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PN- 1801
4390065-(20)(31)
PD-ADD-418-A1

AGENCY FOR INTERNATIONAL DEVELOPMENT
Washington, D. C. 20523

14 p.

OFFICE OF THE AUDITOR GENERAL
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AUDIT REPORT

USAID/LAOS

AGRICULTURE DEVELOPMENT PROJECT

LIVESTOCK SUBACTIVITY

NO. 439-11-190-065-2

A.I.D.
Reference Center
Room 1856 NS

Period Covered by Audit: July 1, 1967,
to September 30, 1971

Audit Report No. 8-439-72-85

Date Report Issued: FEB 24 1972

TABLE OF CONTENTS

	<u>Page</u>
I. SCOPE OF EXAMINATION -----	1
II. BACKGROUND INFORMATION -----	2
III. SUMMARY OF MAJOR FINDINGS -----	3
IV. FOLLOW-UP ON PRIOR AUDITS -----	3
V. FINDINGS AND RECOMMENDATIONS -----	4
A. Non-Expendable Property -----	4
1. Property Records -----	4
2. End-Use Checks -----	5
3. AID Emblems -----	5
B. Project Commodities on Hand -----	6
C. Vaccine Production -----	7
D. Preventive Vaccination Program -----	8
E. Swine Production - Vientiane Area -----	9
EXHIBIT I - Cumulative Obligations and Expenditures ----	11
SCHEDULE I - Report Distribution -----	12

AUDIT REPORT

USAID/LAOS

AGRICULTURE DEVELOPMENT PROJECT

LIVESTOCK SUBACTIVITY

NO. 439-11-190-065-2

I. SCOPE OF EXAMINATION

We have performed an interim comprehensive audit of the Livestock Subactivity of the Agriculture Development Project, No. 439-11-190-065-2, which is administered by the Agriculture Division of the USAID. The purpose of this audit was to verify compliance with the terms of the agreement between USAID/Laos and the Royal Lao Government (RLG), pertinent AID Manual Orders and other U.S. Government regulations, and to identify and report on any procedures or problems which may adversely affect project implementation.

Our audit covered transactions for the period July 1, 1967, to September 30, 1971, and included (a) a review of records, documents and reports of USAID/Laos, (b) a review of the adequacy of non-expendable property and vaccine production records maintained by the RLG Directorate of Veterinary Medicine and Livestock, (c) a physical inspection of selected AID-financed commodities, (d) field visits to selected pig farms in the Vientiane area, (e) discussions with farmers, responsible USAID and RLG officials, and other audit procedures deemed necessary under the circumstances.]

Significant matters disclosed by the audit are presented in Section V, Findings and Recommendations. Major findings are summarized in Section III.

II. BACKGROUND INFORMATION

The Livestock Subactivity was started in 1955. Its primary goal was for the improvement of production and management of the livestock program in Laos. During the period from inception of the subactivity through FY 1968, related programs such as improvement of swine, chicken and duck production, forage program, preventive medicine, laboratory development and training of Veterinary agents have been initiated by the Mission.

After Fiscal Year 1968, the project was reduced in scope to a simple vaccination activity and was placed under the supervision of USAID Agricultural Extension personnel. Because of the importance of increasing livestock production, particularly in the Vientiane area where meat supplies are most critical, the Livestock Project was redirected in Fiscal Year 1970 with the goal of directly advising the private livestock-producing sector around Vientiane.

USAID provided limited U.S. dollar and local currency assistance for the services of Third Country Nationals, participant training, commodities and other cost components.

The general objective of the project is to assist the RLG Directorate of Veterinary Medicine and Livestock in developing and administering an effective commercial livestock program. The main emphasis is being placed on the development of commercial swine production to meet the needs of the Vientiane area market.

From July 1, 1963, through September 30, 1971, U.S. dollar obligations and expenditures totaled \$702,774 and \$682,718 respectively. During the same period, local currency (kip) obligations and expenditures totaled K119,211,718 (\$496,716) and K118,712,468 (\$494,635) (Exhibit I).

During the period covered by this audit, from July 1, 1967, through September 30, 1971, U.S. dollar obligations and expenditures totaled \$170,033 and \$149,978 respectively. Local currency obligations and expenditures amounted to K26,205,242 (\$109,188) and K25,705,992 (\$107,108), respectively.

III. SUMMARY OF MAJOR FINDINGS

Property records to control AID-financed non-expendable property were not adequately maintained by the RLG (Para. V,A,I.). Dated vaccines were not properly monitored, resulting in outdated stock being on hand in the warehouse (Para. V,B.). Adequate records were not maintained to show the type and amount of vaccines produced and issued to various locations (Para. V,C.).

The Mission has stated that there were two factors which contributed to the deficiencies cited in this report. First, under the previous Director of Veterinary Service a very unsatisfactory relationship existed. Secondly, no full-time U.S. technician has been assigned to this project for the last several years.]

IV. FOLLOW-UP ON PRIOR AUDITS

Follow-up action on prior audit recommendations showed that corrective action had been taken to clear the recommendations; however, we noted that some adverse conditions similar to those previously reported still existed. These conditions have been cited in the current audit report.

V. FINDINGS AND RECOMMENDATIONS

A. Non-Expendable Property

1. Property Records

Property records to control AID-financed non-expendable property were not adequately maintained by the RLG Directorate of Veterinary Medicine and Livestock in Vientiane. We selected 81 pieces of non-expendable property amounting to approximately \$105,379 procured by USAID for the RLG Directorate of Veterinary Medicine and Livestock and noted that 40 units were not recorded or accounted for in the RLG Property Records. Of the 41 units recorded, 5 units were reported turned-in to USAID for disposal; 2 units were left at Saravane, a place presently occupied by unfriendly forces; 1 unit was reported burned in Paksane and the remaining 33 units were distributed to various locations throughout Laos. We also noted in our examination of the property records that cost data, related contract or PIO/C number, and condition of the property were not always shown.

Paragraph IV, B, 2, c of AID Manual Order No. 793.1 dated December 29, 1967 states, with respect to the maintenance of the property records: "When title is in the cooperating country or designated agency, the property must be controlled by adequate management records. The property records are to show the nomenclature and serial number, if any, quantity, date of receipt, landed or local cost, condition and location of each item of accountable property, and should relate this data to the payment and/or PIO/C or contract"

Recommendation No. 1

We recommend that USAID/Laos assist the RLG Directorate of Veterinary Medicine and Livestock in establishing and maintaining adequate property records.

(In response to submission of the draft report for comments, the USAID - by Memorandum dated January 28, 1972 - stated that recommended corrective action had been initiated.)

2. End-Use Checks

We selected for review 31 units of AID-financed non-expendable property assigned in the Vientiane area. The results of our observations showed that 18 units were effectively utilized for the purposes intended while 13 units had not been used for periods varying from 1 month to 3 years. Of the 13 units not being used, 5 units require only minor repair, 4 units appeared to be usable but had not been utilized for more than a year, and another 4 units appeared to be uneconomically repairable.

3. AID Emblems

Physical inspection of 31 units of non-expendable property at the RLG Directorate of Veterinary Medicine and Livestock in Vientiane disclosed that 17 units did not have any AID emblems affixed. Marking requirements were called to the attention of the RLG officials who stated the official AID emblems will be affixed on all equipment.

Recommendation No. 2

We recommend that USAID/Laos require that the RLG Directorate of Veterinary Medicine and Livestock (a) conduct a physical inventory of all AID-financed non-expendable property, (b) adjust property records to a current basis and (c) affix the official AID emblem on all AID-financed non-expendable equipment.

(In the Memorandum referred to following Recommendation No. 1, the USAID stated that recommended corrective action had been initiated.)

Recommendation No. 3

We recommend that USAID/Laos require that the RLG Directorate of Veterinary Medicine and Livestock (a) report to the USAID Chief, Agriculture Division all items determined to be uneconomically repairable for appropriate action and (b) put the equipment requiring minor repairs into effective use.

(In the Memorandum referred to following Recommendation No. 1, the USAID stated that recommended corrective action had been initiated.)

B. Project Commodities on Hand

Observation of vaccines and biologicals at the two major locations revealed that the potency period of some items had expired. At the USAID Agriculture Seed warehouse, we found six line items with expiration dates ranging from September 2, 1970 through November 19, 1971. Another six line items at the RLG Directorate of Veterinary Medicine and Livestock had expiration dates ranging from August 28, 1970 through November 19, 1971. These conditions resulted principally from failure to properly monitor dated vaccines and biologicals.

The above findings were brought to the attention of USAID and RLG personnel who stated that expired vaccines and biologicals will be analyzed and, if found unfit for use, the items will be recommended for proper disposal.

Recommendation No. 4

We recommend that USAID/Laos assist the RLG Directorate of Veterinary Medicine and Livestock in (a) inspecting and checking conditions of vaccines and biologicals stocks on hand at all storage facilities in Laos and to dispose of stocks unfit for use, and (b) properly monitoring dated vaccines and biologicals for effective use.

(In the Memorandum referred to following Recommendation No. 1, the USAID stated that recommended corrective action had been initiated.)

C. Vaccine Production

Adequate records to show the type and amount of vaccines produced and issued were not maintained by the RLG Directorate of Veterinary Medicine and Livestock in Vientiane. As a result, we were unable to determine the actual amount of vaccines produced locally. (USAID goal was 50,000 doses in FY 1971.)

Informal records maintained by the RLG Directorate of Veterinary Medicine and Livestock showed that 36,950 doses of vaccines were produced for the period from October, 1970 through September, 1971 or an average of 3,080 doses per month. The RLG technician stated that this number of doses must be understated, because vaccine production was not always recorded. USAID progress reports showed 12,000-14,000 doses per month were produced from April through October, 1971. This disparity in amounts was discussed with the USAID Livestock Advisor, and he stated that the USAID figures were based on verbal reports made by the RLG Directorate of Veterinary Medicine and Livestock.

Although the laboratory in Vientiane is now capable of producing 12,000-14,000 doses of vaccines per month, as stated by the RLG technician, no system of record-keeping exists to measure the effectiveness of vaccine production.

Recommendation No. 5

We recommend that USAID/Laos assist the RLG Directorate of Veterinary Medicine and Livestock in establishing and maintaining records to show the type and amount of vaccines produced and issued.

D. Preventive Vaccination Program

The RLG Directorate of Veterinary Medicine and Livestock had not maintained adequate records or prepared reliable reports of preventive vaccination in Laos, nor was the RLG required by USAID to report to them the necessary data for evaluating effectiveness of the program. As a result, we were unable to determine the actual number of vaccines administered by the RLG annually. (USAID reported on actual amount of 132,000 doses in FY 1970 and a goal of 227,000 doses in FY 1971 for large animals.)

Data on the utilization of vaccines, we were told, is based on field reports. We found these reports to be unreliable and incomplete. Reports prior to January 1, 1971, were not available at the USAID Agriculture Division or at the RLG Directorate of Veterinary Medicine and Livestock for our verification. We examined monthly field reports at the RLG Directorate of Veterinary Medicine and Livestock in Vientiane for the period January to October, 1971. The results of our review revealed that 10 monthly reports either had not been prepared by 4 field locations or were missing from the RLG files in Vientiane. There was no evidence that follow-up was made by the Vientiane office of the RLG to require field stations to complete their reports. We also found 30 reports without any record of vaccinations performed by the RLG Veterinary Agents. For example, in Ban Houei Sai area, 9 of the 10 monthly reports showed that none of the animals were vaccinated by the Veterinary Agents during the period.

We believe that to properly evaluate the effectiveness of the vaccination program it is essential that the RLG Directorate of Veterinary Medicine and Livestock in Vientiane require that field stations submit reliable and complete reports on utilization of vaccines periodically and that copies of these reports be submitted to the USAID.

Recommendation No. 6

We recommend that USAID/Laos (a) assist the RLG Directorate of Veterinary Medicine and Livestock in establishing procedures to ensure that reliable and complete reports are submitted by the field stations and that follow-up action is initiated promptly whenever reports are not received within a reasonable period of time and (b) arrange for the RLG Directorate of Veterinary Medicine and Livestock to submit copies of the reports to the USAID so that an evaluation of the effectiveness of the vaccination program can be made.

E. Swine Production - Vientiane Area

[There has been very little progress in the development and improvement of swine production in the Vientiane area, as noted during our field inspections at 15 of the 36 farm locations belonging to members of the Vientiane Swine Producers' Association (VSPA). The slow progress in the improvement of swine production in Vientiane has resulted principally from poorly designed and constructed pens, poor feeding and poor management practices.]

These problems were recognized by the Mission and for this^e reason, the swine production program was proposed in late 1970 and was approved in principle in September, 1971. This program will be administered by the Project Council which was formed in October, 1971, and is composed of the Director of RLG Veterinary Medicine and Livestock, the President of the VSPA, representatives of the Ministry of Planning, Lao Development Bank, and USAID Agriculture Division.

The Project Council established several committees to study and make recommendations for the development and improvement of swine production. In November, 1971, the Council adopted provisions based on the recommendations of the committees relative to technical, housing, feeding, and financing aspects of the program. Because

of the willingness and desire of some farmers to develop and improve swine production, the Project Council approved a proposal that short and long-term loans be extended on a case to case basis. Consideration of loans will be based primarily on the existing resources, capability to expand operations, and ability to properly manage swine production.

Since the swine production program has not actually started yet and the Project Council was only recently formed, a recommendation in this matter is not warranted at this time.

(In the Memorandum referred to following Recommendation No. 1, the USAID stated that recommended corrective action had been initiated for Recommendation Nos. 5 and 6.)

AGRICULTURE DEVELOPMENT PROJECT
LIVESTOCK SUBACTIVITY

EXHIBIT I

CUMULATIVE OBLIGATIONS & EXPENDITURES
July 1, 1963 to September 30, 1971

<u>Dollar Assistance</u>	<u>Obligations</u>	<u>Expenditures</u>
US Personnel Costs	\$ 329,982	\$ 329,982
TCN Contract Costs	14,701	13,370
Participants	19,964	19,021
Commodities	307,954	292,477
Other Costs	30,173	27,868
Total Dollar Assistance	<u>\$ 702,774</u>	<u>\$ 682,718</u>
<u>Local Currency</u>		
<u>U.S.-owned Kip</u>		
Personnel Costs	₭ 408,500	₭ 338,500
Commodities	5,403,735	5,403,735
Other Costs	5,348,492	4,919,242
	<u>₭ 11,160,727</u>	<u>₭ 10,661,477</u>
<u>Trust Fund</u>		
Personnel Costs	₭ 1,744,053	₭ 1,744,053
Other Costs	3,795,619	3,795,619
	<u>₭ 5,539,672</u>	<u>₭ 5,539,672</u>
<u>Counterpart Fund</u>		
Contract	₭ 56,443,111	₭ 56,443,111
Commodities	26,705,528	26,705,528
Other Costs	19,362,680	19,362,680
	<u>₭ 102,511,319</u>	<u>₭ 102,511,319</u>
Total Local Currency	₭ 119,211,718	₭ 118,712,468
Dollar Equivalent	<u>\$ 496,716</u>	<u>\$ 494,635</u>
Total Assistance	<u>\$ 1,199,490</u>	<u>\$ 1,177,353</u>

Conversion Rate: ₭240 to \$1.00

AGRICULTURE DEVELOPMENT PROJECT
LIVESTOCK SUBACTIVITY

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