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UNITED STATES OF AMERICA

AGENCY FOR INTERNATIONAL DEVELOPMENT

AREA AUDITOR GENERAL - LATIN AMERICA (NORTH)

PANAMA CITY, R.P.

REPORT OF AUDIT

AGRICULTURE AND NATURAL RESOURCES

PROJECT No. 514-11-190-097

USAID/COLOMBIA

AUDIT REPORT No. 1-514-72-54

DATE ISSUED: December 27, 1971

USAID MISSION TO COLOMBIA

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I. SCOPE OF AUDIT

Under the authority of M.O. 203.5, the Area Auditor General for Latin America (North), (AAG/LA(N)), has performed an interim audit of the Agriculture and Natural Resources Project No. 514-11-190-097.

The examination was performed during the period August 19, 1971 through November 10, 1971. The contents of this report were discussed with the USAID Rural Development Officer at an exit conference on November 19, 1971, and were subsequently presented at a Mission Implementation and Evaluation Committee meeting on December 15, 1971, with the Mission's comments being included to the extent we considered appropriate or necessary.

This audit covered a total of \$953,495, composed of \$573,495 in Dollar Costs, and equivalent US Dollars in local currency Trust Funds of \$380,000.

The audit covered the period April 1, 1970 through August 31, 1971 and was performed primarily to:

- A. Determine the extent of compliance with the Project Agreements and other obligating documents;
- B. Ascertain the propriety of expenditures;
- C. Determine the utilization of AID's contribution; and
- D. Review and evaluate the management progress, status and effectiveness of the major project objectives.

Accordingly, in conformity with current auditing standards and procedures, and pursuant to Manual Order 793.1, "Audit of Technical Assistance" and other related regulations, we included such tests of the USAID accounting records, review of project files, and conferences with responsible USAID and GOC officials as we considered necessary in the circumstances.

The major audit effort was directed towards the National Agricultural Planning Sub-Project (No. 514-11-190-097.1) of the Agricultural and Natural Resources Project, since the Basic Resources Survey Project was terminated during FY 1970.

Additionally, we performed examinations of the two contracts which were part of this sub-project: Michigan State University (No. LA-625) and Mary Proctor (No. 514-124) Personal Services Contract. Also the audit included a review and accountability of the local currency project valued at \$380,000 made available from the three Trust Funds.

II. BACKGROUND INFORMATION

A. Project Description

In order to provide the Government of Colombia (GOC) with the necessary Technical Assistance to carry out its Agrarian Reform Program, the GOC and the USAID/Colombia signed the Land Settlement and Development Project Agreement No. 514-12-923 in FY 1961, and the Basic Resources Project Agreement No. 514-A-12 in FY 1962.

Following these first agreements, the Agriculture and Natural Resources Project No. 514-11-190-097 was signed in FY 1967 for an original amount of \$60,000. Subsequently, numerous Project Agreements and Project Implementation Orders (PIO's) have been issued to provide technical assistance to the following two sub-projects, which are administered by the USAID Rural Development Office (RDO):

1. National Agricultural Planning Project No.514-11-190-097.1
2. Basic Resources Survey Project No. 514-11-190-097.2

The National Agricultural Planning Project Agreement was executed for the purpose of assisting the Ministry of Agriculture, principally through the Agricultural Planning Office (Oficina de Planeamiento del Sector Agropecuario, OPSA) and associated agencies. This assistance is directed toward the development of a planning capability to formulate agricultural sector policy, with emphasis on coordinating the efforts of all agencies engaged in agricultural activities toward the preparation of a National Agricultural Plan. Also, the project was designed to assist the key sector agencies in planning programs in land reform, agro-industrial credit, natural resource development and regulation, improved storage and marketing techniques, and improved agricultural statistics.

To accomplish the purposes established for the National Agricultural Planning Project, the Mission has provided assistance to OPSA and the principal sector agencies through a combination of direct hire, short and long-term PASA assistance, contract services, and participant training. These project purposes will be pursued for FY 1972 through the provision of two direct hire advisors and one trainee; four long-term and 23.5 man-months of short-term PASA Technicians; and \$23,750 for participants, commodities, and other costs.

The Mission has continually placed development of agricultural planning as a priority consideration of sector loan strategy, and feels that the GOC is achieving a sufficient level of competence to permit the phase-out, as scheduled, of the National Agricultural Planning Project at the end of FY 1972.

B. Funds Authorized and Released

According to USAID accounting records, the following summary reflects funds obligated and expended under the Agriculture and Natural Resources Project as of August 31, 1971 (See Exhibit A for details):

<u>STATUS OF FUNDS (US \$)</u>			
<u>Cost Element</u>	<u>Obligated</u>	<u>Expended</u>	<u>Unexpended Balance</u>
Technical Assistance	\$2,560,883	\$2,406,812	\$154,071
Participants	341,580	318,731	22,849
Commodities	1,110,978	1,126,731	(15,753)
Other Costs	<u>69,830</u>	<u>48,361</u>	<u>21,469</u>
Totals	<u>\$4,083,271</u> =====	<u>\$3,900,635</u>	<u>\$182,636</u> =====
Previously audited		(3,327,140)	
		<u>\$ 573,495</u>	
Trust Fund Disbursements		<u>380,000</u>	
Total Covered by this audit		<u>\$ 953,495</u> =====	

In addition to the AID contributions, the GOC agreed to provide, through its respective agencies, the following in-kind contributions: salaries, per diem, and travel of OPSPA personnel and related agencies; adequate budgetary support of OPSPA and related planning offices; international transportation and salaries of participants; and, administrative support of USAID Technicians. These in-kind contributions were valued at approximately \$236,000.

III. SUMMARY

Our audit of the Agriculture and Natural Resources Project indicated that the major objectives of the National Agricultural Planning Sub-Project have been achieved. A review of the goals set for the Project, and a comparison to results obtained, reveal the following successes with various GOC entities:

1. The establishment of a responsive planning mechanism for the entire agricultural sector.

2. The development of a program to obtain and publish timely and reliable agricultural statistics.
3. Assistance to the Agrarian Reform Institute, directed principally toward supervised credit evaluation and access roads programs.
4. Assistance to the Natural Resources Institute, directed chiefly toward export opportunities, national parks and tourism, and wood technology data.
5. A study directed toward the improvement of plant operations by the GOC-supported Fertilizer Company.
6. Assistance in evaluation and improvement of agricultural marketing policies.
7. The preparation of an analysis of the credit situation in Colombia.

However, our review disclosed the following problem or potential problem areas that should be brought to the attention of management:

1. We could not determine a justification for the inclusion of a U.S. Department of Agriculture Washington-based coordinating officer. (Recommendation No. 1 page 9).
2. The USAID has not conducted an evaluation process or prepared Project Evaluation Reports pursuant to applicable M.O's. However, since PAR's are now in process of preparation no recommendation is needed.
3. Previous Pro/Ag's stipulated that only OPSA personnel would be considered for training. To-date, the 33 participants who have been trained were selected from other GOC agricultural offices, and therefore none have returned to OPSA. The present Pro/Ag (dated 11-15-71) does not restrict selection of trainees to OPSA, therefore we make no recommendation.
4. There is considerable difficulty and delay in obtaining GOC approval and funding for international travel by participants. However, since negotiations are currently underway between the USAID and the GOC to seek a solution to this problem, no recommendation is considered necessary.

5. The USAID does not have a complete follow-up program for participants, pursuant to applicable M.O's. However, because of the USAID's action in maintaining communication with certain participants, and plans to implement a more suitable type of program, no recommendation is made.

IV. FOLLOW-UP ON PRIOR AUDITS

Audit Report No. 70-10-C, issued June 26, 1970, covered the National Agricultural Planning Sub-Project No. 514-11-190-097.1, and the Basic Resources Survey Sub-Project No. 514-11-190-097.2. That audit, valued at \$3,327,140, covered the period From FY 1962 to March 31, 1970, and contained two recommendations which have now been officially cleared.

V. AUDIT FINDINGS AND RECOMMENDATIONS

A. Overall Performance

1. General

In our judgement, based on the evidence obtained during our examination, the major objectives of the National Agricultural Planning Sub-Project, as stated in the Background Information section of this report, have been achieved. However, because of the abstract goals set for the project, as well as the lack of proper evaluation reports available for review, it is difficult to measure the overall degree of success of the project in a precise manner.

A review of the goals and objectives described in the PBS and Project documents, together with a comparison of results obtained, indicates achievements described in the following paragraphs.

2. Assistance to GOC Agricultural Planning Offices

The Technical Assistance to the Ministry of Agriculture, provided by the AID Rural Development Office and four long-term USDA/PASA technicians, resulted in upgrading the competence of OPSA staff personnel in carrying out their work of agricultural sectoral planning, and in improving the planning capabilities of the related decentralized agencies. In this connection, there has been established in the GOC a responsive planning mechanism for the entire agricultural sector which includes planning, implementation, and evaluation of programs on a continuing basis, and which depends upon OPSA as the coordinating body of the entire process.

3. Assistance to GOC Department of Statistics

The technical assistance to the Department of Statistics (DANE), provided by several short-term USDA/PASA technicians, was directed at developing a program to obtain and publish timely and reliable agricultural statistics. The successful results consisted chiefly of assistance in:

- (a) Technical programming and data processing of agriculture census and survey data.
- (b) Publication of an "Agriculture Estimates and Forecasts Report" for 1968-1971, and a Preliminary Agricultural Census for 1970-1971.

4. Assistance to GOC Agrarian Reform Institute

The assistance to the Instituto Colombiano de la Reforma Agraria (INCORA), provided by one long-term USDA/PASA technician, resulted in the following major achievements:

- (a) Development of an EDP and manual evaluation of the supervised credit program.
- (b) Expansion of the rural access road program.
- (c) Publication of a report titled "Economic Evaluation of Supervised Credit of INCORA".

Officials at INCORA expressed complete satisfaction with the assistance provided by this technician.

5. Assistance to GOC Natural Resources Institute

The assistance to Instituto de Desarrollo de los Recursos Naturales Renovables (INDERENA), provided by one long-term Inter-American Geodetic Survey PASA technician, resulted in the following major accomplishments:

- (a) Preparation of studies on export opportunities for Colombian wood products; national parks and the country's tourism complex; and a compilation of wood technology data on Colombian timber species.
- (b) Assistance in proposed INDERENA organizational changes.
- (c) Preparation of the natural resources section of the Agricultural Sector Loan.

Officials with whom we conferred expressed satisfaction with the reports prepared and the assistance provided by this technician.

6. Assistance to GOC Fertilizer Company

Fertilizantes Colombianos (FERTICOL) is a semi-private company, financed in part by the Rural Bank (Caja Agraria), manufacturing fertilizer for sale and distribution to small farmers. Technical assistance to FERTICOL, provided by three Tennessee Valley Authority (TVA) PASA short-term technicians, resulted in a study of fertilizer supply facilities and demand requirements for improvement of plant operations. As a specific requirement of the Project, a report responding to the objectives of the technical assistance was prepared for use by the Mission and GOC agencies involved. The Rural Development Office reported that the report was helpful to FERTICOL.

7. Technical Services Contracts

(a) Evaluation of Agricultural Marketing Policies

Contract No. AID/1a-625, with Michigan State University, was signed November 17, 1969, in an original amount of \$24,361, and specified a term of September 15, 1969 to September 14, 1970. This cost-reimbursement type contract provided for an agricultural marketing specialist to:

- (1) Evaluate Colombian agricultural marketing policies.
- (2) Review USAID assistance programs to the Agricultural Market Institute (IDEMA).
- (3) Prepare studies to assist IDEMA in improving its marketing policies.

The technician performed the following major types of work:

- (i) Assisted in the implementation of an agricultural market news service.
- (ii) Continued with assistance to the PIMUR Marketing Project in the Cauca Valley.
- (iii) Prepared reports for use by the Mission in the CFS and sector loan paper.

Our discussions with officials at the Mission and IDEMA indicated that the services of this technician were satisfactorily performed.

In connection with the audit of this contract, we verified overall contract performance, and determined that the technician worked from September 15, 1969 to September 15, 1970, in conformance with contract requirements.

We were not able to verify completely the support for AID/W disbursements of \$23,056, since this amount was reported to the USAID Controller through Advices of Charge (AOCs) without complete supporting documentation. We did, however, examine the propriety of disbursement of the following USAID support funds, and found them to be proper project costs:

Housing Allowance	\$3,260
International Travel	512
Transportation of Things	476
Local Travel	<u>176</u>
Total	\$4,424 =====

(b) Review of Colombian Credit System

Contract No. AID-514-124-T, a personal service contract with Mary Proctor, was signed May 4, 1970 for a maximum amount of \$3,000, and specified a term of June 9, 1970 to August 31, 1970. This fixed-fee type of contract provided for the services of a consultant to prepare a complete analysis of the credit situation in Colombia. The technician conducted her study during the prescribed time and prepared a report titled "Flow of Funds in the Colombian Credit System". It was reported to us by the Mission that the report was quite helpful, and had been used by several people as the basis of further study of the credit system in Colombia.

In connection with the audit of this contract, we verified overall contract performance, and determined arrival and departure dates of the technician to be in accordance with the terms of the contract. We also examined the propriety of the following Mission disbursements, and except for exceeding the contract amount by \$166, found them to be proper contract costs:

Salaries	\$2,138
Per diem	<u>1,028</u>
Total	\$3,166 =====

In connection with the \$166 payment by the USAID over the agreed contract amount, the Controller has stated that this was for payroll FICA tax expense, not included in the contract, but for which the employer (USG) was liable.

B. Findings Requiring Corrective Action

1. Utilization of PASA Support Officer

We could not determine a justification for the inclusion of a U.S. Department of Agriculture (USDA) Washington-based coordinating officer in the PASA agreement with the USDA, to provide the technical services of planning specialists to the Ministry of Agriculture. The various USDA technicians and Mission personnel we conferred with could not satisfactorily explain how his work supported the USDA planning team, as provided for in the respective PIO/T and PASA agreement. The effect of this situation is that AID is funding the substantial cost of \$37,176 to-date for a PASA employee without the knowledge of whether his work efforts are properly directed toward the scope of the subject project, or whether any real assistance is being provided by this coordinating officer.

The PIO/Ts for fiscal years 1970 and 1971 under this project provided for six man-months of service each year by the coordinating officer in question, "to provide material and research support to the USDA planning team". Likewise, the obligating document for fiscal year 1972 provides for 3½ man-months of service to support a slightly reduced planning team.

The budgeted costs for services of this support officer are as follows: FY 1970 \$13,573; 1971 \$14,641; and 1972 \$8,962. Our conversations with different members of the planning team revealed very little information on the activities of this individual, other than that he: "makes travel arrangements, answers requests for literature from the team members, and assists in arranging accommodations for GOC agriculture personnel who visit the United States " (approximately 4 per year).

Recommendation No.1

The AID PASA contracting officer should review the administrative support requirements of the USDA planning team, with a view toward obtaining a more substantial justification from USDA of the considerable expense funded by AID for the services of a Washington-based coordinating officer, and if justification cannot be substantiated, the position should be eliminated.

ACTION: AID/W: LA/MGT/POS, PASA Operations Branch

2. Equipment Utilization

Our review of OPSA office equipment purchased for this project with AID funds disclosed two electric calculators not in use due to defective transformers, and two other calculators in need of repairs.

This was discussed with the Rural Development Officer, who made an additional review of all equipment and its utilization, and subsequently assured the auditors that OPSA had purchased new transformers and would repair the two calculators, thus making full utilization of the four electric calculators.

3. Project Evaluation Reports

The USAID has not conducted an evaluation process, or prepared Project Evaluation Reports (PARs) on this project, pursuant to M.O. 1026.1, since 1968, the date that PARs became effective. Without the results of such reports being available to the project manager, the projects' effectiveness cannot readily be determined or evaluated. However, the Rural Development Officer informed us that as a result of our finding and subsequent discussions, PARs are now in process of preparation for this project. Therefore, we do not consider that any recommendation is necessary at this time.

4. Participating Training

(a) Selection of candidates for training

The Project Agreements for FYs 1970 and 1971 refer specifically to the training of OPSA personnel (at a budgeted amount of \$70,000), with short and long-term training abroad to meet the anticipated needs of OPSA and the Ministry. However, the 33 persons trained and returned during the period of time covered by the audit were selected from other GOC agricultural entities to which they have now returned.

AID officials stated that the reason for this situation was that OPSA never had sufficient qualified personnel to benefit from additional training, and that the few more-advanced personnel could not be spared for the time required for training. Therefore, OPSA never presented to the USAID a proposed list of candidates for training. Consequently, the USAID proceeded to arrange training for candidates from other agricultural sector offices, since the broad goal of the Project is to improve the planning capability of the entire agricultural sector.

It would appear, in retrospect, that previous Pro/Ags were too restrictive in requiring that participants be selected only from OPSA. However, the Pro/Ag for FY 1972 provides funds for participant training without specifying a particular group of employees, and therefore permits the USAID flexibility in arranging training for those persons specifically involved in planning and management in the entire agricultural sector. Because of the decreased emphasis and more responsive wording of this recent Pro/Ag, we are making no recommendation on this matter at this time. Nevertheless, it would also appear that OPSA is in need of personnel improvement, and the USAID should consider a participant training requirement that some trainees return to OPSA to assist in its improvement.

(b) Financing International Travel

Although OPSA did not send any participants, they are the coordinating body for all participants funded by this project. OPSA informed us that there are difficulties and delays in obtaining GOC approval and funding for international travel by selected participants. The primary reason for this is a GOC requirement that all international travel by GOC personnel requires authorization through Presidential decree on a case-by-case basis. This method has often resulted in delays and even cancellations of planned participant travel.

Further discussions with the USAID revealed that negotiations are currently underway with the GOC Planning Department to ~~reach~~^{find} a solution to this problem. The GOC Planning Department has informally requested that the Mission authorize payment for participant international travel through the end of Calendar Year 1972 in order to facilitate implementation of the Participant Training Program. The Mission has indicated its willingness to negotiate an agreement covering this point, provided that the GOC takes steps to establish a more simplified procedure for financing international travel for participants from its own resources during subsequent years. The Mission expects to reach agreement with the GOC on this point within the next two months.

In view of the prior planning and action taken by the USAID in this matter, no recommendation is considered necessary at this time.

(c) Participant Follow-up Program

The Mission does not have a complete follow-up program for participants, in conformity with M.O. 1389.2. The principal reason given for the lack of such a program is reported to be the shortage of sufficient USAID funds and personnel for this purpose.

We have been informed that the Mission does maintain communication with those participants whom they are able to contact upon their return, and with others who exhibit the ability to become leaders in the development of the country.

In addition, work is proceeding toward establishing a suitable type of follow-up program on data processing equipment through the Instituto Colombiano de Crédito Educativo y Estudios Técnicos en el Exterior (ICETEX). For this reason, no recommendation is made at this time.

C. Other Findings

1. Changing Emphasis of Project

The new emphasis of the Project for FY 1972 is directed toward broadening OPSA's role. In addition to strengthening their planning ability, assistance is directed toward increasing their capability and involvement in field level programs. The USDA/PASA team will continue to provide assistance to OPSA and DANE, but increased emphasis will be given to assisting OPSA carry out its new responsibilities of coordination, management, and evaluation of the entire agricultural sector development program.

AGRICULTURE AND NATURAL RESOURCES - PROJECT 514-11-190-097

Summary of Obligations and Expenditures

For the period FY 1961 through August 31, 1971 (In US Dollars)

	NATIONAL AGRICULTURAL PLANNING 514-11-190-097.1			BASIC RESOURCES SURVEY 514-11-190-097.2			TOTAL ALL PROJECTS		
	Obligations	Expenditures	Balance	Obligations	Expenditures	Balance	Obligations	Expenditures	Balance
US Technicians	\$1,984,910	\$1,810,752	\$174,158	\$ 575,973	\$ 596,060	\$(20,087)	\$2,560,893	\$2,406,812	\$154,071
Participants	179,426	161,881	17,545	162,154	156,850	5,304	341,580	318,731	22,849
Commodities	877,711	893,609	(15,898)	233,267	233,122	145	1,110,978	1,126,731	(15,753)
Other Costs	39,176	32,345	6,831	30,654	16,016	14,638	69,830	48,361	21,469
TOTAL	\$3,081,223	\$2,898,587	\$182,636	\$1,002,048	\$1,002,048	\$ - 0 -	\$4,083,271	\$3,900,635	\$182,636

NOTE: Totals do not include accruals.

SOURCE: USAID Office of the Controller

EXHIBIT B

LISTING OF RECOMMENDATIONS

Recommendation No. 1

The AID PASA contracting officer should review the administrative support requirements of the USDA planning team, with a view toward obtaining a more substantial justification from USDA of the considerable expense funded by AID for the services of a Washington-based coordinating officer, and if justification cannot be substantiated, the position should be eliminated.

Clearance Date

ACTION OFFICE: AID/W: LA/MGT/POS, PASA Operations Branch