agreed with our draft findings that advances should be accounted for in a timely manner. They view it more practical, however, to set up a 60 day follow-up cycle with AID/W and to follow-up with mission employees within 30 days.

Follow-up on Local Currency Taka Advances

The local currency taka advances are made for official in-country travel within Bangladesh. Many of the frequent travelers are local drivers who travel under annual Travel Authorizations (TAs). We observed that local drivers do not always settle prior travel advances before obtaining additional advances. To improve controls a travel voucher should be promptly submitted after travel and the advance settled before an additional advance is issued.

We noted that two local employees did not settle local currency taka advances before departing outside Bangladesh for training. These two local employees were also given U.S. dollar advances to cover travel costs outside of the country. The taka advances should have been settled before their departure. The employees' American supervisors have requested the mission Controller to withhold actions to collect the taka advances until after the employees return to Bangladesh.

The mission responded to our draft findings that the Controller has communicated with GSO about local drivers with taka advances. The GSO was formally notified that in the future drivers who failed to account for an advance within 30 days after returning from a trip would not be given an additional advance as long as the previous advance remains outstanding. The mission will apply the same procedure to all travelers with taka advances, and if any traveler fails to settle advances timely the balances will be collected by payroll deduction.

Travel Advance Aged Schedules

We recommended in our draft findings that the mission Controller's staff prepare formal monthly detailed aged schedules to show the status of U.S. dollar and local currency taka advances. The Controller should review these schedules and take necessary action for settlement of advances on a case by case basis. The mission responded that monthly aged schedules will be prepared for all dollar and local currency advances outstanding.

Proposed Donation of Mission Property

The American Recreation Association (ARA) complex facilities in Dacca have been partially furnished with mission property and equipment for several years. The property is excess to mission requirements and current plans are to sell or donate the items to the ARA. We believe that mission attention is necessary to ensure that the items held by the ARA were not procured from Trust Funds contributed by the Host Government and that the transfer complies with Agency regulations.

We discussed in our draft report the need for a complete review of property held by the ARA prior to final disposition of the items. We recommended that a complete inventory be made and the inventory

screened to ascertain whether Trust Fund property was among the items. Any Trust Fund property actually belongs to the Host Government and the mission would have no right to dispose of these properties. Also the disposition of any mission property should be properly disposed of in accordance with applicable Agency regulations and procedures.

The mission responded to our draft report that a complete inventory of mission property held by ARA was taken by the General Services Office (GSO). The inventory revealed that some items held by the ARA were identified as Trust Fund property. The ARA was returning the Trust Fund property and several other items to the GSO warehouse. The Regional Legal Advisor and mission Management Officer have determined that the rest of the mission property held by ARA could and should be donated instead of being sold to the ARA community organization and in accordance with Agency regulations. The property has been determined excess to mission requirements and would otherwise be disposed of if returned to the GSO warehouse.

Self-Surveys of Systems and Controls

In late 1980 the mission Controller initiated a series of self-surveys of systems and controls in financial management areas. Three surveys were made: the first review performed in December 1980 covered billing and collection procedures; the second that was made in February 1981 covered cashier operations; and the third review made in March 1981 covered voucher examination activities. Each review, although limited in scope, surfaced deficiencies in systems and controls and improvements were implemented. We believe mission management would benefit by continuing similar self-surveys in financial management and other areas.

We believe that similar surveys of controls in other systems and procedural areas could apprise management whether improvements are necessary. Additional potential areas for self-surveys could be identified by mission officials as they participate in completing the "Vulnerability Assessment Questionnaire". The mission received the questionnaire from AID/W in early November. The USAID/B and other missions have been requested to complete the questionnaire and submit the document to AID/W by November 15, 1982, to enable the Agency to comply with OMB Circular A-123 covering AID's internal controls.

We believe self-surveys can be utilized as a valuable tool to assure management of adequacy of internal controls and where improvements are necessary. Internal surveys could be conducted within each mission office. To maximize effectiveness of internal reviews, we believe guidelines should be developed and used for each review of areas covered. Any problem areas identified should be formalized as well as management actions taken to implement improvements. A brief record file should be maintained as documentary evidence of each self-survey performed including guidelines developed and followed, problem areas found and formal actions taken to improve systems and procedural controls.

The mission agreed with our draft report discussions that there is merit in doing selected self-surveys subject to time and staff constraints. As a starter, the mission Director has requested that a self-survey be made to determine the extent, if any, of non-utilization of AID-financed commodities. The results of self-surveys will be made a matter of record.

Mission Orders and Directives

The mission has issued forty seven USAID Manual Orders on various subjects between 1976 and 1982. We noted instances, however, that the same series number has been assigned to several USAID Manual Orders on different subjects. The mission Manual Orders need to be reorganized, indexed and current to provide useful management guidelines.

USAID Manual Order No. BD-01, for example, was issued effective January 1980, on the subject "Project Documentation Clearances and Control". A second Manual Order was also assigned No. BD-01 issued in January 1981 on the subject "Project Officer and Project Committees". A third Manual Order was also assigned No. BD-01 issued in January 1982 on the subject "Delegation of Authority No. 40, Source, Origins and Nationality of Procurement". We noted other examples where like numbers were assigned to Manual Orders on different subjects. We also noted examples that Manual Orders superseded were still in the active file which should be removed.

The mission responded to our draft report that the USAID Manual Orders will be changed to USAID Mission Directives. The reorganized system proposed should improve the mission's informational guidelines system if kept properly indexed and current.

Trust Fund Contributions

The U.S. dollar costs of mission operating expenses could be reduced if adequate Trust Funds were available to cover allowable costs under the Trust Account Agreement signed by the USAID/B with the Government of Bangladesh (BDG) in July 1974. The agreement provides for the BDG to contribute its own funds for certain local currency expenses related to the mission assistance program in Bangladesh. We observed that the mission's annual requests to the BDG and the BDG's contributions are insufficient to cover all costs allowable under the terms of the Trust Account Agreement.

The shortfall of the mission's requests and the BDG contributions makes it necessary for the mission to use its own dollar operating expense funds for costs which are allowable to be paid with Trust Funds if adequate funds were available in the Trust Fund Account. For example, the mission office lease costs equivalent to approximately \$175,000 a year. The payment of lease costs is allowable with Trust Funds if adequate funds were available. Other costs allowable and being paid or partially paid with Trust Funds include: travel and transportation within Bangladesh, supplies and equipment, residential leases and utilities.

We requested formal comments from the mission concerning its rationale for amounts requested of the BDG and amounts of BDG's Trust Fund Account contributions. The mission explained that the Trust Account Agreement is almost all inclusive regarding expenses that may be charged to the Trust Fund. It was the mission's opinion, however, that such inclusiveness was to permit the mission's maximum flexibility in use of the funds. The mission moreover stated that it was not the intention to obtain local currency from the BDG to cover all items allowable under the Trust Agreement. From inception it was not intended to recover all local currency costs. For example, the BDG's initial contribution in 1974 represented only approximately 9.4 percent of the mission's operating expense budget that year, and the mission maintains this conservative approach with the BDG.

The mission emphasized that Bangladesh may be the poorest AID recipient and an additional amount equivalent to \$420,000 would have been needed to cover the balance of allowable Trust Fund costs in FY 1982. The mission believes that any significant change

could open up the Trust Agreement for renegotiation which could end up with the BDG contributing nothing. If the BDG's economic situation changes significantly in the future, the mission stated it would review its position on BDG's Trust Fund contributions. We believe this clarifies the mission's rationale and places the Trust Fund arrangement into clearer perspective. We believe therefore that no recommendation is deemed appropriate.

LIST OF REPORT RECIPIENTS

USAID/Bangladesh

Director	5
<u>AID/W</u>	
Deputy Administrator (DA/AID)	1
Bureau For Asia	
Assistant Administrator (AA/ASIA)	2
Office of Bangladesh and India Affairs (ASIA/BI)	1
Audit Liaison Officer	1
Bureau For Science and Technology	
Office of Development Information and Utilization (S&T/DIU)	4
Bureau For Program and Policy Coordination	
Office of Evaluation (PPC/E)	1
Bureau For Management	
Assistant to the Administrator For Management (AA/M)	1
Office of Financial Management (M/FM/ASD)	1
Directorate For Program and Management Services	
Office of Management Operations (M/SER/MO)	1
Office of Contract Management (M/SER/CM)	1
Bureau For External Relations	
Office of Legislative Affairs (EXRL/LEG)	1
Office of General Counsel (GC)	1
Office of Public Affairs	1
Office of the Inspector General:	
Inspector General (IG)	1
Communications and Records Office (IG/EMS/C&R)	12
Policy, Plans and Programs (IG/PPP)	1
Regional Inspector General for Audit:	
RIG/A/W	1
RIG/A/Nairobi	1
RIG/A/Manila	1
RIG/A/Cairo	1
RIG/A/Latin America	1
<u>Other</u>	
Regional Inspector General for Investigations and Inspections (RIG/II/Karachi)	1
New Delhi Residency, RIG/A/K (AAP)	1