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AGENCY FOR INTERNATIONAL DEVELOPMENT  
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OFFICE OF THE AUDITOR GENERAL  
AREA AUDITOR GENERAL - LATIN AMERICA

AUDIT REPORT  
USAID/BRAZIL  
DEVELOPMENTAL SCIENCE AND TECHNICAL RESEARCH  
PROJECT No. 512-11-690-300.8  
AND  
DEVELOPMENTAL SCIENCE AND TECHNICAL RESEARCH (CHEMISTRY)  
PROJECT No. 512-11-660-263.11

For the period January 31, 1968  
through March 31, 1973  
Audit Report No. 1-512-73-119  
June 29, 1973

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- EXHIBIT B - PROJECT No. 512-11-660-263.11 - DEVELOPMENTAL SCIENCE AND TECHNICAL RESEARCH (CHEMISTRY). SCHEDULE OF OBLIGATIONS AND EXPENDITURES FOR THE PERIOD JUNE 30, 1969 THROUGH MARCH 31, 1973.
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REPORT ON EXAMINATION  
OF  
DEVELOPMENTAL SCIENCE AND TECHNICAL RESEARCH  
PROJECT No. 512-11-690-300.8  
AND  
DEVELOPMENTAL SCIENCE AND TECHNICAL RESEARCH (CHEMISTRY)  
PROJECT No. 512-11-660-263.11  
FOR THE PERIOD JANUARY 31, 1968 THROUGH MARCH 31, 1973

SECTION I - SCOPE OF EXAMINATION

The Brazil Residency of the Area Auditor General, Latin America has performed a final examination of Project No. 512-11-690-300.8, Developmental Science and Technical Research, and an interim examination of Project No. 512-11-660-263.11, Developmental Science and Technical Research (Chemistry). This examination of the projects covered the period from January 31, 1968, the inception of Project No. 512-11-690-300.8, through March 31, 1973. The audit was performed during the period from March 1, 1973 to April 30, 1973.

The primary purpose of the examination was to review and evaluate the effectiveness of the planning and implementation of the projects. Other purposes were to evaluate the adequacy and effectiveness of administrative and financial management of the projects and the degree of compliance with AID policies, regulations and procedures.

Our examination was made in accordance with generally accepted auditing standards and included such tests of the financial records

and project related documents as were considered necessary in the circumstances; and discussions with concerned USAID/Brazil (USAID/B) and Conselho Nacional de Pesquisa\* (CNPq) officials.

We did not examine the U.S. dollar accounting records maintained by the U.S. National Academy of Sciences (NAS), the Contractor employed under both projects, since these records are maintained at its main office in the U.S. and are subject to audit by the Office of the Auditor General, AID/Washington (AID/W).

Before issuance this report was reviewed with appropriate USAID/B officials and their comments were given due consideration.

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\* The National Research Council which is an Agency of the Government of Brazil.

## SECTION II - BACKGROUND INFORMATION

During the course of an earlier project supported by AID/W, a science workshop, entitled "The Contributions of Science and Technology to Development," was conducted in Brazil by U.S. scientists associated with the NAS and Brazilian scientists associated with the CNPq. This workshop recommended that joint Brazilian-U.S. study groups should be organized to analyze development problems in specific areas of specialization.

As a result of the workshop, a Project Agreement (ProAg) was signed on January 31, 1968, under Project No. 512-11-690-300.8 (formerly Project No. 512-11-690-263.8), Developmental Science and Technical Research, by USAID/B and the CNPq. The purpose of the project was to provide for the organization and operation of various study groups, some of which had already been formed, and for short-term consultant services to the CNPq. Two additional scientific workshops, one each in the U.S. and Brazil, were also authorized under the project.

In keeping with the purpose of the project, Task Order No. 3, effective February 1, 1968, under Basic Contract No. AID/csd-1122, was entered into with the NAS. The Task Order called for the NAS to organize and conduct study groups, in the U.S. and Brazil, dealing with Industrial Research; Norms, Standards and Testing; Agricultural Economics; and Agricultural Research. It was later amended to include study groups in Chemistry Research; Earth Sciences; Transportation; and Computer Sciences. It also called for the NAS to convene two scientific workshops and to provide, as necessary, short-term consultant services to the CNPq. The current termination date

of the contract is June 30, 1973.

The project, in August 1969, was expanded to provide the short-term services of nuclear scientists from the U.S. to assist the Brazilian Institute of Atomic Energy (IEA) and the University of São Paulo in the development and strengthening of post-graduate courses in the fields of nuclear power economics and radioactive waste disposal. The nuclear scientists were also to assist the IEA in the preparation of preliminary reports on the potentialities of the utilization of nuclear power in Brazil.

In order to carry out this additional purpose of the project, a Participating Agency Service Agreement (PASA), No. LA(EA)11-70, was entered into with the U.S. Atomic Energy Commission (AEC). The PASA called for the AEC to provide the services of two scientists in fiscal year 1970 and three scientists in fiscal year 1971. Each scientist was to serve in Brazil for two months.

As a result of recommendations made by the Chemistry Research study group, organized and conducted under the foregoing project, USAID/B entered into a ProAg in June 1969 with the CNPq for the purpose of establishing a program of cooperative research projects in the field of chemistry between Brazilian and U.S. institutions of higher learning. The ProAg stated that Project No. 512-11-660-263.11, Developmental Science and Technical Research (Chemistry), involves the collaboration of senior chemists from universities in the U.S. with Brazilian scientists from the University of São Paulo and the Federal University of Rio de Janeiro.

In keeping with the project, the CNPq entered into Contract No. GOB 12-637, on October 13, 1969, with the NAS. Under the terms of

the contract, the NAS is to provide the services of up to 10 post-doctoral scholars who are to engage in research in chemistry in Brazil with the collaboration of qualified Brazilians at the graduate level. The contract stated that research will be carried out in one or more of 12 areas. It also calls for the NAS to assist in the periodic supervision of the research activities and in the placement, for post-graduate training in the U.S. of Brazilian graduate chemistry students collaborating in the research. At the close of our audit, an amendment to the contract was being processed whereby the termination date of the contract would be extended to December 31, 1973.

A financial summary of the projects, as of March 31, 1973, according to the accounting records maintained by the Mission Controller is as follows (please refer to Exhibits A and B for a detailed status of each project):

<u>Project No.</u>	<u>In US Dollars</u>		
	<u>Obligated</u>	<u>Disbursed</u>	<u>Unliquidated</u>
512-11-690-300.8	<u>259,983</u>	<u>250,997</u>	<u>8,986</u>
512-11-660-263.11	<u>657,100</u>	<u>421,860</u>	<u>235,240</u>

### SECTION III - SUMMARY OF EXAMINATION

As a result of an unwritten USAID/B decision to present a "low profile" in the implementation and monitoring of the two projects, primary responsibility for the direction and control of the projects has, generally, rested with the NAS and the CNPq.

However, a segment of Project No. 512-11-690-300.8, dealing with the provision of short-term advisory services by U.S. nuclear scientists to the IEA, was outside of the scope of responsibilities of the NAS and the CNPq. Therefore, there was no apparent monitoring of the activities of the nuclear scientists.

In connection with the NAS-CNPq segment of the above-mentioned project, the planned workshops have been convened and the various joint study groups have been organized. Also, reports which resulted from the meetings of the joint study groups have been provided to USAID/B and the CNPq. Further, one project dealing with chemistry research, discussed below, has been initiated by USAID/B and another project dealing with computer sciences has been proposed by USAID/B to AID/W for consideration. Furthermore, a third project dealing with agricultural research was under consideration by USAID/B. In addition, we were advised that many of the concepts and problem analyses underlying USAID/B's recently signed Loan No. 512-L-088, Science and Technology for Development, come from the results of the joint study group in industrial research.

However, according to a USAID/B "Background Paper," there were indications that, generally, the information provided in the joint

study groups' reports had been poorly disseminated through the ministries of the Government of Brazil and through the private industrial sector. It appeared that other project objectives, such as the strengthening of the CNPq and the development of a national science policy, have been and are being achieved.

As a result of the recommendations made by one of the joint study groups, Project No. 512-11-660-263.11, dealing with chemistry research, was initiated by USAID/B, the NAS and the CNPq. Although the NAS has been unable to provide all of the research services called for under the NAS' work plans, research activities have been carried out in five different areas of chemistry at the laboratories established at the University of São Paulo and the Federal University of Rio de Janeiro. While various papers have resulted from the research activities, we were unable to determine if they met the "research paper" target of the project because of the technical nature of the papers and because some of the papers were not related to the project. We were advised that little interest has been shown in the research activities by the Brazilian public and private sectors since the program has addressed itself to theoretical research rather than to applied research. Also, although there are 44 Brazilian post-graduate candidates assigned to collaborate in the program, there was no information on the number who had received or were to receive training in the U.S. There was also apparently some confusion on the type of training to be provided since NAS documentation refers only to the complete training of doctoral candidates while USAID/B documentation refers to the

training of masters and doctoral candidates.

In addition, the NAS has not fully complied with the reporting requirements of the two contracts under which it is operating and USAID/B has not complied with the reporting requirements contained in AID/W Manual Orders.

The report contains five recommendations all for action by USAID/B.

SECTION IV - FINDINGS AND RECOMMENDATIONS

A. PROJECT IMPLEMENTATION

1. Project No. 512-11-690-300.8

a. Scientific Workshops and Joint Study Groups

The NAS-CNPq workshops are binational meetings, convened to bring together representatives from the scientific community, government and private institutions to discuss informally problems relating to science and economic development.

The first workshop was held during April 1966, in Brazil, under an AID/W supported project. As a result of this workshop, joint NAS-CNPq study groups were formed to examine problems and make recommendations relating to industrial research, agricultural economics, agricultural research and norms, standards and testing.

A second workshop, held in the U.S. during February 1968, recommended the formation of joint study groups in the areas of chemistry research, transportation, earth sciences and computer sciences.

In order to support the activities of the NAS-CNPq, Task Order No. 3 was entered into under Basic Contract No. AID/csd-1122 with the NAS. The contract, as amended, called for the NAS to organize and conduct various joint study groups and two additional workshops. In addition to the reports and recommendations emerging from the workshops and the joint study groups, the following project goals were identified in a Project Appraisal Report (PAR) prepared in December 1970:

- (1) The development of a national science policy, particularly with regard to the training and

retention of scientists and scientific research.

- (2) The encouragement of better equipped facilities and better trained scientists.
- (3) The stimulation of a greater injection of funds in support of Brazilian scientific research.
- (4) The strengthening of the CNPq as a national scientific institution.

We found that, in accordance with the terms of the task order, the NAS had convened the third and fourth workshops in Brazil during April 1969 and in the U.S. during November 1971, in conjunction with the CNPq. We also found that meetings, conferences and seminars were held in the U.S. and Brazil by the joint study groups in the various disciplines.

The recommendations of the chemistry research joint study group resulted in the initiation of Project No. 512-11-660-263.11, Developmental Science and Technical Research (Chemistry), by USAID/B (please see below).

USAID/B has submitted a Noncapital Project Paper (PROP) to AID/W for consideration in connection with the development of a project related to the recommendations made by the computer sciences joint study group.

Recommendations made by the agricultural research study group are currently being examined by USAID/B for possible future project initiation.

In addition to the foregoing projects, USAID/B has advised us that many of the concepts and problem analyses underlying the recently signed Loan No. 512-L-088, Science and Technology for

Development, come from the results of the joint study group in industrial research.

While the other study groups have, generally, submitted reports and recommendations to USAID/B and the CNPq, we were unable to determine the status of their acceptance or rejection because of a lack of definitive information. We understand that the findings and recommendations of the joint study groups have been poorly disseminated through the ministries of the Government of Brazil and through the private industrial sector with the result that the implementation of the various recommendations has been limited.

We found, in connection with the development of a national science plan, that there was no definitive information relating to this aspect of the project at USAID/B. The Mission contends, however, that this goal was achieved through the issuance of the Government of Brazil's "First National Development Plan 1972/74," which includes the science and technology program to be undertaken and for which the CNPq has promotion and coordination responsibilities.

According to information provided by the CNPq, its budget has increased from approximately Cr\$27,400,000 in 1969 to about Cr\$60,400,000 in 1973. The CNPq utilizes a large portion of these funds in supporting undergraduate and graduate scientific research fellowships in Brazil and overseas. It therefore appears that the project goal of stimulating a greater injection of funds in support of Brazilian scientific research is being met.

Although a USAID/B project review document stated that the CNPq has been strengthened as a national entity, there was no information

available at the Mission which proved that the CNPq was stronger today than it had been at the start of the project.

We were unable to ascertain the extent to which the CNPq had encouraged scientific institutions, other than the University of São Paulo and the Federal University of Rio de Janeiro which are connected with the chemistry research project, to have better equipped facilities and better trained scientists.

In connection with the above, USAID/B has advised that:  
"The role which the CNPq plays in promoting and coordinating the National Science and Technology program is an indication of the current strength and capability of this entity. Other indications of its strength and influence regarding scientific institutions include its responsibility in designating regional scientific "centers of excellence" eligible for federal research funding and the role it is to play in negotiating, implementing, controlling and coordinating an expected \$35 million International Development Bank loan for science and technology. This loan program consists of strengthening nine research institutions throughout Brazil. Approximately 75% of the loan would be used for the purchase of equipment and materials; 15% for construction; and 10% for technical assistance, salary support and other program costs."

b. Nuclear Sciences

In order to provide technical assistance to the IEA, Project No. 512-11-690-300.8 was modified, in August 1969, to include the services of U.S. nuclear scientists. The related ProAg stated that the purpose of the modification was to undertake

a cooperative project of training and short-term technical assistance in the development of post-graduate courses in the fields of nuclear power economics and radioactive waste disposal. A second ProAg, issued in August 1970, also provided for short-term technical assistance in the development of post-graduate courses and in the evaluation of potential reactors in the fields of nuclear power economics and technical problems.

Project Implementation Order/Technical Services (PIO/T) No. 512-263.8-2-00001, issued in August 1969, stated that the services of two nuclear scientists were to be provided for two months each. The PIO/T also stated that the two scientists were to assist the IEA in the development of post-graduate courses at the Polytechnic School of the University of São Paulo. The PIO/T further stated that one scientist was to share 36 lectures in nuclear power or reactor economics with a Brazilian counterpart, while the other scientist was to give approximately 18 lectures in fuel processing and waste disposal. The two scientists were also to assist the IEA in the development of a preliminary report on the potentialities of nuclear power as a cheap source of energy for Brazilian economic development

The second PIO/T, No. 512-263.8-2-10006, issued in August 1970, stated that the short-term services of three nuclear scientists were to be provided. The PIO/T showed that the three scientists were also to assist the IEA in the development of post-graduate courses at the Polytechnic School of the University of São Paulo and were to share 48 lectures in nuclear power or reactor economics with a

Brazilian counterpart. The PIO/T also stated that the three scientists were to assist the IEA in the development of a preliminary report on the potentialities of the high temperature gas cooled reactor as new generation units in the expansion of the Brazilian power system.

In keeping with the PIO/T's, a PASA was entered into with the AEC in fiscal year 1970 and 1971 for the services of the nuclear scientists.

There was no information at USAID/B relating to the actual activities of the nuclear scientists during their assignments in Brazil; i.e., there was no information relating to the number and types of courses developed, the number of lectures given by each scientist, the number of students in attendance at the lectures, and whether or not the courses have been continued at the University.

In addition, neither of the above PIO/T's required that a copy of the preliminary reports be submitted to USAID/B. We were unable to determine the reasons why the Mission did not require that these reports be submitted since it would appear they would be of beneficial interest.

Recommendation No. 1

USAID/B should request the IEA to provide:

(a) information relating to the technical services provided by the two teams of U.S. nuclear scientists at the Polytechnic School of the University of São Paulo; and, (b) copies of the two preliminary reports with which the nuclear scientists assisted.

## 2. Project No. 512-11-660-263.11

As indicated above, this project originated as a result of recommendations made by the Chemistry Research Joint Study Group to NAS and CNPq representatives attending the Third Workshop, in Brazil, during April 1969. The U.S. and Brazilian members of the Joint Study Group agreed to work on a "professor to professor" basis in an effort to improve chemistry education at the undergraduate and post-graduate level.

In keeping with the NAS-CNPq recommendations, USAID/B signed a ProAg, in June 1969, with the CNPq, whereby the Mission agreed to share the cost of the project. Other donors to the project are the National Science Foundation, the Anderson and Atlantic Richfield Foundations, and the Atlantic Petroleum Company (Brazil). The CNPq agreed to pay the local currency costs of the project.

The ProAg stated that the goals of the project were to develop three "Centers of Excellence" (later changed to two), train a total of 40 post-graduates (in Brazil and the U.S.), and upgrade instruction at the undergraduate and post-graduate level at the concerned institutions.

In order to carry out the project, the CNPq entered into Contract No. GOB 12-637, in October 1969, with the NAS. The contract, as amended, calls for the NAS to provide the services of U.S. post-doctoral scholars, called NAS Overseas Research Fellows (ORF's), to engage in research in chemistry in one or more of 12 areas in Brazil with the collaboration of qualified Brazilians at the graduate level; the periodic supervision of the research by an

Academy committee of up to 11 members; the publication and dissemination of research results; and, the placement for post-graduate training in the U.S. of the Brazilian graduate chemistry students collaborating in the research.

According to the terms of the contract and various planning documents, the NAS agreed to provide the services of up to 10 ORF's during each year of contract operations. We found, in this connection, that eight ORF's were assigned to Brazil during calendar year 1970, nine ORF's were assigned during 1971 and eight ORF's were assigned during 1972. Documentation available at USAID/B tends to indicate that the "shortfall" in the provision of the ORF's services has not had any detrimental effect on the implementation of the project.

The ORF's are currently carrying out research activities in organic chemistry, inorganic chemistry, polymer chemistry, photochemistry and ion cyclotron resonance physical chemistry, at the University of São Paulo and the Federal University of Rio de Janeiro. These research activities are periodically supervised by scientists from Stanford University, the University of Michigan, the California Institute of Technology, Indiana University and Northwestern University in conjunction with their Brazilian colleagues.

A total of 18 papers have been published, according to the most recent NAS progress report, in the U.S. and Brazil. Approximately 14 additional papers have been submitted to U.S. and Brazilian publishers for review, while 6 other papers are in preparation. These papers have been prepared by the ORF's and the Brazilian post-graduates either individually or in collaboration with each other.

We have noted that various documents differentiate between research papers and technical papers and that goals have been established only for the research papers. We were unable to determine the extent to which the research papers' goal had been attained because of the technical nature of the papers and because we understand that some of the papers are not related to the project. We were advised by the CNPq that there had been no inquiries, relating to the research activities, from the Brazilian public or private sectors, since the program has addressed itself to theoretical research rather than to applied research.

In connection with the foregoing CNPq statement, USAID/B has stated that "This is a subjective opinion and may or may not be factual since research studies have and will be published in Brazilian and U.S. scientific journals, thus negating the need for inquiries to the CNPq."

Documentation related to the project indicates that the CNPq, in addition to providing the support costs of NAS personnel, was to procure approximately US\$700,000 worth of research equipment. While it is evident that the CNPq has procured equipment for the project, we were unable to obtain information related to the types of equipment actually purchased, or the value and location of the equipment, since this information was not readily available at the CNPq or the USAID.

Various planning documents indicate that 40 Brazilian students are to receive training, both in the U.S. and in Brazil, towards post-graduate degrees by the end of fiscal year 1974. We have noted

that while USAID/B documentation refers to the training of both master and doctoral degree candidates, NAS documentation appears to address itself to the complete training of solely doctoral degree candidates. Although, according to the CNPq, a minimum of five years is required in Brazil for the training of doctoral candidates in chemistry, no overall training plan has been prepared and submitted to USAID/B by the NAS-CNPq. The most recent progress report received from the NAS shows that a total of 44 candidates (34 masters and 10 doctoral) are currently collaborating in the program.

There was no information available at USAID/B regarding the number of the above degree candidates who had received participant training in the U.S. We found that, according to the accounting records maintained by the USAID/B Controller, approximately US\$40,000 have been expended by the NAS in connection with the training, in the U.S., of Brazilians collaborating with the ORF's. We were unable, however, to obtain information at USAID/B or the CNPq regarding the names of the participants, or the periods, locations and types of training involved. It appears that the NAS and the CNPq select and send the participants to the U.S. without any involvement by USAID/B.

Recommendation No. 2

USAID/B, in conjunction with the CNPq and the NAS, should: (a) evaluate the implementation of Project No. 512-11-660-263.11, Developmental Science and Technical Research (Chemistry); and, (b) as necessary, define and revise project goals and targets.

## B. PROJECT MONITORING

In accordance with an unwritten USAID/B decision to maintain a "low profile" in connection with these two projects, the Mission has, generally, refrained from actively participating in the implementation of the projects and has allowed the NAS and the CNPq to direct and control the projects' activities.

This has been particularly true in connection with Project No. 512-11-690-300.8 because the implementation of the primary segment of the project, the NAS-CNPq workshops, hinges solely upon meetings being held, in the U.S. and in Brazil, by NAS-CNPq specialized study groups and the NAS-CNPq governing committee. Although USAID/B personnel have attended some of the meetings, as observers, the Mission has not had any real influence on the convening of the various meetings, the contents and timing of the study groups' reports, or the direction to be taken by the project, particularly since no contractor personnel were assigned to Brazil. It appeared that USAID/B generally limited its monitoring of the project to periodic meetings with NAS personnel regarding contract negotiations and administration.

In connection with the nuclear science segment of the project, there was no evidence showing that USAID/B had performed any monitoring of the short-term services of the two teams of AEC nuclear scientists assigned to the IEA.

While USAID/B has involved itself with the negotiations and discussions relating to the NAS contract, under Project No. 512-11-660-263.11, and has had occasional meetings with the ORF's, CNPq and visiting NAS representatives, primary responsibility for

the monitoring of the project has rested with the NAS and the CNPq. Apparently because the NAS is operating under a contract with the CNPq and because of the specialization of the research undertaken by the ORF's, USAID/B has allowed the NAS and the CNPq to make the decisions relating to the areas in which research will be performed, the selection of the ORF's, the selection of the Brazilians who are to collaborate and receive training under the project, and the dissemination of any information resulting from the research activities.

In connection with both contracts, we noted that USAID/B had little control over the travel, chargeable to the contracts, performed by the American and Brazilian scientists, the ORF's or the Brazilian post-graduate students. Also, in this regard, we found that accurate records relating to the arrivals and departures of all personnel travelling under the contracts had not been maintained by USAID/B.

While there was no evidence showing that the implementation of the two projects had been impaired by USAID/B's limited monitoring of the program, we believe that there are certain aspects of the projects, particularly participant training, travel and commodity procurement by the CNPq, about which the Mission could and should be informed by the NAS and/or the CNPq without interfering with the relationships established between the NAS and the CNPq.

Recommendation No. 3

USAID/B should request the NAS and/or the CNPq to provide, periodically, information relating to:

- a. All travel performed under Task Order No. 3, Basic Contract No. AID/csd-1122, and Contract No. GOB 12-637, including names, dates of arrival in and departure from Brazil, and position titles;
- b. Participant training under Contract No. GOB 12-637, including names, dates, location and types of training; and
- c. Commodities procured by the CNPq for Project No. 512-11-660-263.11, including commodity description, cost and the research experiment for which it was procured.

C. REPORTING

1. Contractor Requirements

The NAS has not fully complied with Article VI, C, 1 of Task Order No. 3, Basic Contract No. AID/csd-1122 and Article III, A, 2 of Contract No. GOB 12-637 which require the NAS to prepare and submit semi-annual progress reports to USAID/B. The last semi-annual progress report relating to Task Order No. 3, available at USAID/B covers the period January through June, 1970. The NAS has, therefore, not provided five semi-annual progress reports covering the period July 1970 through December 1972.

In its comments on our draft audit report, USAID/B advised us that it had recently received from the NAS a preliminary staff summary report on the activities carried out under the Task Order during the period from February 1968 to December 1972. This preliminary report was submitted to the USAID for its review and comments prior to its final publication by the NAS.

The NAS did not submit a semi-annual progress report for the period January through June 1972 for the activities carried out under Contract No. GOB 12-637, rather an annual progress report, covering the period January through December 1972, was submitted to USAID/B in April 1973.

Considering the Mission's decision of presenting a "low profile" in the implementation of the projects, the importance of receiving timely progress reports cannot be stressed too strongly.

Recommendation No. 4

USAID/B should: (a) ensure that the NAS provides a copy of the finalized summary report covering the activities carried out under Task Order No. 3, Basic Contract No. AID/csd-1122; and, (b) advise the NAS of the importance of providing, in a timely manner, the semi-annual progress reports required by the above Task Order and Contract No. GOB 12-637.

2. USAID/Brazil Requirements

USAID/B has not fully complied with the provisions of Manual Order (M.O.) 1026.1, Evaluation of Technical Assistance and Other Noncapital Projects, and M.O. 1423.9, Contract Administration, in that required reports have not been prepared and submitted.

Although M.O. 1026.1 requires the annual preparation and submission of a Project Appraisal Report (PAR), the last PAR for Project No. 512-11-690-300.8 was prepared and submitted in December 1970 and the last PAR for Project No. 512-11-660-263.11 was prepared and submitted in August 1971.

While M.O. 1423.9 requires the annual preparation and submission of Report No. U-1423/1 (formerly U-307), Contractor Performance Evaluation Report, the last such report for Task Order No. 3 was prepared in February 1972 and covered the contractor's activities through December 1971. The last Evaluation Report for Contract No. GOB 12-637 was prepared in January 1972 and covered the contractor's activities through June 1971.

USAID/B has advised us, in its comments on our draft audit report, that a PAR for Project No. 512-11-660-263.11 and a Report No. U-1423/1 for Contract No. GOB 12-637 were prepared and submitted, as required, subsequent to the cut-off date of our audit.

Recommendation No. 5

USAID/B should: (a) prepare and submit an updated PAR for Project No. 512-11-690-300.8, as required by M.O. 1026.1; (b) prepare and submit an updated Report No. U-1423/1 for Task Order No. 3, Basic Contract No. AID/csd-1122 as required by M.O. 1423.9; and, (c) ensure that the concerned USAID/B personnel comply with the requirements of M.O. 1026.1 and M.O. 1423.9.

D. GENERAL COMMENTS

Although the Brazil Audit Residency has not issued any prior audit reports relating to the activities being carried out under the two projects by the NAS, the Office of the Auditor General, AID/W, issued Audit Report No. 73-234, on February 13, 1973, covering the financial operations of the NAS under Task Order No. 3, Basic Contract No. AID/csd-1122 and Contract No. GOB 12-637, and other NAS contracts not connected with the Brazil program. There were no recommendations regarding the abovementioned Brazil contracts.

PROJECT No. 512-11-690-300.8  
DEVELOPMENTAL SCIENCE AND TECHNICAL RESEARCH  
SCHEDULE OF OBLIGATIONS AND EXPENDITURES  
FOR THE PERIOD JANUARY 31, 1968 THROUGH MARCH 31, 1973

<u>PROJECT AGREEMENT No.</u>	<u>DATE ISSUED</u>	<u>FINAL CONTRIBUTION DATE</u>	<u>CONTRACT SERVICES</u>	<u>COMMODITIES</u>	<u>OTHER COSTS</u>	<u>CROSS TOTAL</u>
NAS-CNPq	1/31/68	9/30/70	\$ 180,832.00	\$ -0-	\$ -0-	\$ 180,832.00*
EXPENDITURES			180,832.00	-0-	-0-	180,832.00
UNLIQUIDATED BALANCE			-0-	-0-	-0-	-0-
I E A	8/18/69	6/30/70	11,212.62	-0-	-0-	11,212.62
EXPENDITURES			11,212.62	-0-	-0-	11,212.62
UNLIQUIDATED BALANCE			-0-	-0-	-0-	-0-
NAS-CNPq	6/29/70	12/31/72	55,000.00	-0-	-0-	55,000.00
EXPENDITURES			46,014.32	-0-	-0-	46,014.32*
UNLIQUIDATED BALANCE			8,985.68	-0-	-0-	8,985.68
I E A	8/18/70	6/30/71	12,938.00	-0-	-0-	12,938.00
EXPENDITURES			12,938.00	-0-	-0-	12,938.00
UNLIQUIDATED BALANCE			-0-	-0-	-0-	-0-
TOTAL PROJECT AGREEMENTS			259,982.62	-0-	-0-	259,982.62
TOTAL EXPENDITURES			250,996.94	-0-	-0-	250,996.94
TOTAL UNLIQUIDATED BALANCE			\$ 8,985.68	\$ -0-	\$ -0-	\$ 8,985.68
			=====	===	===	=====

\* Represents actual payments to the NAS, under T.O. 3 of Basic Contract No. AID/csd-1122, through September 30, 1972, per advices of charge received from AID/Washington.

PROJECT No. 512-11-660-263.11  
 DEVELOPMENTAL SCIENCE AND TECHNICAL RESEARCH (CHEMISTRY)  
 SCHEDULE OF OBLIGATIONS AND EXPENDITURES  
 FOR THE PERIOD JUNE 30, 1969 THROUGH MARCH 31, 1973

<u>PROJECT AGREEMENT No.</u>	<u>DATE ISSUED</u>	<u>FINAL CONTRIBUTION DATE</u>	<u>CONTRACT SERVICES</u>	<u>COMMODITIES</u>	<u>OTHER COSTS</u>	<u>CROSS TOTAL</u>
CHEMISTRY	6/30/69	12/31/71	\$244,000.00	\$-0-	\$-0-	\$ 244,000.00
EXPENDITURES			225,635.00	-0-	-0-	225,635.00
UNLIQUIDATED BALANCE			18,365.00	-0-	-0-	18,365.00
CHEMISTRY	6/21/71	6/30/72	105,000.00	-0-	-0-	105,000.00
EXPENDITURES			105,000.00	-0-	-0-	105,000.00
UNLIQUIDATED BALANCE			-0-	-0-	-0-	-0-
CHEMISTRY	11/12/71	6/30/72	139,500.00	-0-	-0-	139,500.00
EXPENDITURES			91,225.08	-0-	-0-	91,225.08
UNLIQUIDATED BALANCE			48,274.92	-0-	-0-	48,274.92
UNNUMBERED	2/21/73	12/31/74	168,600.00	-0-	-0-	168,600.00
EXPENDITURES			-0-	-0-	-0-	-0-
UNLIQUIDATED BALANCE			168,600.00	-0-	-0-	168,600.00
TOTAL PROJECT AGREEMENTS			657,100.00	-0-	-0-	657,100.00
TOTAL EXPENDITURES			421,860.08	-0-	-0-	421,860.08*
TOTAL UNLIQUIDATED BALANCE			\$235,239.92	\$-0-	\$-0-	\$ 235,239.92
			=====	===	===	=====

\* Represents actual payments to the NAS, under Contract No. GOB 12-637, through December 31, 1972, per advices of charge received from AID/Washington.

EXHIBIT C

DISTRIBUTION OF  
AUDIT REPORT  
Nº 1-512-73-119

	<u>COPY Nº</u>	
Mr. William F. Gelabert, Acting Director, United States Agency for International Development Mission to Brazil	1	- 10
State Department - Inspector General of Foreign Assistance (IGA)		11
State Department - Country Director - Office of Brazil Affairs (ARA-LA/HR)		12
AID/W - Executive Director (ARA-LA-MGT-EX)	13	- 14
AID/W - Office of Audit (AG/AUD)	15	- 18
AID/W - Office of Program Operations (LA/OPNS)	19	- 20
USAID/Panama - Inspector-in-Charge, Inspections and Investigations Staff/Panama (IIS)		21
Office of the Area Auditor General, Latin America (AAG/LA)		22
Brazil Audit Residency, AAG/LA	23	- 27

NOTE: All audit work papers are attached to COPY Nº 23 which is on file in the Brazil Audit Residency Office, AAG/LA.

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