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OFFICE OF THE ASSISTANT DIRECTOR/CONTROLLER
UNITED STATES OPERATIONS MISSION TO KOREA
AGENCY FOR INTERNATIONAL DEVELOPMENT

REPORT OF AUDIT

BATTELIE MEMORIAL INSTITUTE

Contract No. AID-fe-194 (Project No. 489-11-230-634)

Survey for Establishment of
Institute of Industrial Technology and Applied Sciences

For the Period from September 16, 1965, to October 31, 1966

REPORT NO. 67-19

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BACKGROUND INFORMATION

In response to a request from AID/W, we have made an audit of contract No. AID-fe-194, which was negotiated between the U.S. Government and Battelle Memorial Institute (Battelle) on September 16, 1965. The primary purpose of this contract called for Battelle to provide technical advice and assistance to the Government of the Republic of Korea (ROK) for establishing within Korea an Institute for Industrial Technology and Applied Science (Institute), subsequently called the Korean Institute of Science and Technology (KIST).

In order to provide the necessary assistance, Battelle was authorized to send a team of four or five highly qualified persons from their top management staff for a period of approximately four and one-half man months. The specific goals of this survey team were to:

- (a) Develop a non-profit corporate framework for the Institute to provide reasonable independence and a management that could encourage participation of outstanding Korean scientists and engineers.
- (b) Identify methods by which the Institute could assist in the development of the Korean economy.
- (c) Develop an estimate of capital investment costs and annual dollar and local currency operating costs for the Institute.
- (d) Develop a scope of work for multi-year contracts under which Battelle would provide the principal source of management guidance and technical advice to the Institute.
- (e) Ascertain the readiness and capability of the ROK to participate in carrying out recommendations made by this survey team.

Battelle was required to advise AID of the determinations and recommendations of their survey team in a comprehensive report to be submitted no later than December 15, 1965; and shortly thereafter to submit a proposal for a long term contract to provide services described in (d) above. Financing was provided under this cost-plus-fixed-fee contract in the amount of \$50,000 for actual costs, and \$3,000 for fee. In addition the contract provided for reimbursement in local currency for costs incurred within Korea which had not been provided in the form of logistic support.

The USOM's responsibilities for administration of this contract were delegated to the Industry and Engineering Division (IED), and those of the ROKG to its Economic Planning Board (EPB).

SCOPE OF AUDIT

The purpose of our audit, performed during November 1966, was to (a) determine if the contractor had performed the services required by the contract, (b) review the adequacy and accuracy of time and attendance records for the contractor's personnel, and (c) review the propriety of local currency expenditures.

SUMMARY OF FINDINGS AND RECOMMENDATIONS

Our review indicated that the contractor had sent a team of five management and technical consultants to Korea for intermittent periods between September and December, 1965, and had subsequently submitted a comprehensive report on the determinations and recommendations of the team. We concluded, and the USOM contract representative agreed, that the services rendered by the contractor had been satisfactory. We were unable, however, to review time and attendance records, and have recommended that AID/W include a review of these records when an audit is made at the contractor's home office. Korean local currency funds in the amount of ₩659,399 are still obligated for this contract. Since the contractor's personnel have left Korea, it is obvious that future local currency expenditures will not be made; and we have recommended that IED initiate action to deobligate this balance.

Prior to publication of this report, a draft copy was furnished to IED, which expressed concurrence with our findings and recommendations.

DETAILED FINDINGS AND RECOMMENDATIONS

CONTRACTOR'S U.S. PERSONNEL

As provided under the contract, Battelle sent a team of five U.S. management and technical consultants to Korea for a period totaling approximately four and one-half man months. The dates of their arrivals and departures have been verified to official records of the ROKG, and are shown on Schedule 1 of this report.

We were informed that the only time and attendance record kept for the personnel of this team was a time report each person is required to submit to the home office in Columbus, Ohio. We were, therefore, unable to determine if these personnel worked those hours required under the contract; and suggest that AID/W make this determination at the time of their review of the home office records of Battelle. Since the subsequent contract between Battelle, the ROKG, and AID is currently being implemented, we queried the Chief of Party if time and attendance records were being kept locally for the personnel assigned to this contract. We were informed that to date the procedure of submitting the attendance records to the home office was being followed; but we were assured that an attendance record would be maintained within Korea for the remainder of the contract.

RECOMMENDATION NO. 1

AID/W should include in its audit of the contractor's home office a review of the time, leave and attendance records of employees working on this contract to determine compliance with the contractual provisions.

CONTRACT EXPENDITURES

Dollar Costs

The contract originally provided for maximum dollar costs of \$53,000; however, the USOM determined in an interim review of unliquidated obligations that the maximum billings under this contract would probably not exceed \$46,265.78, and therefore reduced the obligated amount of this contract to that amount. Total billings charged to this contract through the date of our audit amount to \$44,760.56 (\$42,226.95 costs, \$2,533.61 fee), and cover the period from the inception of the contract through February, 1966. The USOM has been advised by AID/W that the remaining obligated balance of \$1,505.22 had been billed by the contractor, but returned by AID/W for additional information.

Local Currency Costs

Local currency in the amount of W1 million was obligated to meet requirements for expenses of the contractor's personnel within Korea. Our review of expenses charged to this contract indicated that they were necessary and proper; and totaled W340,601. We noted that a charge of W3,610 for air transportation within Korea by an AID/W employee had erroneously been charged to this contract; and accordingly, have notified the Budget and Accounting section of the USOM Controller's division (AD/C-B&A) to correct this error. Since this contract has been completed, it is apparent the unused balance of the local currency obligated for this contract (W659,399) will not be needed and should be deobligated.

RECOMMENDATION NO. 2

IED should initiate action to deobligate the balance of the local currency funds provided for this contract.

REPORTING REQUIREMENTS AND PERFORMANCE

As required under the contract, Battelle submitted a comprehensive final report, dated December 15, 1965, replying to the specific goals of the contract. Their proposals for a long term contract culminated in contracts between Battelle and the ROKG, and Battelle and AID to provide a permanent staff and short term consultants to assist KIST in the furtherance of their goals.

The USOM contract representative stated, and our review confirmed, that the performance of the contractor had been satisfactory.

BATTELLE MEMORIAL INSTITUTE
Contract No. AID-fe-194

SCHEDULE 1

CONTRACTOR'S U.S. PERSONNEL IN KOREA

<u>Name</u>	<u>Position</u>	<u>Dates of</u>	
		<u>Arrival</u>	<u>Departure</u>
Edward E. Slowter	Vice President	9/23/65	10/2/65
		11/24/65	12/4/65
John L. Gray	General Counsel	9/24/65	10/2/65
		10/31/65	11/5/65
Dr. William J. Harris, Jr.	Assistant to the Director	9/23/65	10/2/65
		11/25/65	12/4/65
Dr. H. Dewayne Kreager	Consultant in Industrial Economics	9/28/65	10/9/65
Donald D. Evans	Technical Advisor	9/23/65	12/4/65

Distribution of Report

	<u>No. of Copies</u>
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IED	2
LEG	1
AD/C-B&A	1
C&R (thru DD)	1