

TH  
338.9  
A265

att  
4/79

4930215 (11)  
PD-AAF-057-E1  
FIS-3.8

MEMORANDUM

UNCLASSIFIED

TO : SA/IR/LT/T, AID/W

DATE: April 27, 1972

FROM *for* Francis M. Harrison, Area Auditor General/East Asia  
c/o USAID/Korea

13p.

SUBJECT: Audit Report No. 8-493-72-98  
NEED Plan Project, No. 493-11-810-215

Subject report is forwarded in accordance with M. O. 798.2.

The audit report contains one recommendations  
for corrective action.

Attachment: a/s

A.I.D.  
Reference Center  
Room 1853 NS

AGENCY FOR INTERNATIONAL DEVELOPMENT  
Washington, D. C. 20523

OFFICE OF THE AUDITOR GENERAL  
AREA AUDITOR GENERAL - EAST ASIA

AUDIT REPORT

USOM/THAILAND

NEED PLAN PROJECT

NO. 493-11-810-215

LOUIS BERGER INC./SYSTEM ASSOCIATES INC.  
CONTRACT NO. AID/ea-41

AMERICAN TECHNICAL ASSISTANCE CORPORATION.  
CONTRACT NO. AID 493-006

Period Covered by Audit: August 1, 1968  
to December 31, 1971

Audit Report No. 8-493-72-98

Date Report Issued: APR 27 1972

TABLE OF CONTENTS

	<u>Page</u>
I. SCOPE OF EXAMINATION -----	1
II. BACKGROUND INFORMATION -----	1
III. FINDINGS AND RECOMMENDATIONS -----	3
A. Contract Performance -----	3
EXHIBIT I - The Arrival and Departure Dates of the Contract Personnel - Louis Berger Inc. & System Associates Inc. -----	7
EXHIBIT II - The Arrival and Departure Dates of the Contract Personnel - American Technical Assistance Corp. -----	8
EXHIBIT III - Financial Status as of December 31, 1971--	9
SCHEDULE I - Report Distribution -----	10

AUDIT REPORT

USOM/THAILAND

NEED PLAN PROJECT

NO. 493-11-810-215

LOUIS BERGER INC./SYSTEM ASSOCIATES INC.  
CONTRACT NO. AID/ea-41

AMERICAN TECHNICAL ASSISTANCE CORPORATION  
CONTRACT NO. AID 493-006

I. SCOPE OF EXAMINATION

We have made an initial and terminal audit of the NEED Plan Project and related contracts administered by the USOM Office of Economic Development Institutions. The audit was for the purpose of reviewing and evaluating project and overseas contract implementation, and verifying compliance with agreement terms and applicable AID regulations.

This audit, covering the period August 1, 1968, to December 31, 1971, included a review of pertinent records maintained by USOM, Royal Thai Government (RTG) and contractors in Bangkok, and discussions with responsible USOM, RTG and contractor personnel.

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

II. BACKGROUND INFORMATION

The project was initiated in FY 1968 for the primary purpose of applying selected U.S. technical

assistance to support the formulation and implementation of the RTG Northeast Economic Development (NEED) Plan to be incorporated into the 5-year National Economic Plan (1972-1976). This was to be accomplished by AID-financed contractual technical services to the RTG National Economic Development Board (NEDB). The project also provided for training of participants for the purpose of strengthening the capability of the NEDB in economic planning.

The major AID input to the project was a cost-plus-a-fixed-fee contract (No. AID/ea-41, estimated cost of \$1,050,000) executed October 3, 1968, with Louis Berger Inc. and Systems Associates Inc., a joint venture. The purpose of the contract was for the Contractor to assist the NEDB in the formulation of the NEED Plan by providing an advisory team of technicians.

USOM executed a fixed-price contract (No. AID 493-006, cost of \$81,238) August 26, 1970, with American Technical Assistance Corporation. The objective of the contract was to provide technical assistance to the NEDB in the preparation of the macro-economics section of the RTG's third 5-year National Economic Plan. The contract expired on February 26, 1972.

Exhibits I & II contain a listing of arrival and departure dates for contract personnel.

The financial status of the project as of December 31, 1971, was:

	<u>Obligated</u>	<u>Accrued Expenditures</u>	<u>Balance</u>
U.S. Contributions	<u>\$1,533,846</u>	<u>(\$1,337,662)</u>	<u>\$ 196,184</u>
RTG Contribution - Counterpart Funds:			
Total Thai Baht	<u>฿7,629,446</u>	<u>฿5,961,839</u>	<u>฿1,667,607</u>
U.S. Dollar Equivalent (฿20 equals \$1.00)	<u>\$ 381,472</u>	<u>\$ 298,092</u>	<u>\$ 833,804</u>

FY 1971 was the last year that funds were obligated for the project. Activities under the project are expected to be completed by the end of FY 1972. Exhibit III contains additional financial information on the project and related contracts.

### III. FINDINGS AND RECOMMENDATIONS

#### A. Contractor Performance

An AID-financed contract (No. AID/ea-41) was executed with Louis Berger Inc./Systems Associates Inc. (Contractor) for the purpose of assisting the NEDB in the formulation of a 5-year (1972-1976) Regional Economic Development Plan (NEED Plan) and advise on its implementation in the 15 provinces of Northeast Thailand. The contract, which was effective September 1, 1968, was conditionally scheduled for a three year term. The contract provided that after two years a joint USOM/RTG review would be made to determine the need for a third year continuation of the contract.

A major project objective was for the NEED Plan to be incorporated into the third 5-year (1972-1976) RTG National Economic Plan. Thus, the meeting of work schedules by the Contractor was of great importance, if this project objective was to be met.

The Contractor was repeatedly behind schedule in achieving contract objectives. This deficiency on the part of the Contractor was reported in USOM evaluations.

The first year's work under the contract was delayed by the late and sporadic arrivals of members of the contract team. The first team member arrived October 18, 1968, and the last on August 22, 1969

(see Exhibit I, Arrival and Departure of Contract Personnel). Personnel assigned to the contract team had been agreed upon prior to the execution of the contract. However, because of prior commitments, they were not available at the outset of the contract.

The Contractor also experienced difficulties in working with counterparts throughout the period that the contract team was in Thailand. As repeatedly reported in contract evaluations, "Although generally the contractor does have an understanding of the general objectives of the contract, the method he is using for achieving those objectives is questionable, in that it lacks any 'systems' or macro approach as specified in the contract scope of work, and in many cases has not been accepted by the RTG".

By the end of the second year of the contract, the NEED Plan had not been developed. The third year of the contract was approved, based on a joint USOM/RTG review which resulted in a modification of the scope of work of the contractor. The modification required that a proposed NEED Plan would be submitted by the Contractor to NEDB by January 31, 1971, for review by appropriate RTG ministries. NEDB was to resolve any differences raised by reviewing RTG ministries concerning the NEED Plan and submit it for incorporation in the National Economic Plan.

The proposed NEED Plan was submitted by the Contractor on July 1, 1971, too late to be incorporated into the third 5-year National Economic Plan - which was consequently promulgated without a comprehensive regional plan for Northeast Thailand. Thus, this objective of the project was not accomplished. USOM informed us that the NEDB will use the NEED Plan as a source document for planning and implementing projects in the Northeast.

M.O. 1423.10 provides that Interim Evaluation of Contractor Performance reports (U-307) are to be prepared semiannually and submitted within thirty days after the end of reporting period. The final Evaluation of Contractor Performance report is to be submitted not more than thirty days after the work under the contract (including contractor reports) has been completed. Three Interim Evaluation of Contractor Performance Reports have been prepared and issued on the following dates:

<u>Date Issued</u>	<u>Period Covered by Evaluation</u>
June 5, 1969	September 1, 1968, to May 31, 1969 (9 months)
July 31, 1970	June 1, 1969, to March 30, 1970 (10 months)
March 19, 1971	April 1, 1970, to January 31, 1971 (10 months)

Six "Interim" reports were due during the period of this contract. The first was due not later than 4/1/69, the second 10/1/69, the third 4/1/70, the fourth 10/1/70, the fifth 4/1/71 and the sixth 10/1/71. A final evaluation of the contractor's performance (for the entire period of the contract) is being held in abeyance by USOM pending receipt of the Contractor's final report. Each of the three U-307 reports reported on the difficulties that the contractor had in meeting time schedules and achieving project objectives.

As one of his responsibilities, the Contract Representative is to discuss with the Contractor's Chief of Party any significant failure on the part of the Contractor to comply with contract terms and to advise that adequate and timely corrective action be taken. If corrective action is not accomplished, the Contracting Officer is notified promptly and a

formal notice of default is sent to the Contractor. The notice advises the Contractor the time period for curing the default. If the Contractor is unable to cure the default within the given period of time, the Contracting Officer may terminate the contract in the best interest of the U.S. Government.

Since activity under contract No. AID/ea-41 has ended except for the Contractor's final report, a recommendation with respect to that specific contract is not appropriate. However, USOM should ensure that Contract Representatives are aware of their responsibilities relative to each contractor's progress towards specific goals, and appropriate action should be taken when a contractor is not meeting contract objectives.

Recommendation No. 1

We recommend that USOM/Thailand remind Contract Representatives of their responsibilities relative to contractors meeting contract objectives and inform them of the alternative of notifying the contracting officer to issue a default notice if a contractor continuously fails to meet contract objectives.

THE ARRIVAL AND DEPARTURE DATES OF THE CONTRACT PERSONNEL  
LOUIS BERGER INC. & SYSTEM ASSOCIATES INC.  
As of December 31, 1971

<u>Name &amp; Position</u>	<u>Date of</u>	
	<u>Arrival</u>	<u>Departure</u>
1. Dr. Charles Stonier Project Manager	12/ 3/68	5/25/71
2. Dr. Alexander Barber Deputy Project Manager and System Analyst	10/18/68	8/18/71
3. Dr. William Wallace Transportation and Communication Advisor	11/18/68	8/ 5/70
4. Mr. Raymond D. Larson Manpower and Vocational Education Planner	12/11/68	7/10/70
5. Dr. Gerald O. Windham Social Services and General Education Advisor	5/18/69	11/15/70
6. Mr. Roderic L. Hill Water Resources Specialist	8/22/69	12/15/70
7. Dr. Gearge W. Hill Agro. Business Economist	1/25/69	4/20/71
8. Mr. Paul Adler Changwat Planning Advisor	1/16/69	8/16/69
9. Mr. Anthony Mutsaers Micro-Village Model Advisor	7/31/69	10/31/69
10. Mr. Dwayne Jelinek* Marketing Advisor	1/ 4/70	6/ 1/71
11. Mr. Derek Sherman* Transport Advisor	8/ 3/70	2/28/71
12. Mr. James W. Fay* Project Manager	5/ 1/71	1/31/72
13. Dr. Wilfredo DeRafols* Agro-Business Planning Advisor	5/ 5/71	8/ 5/71

\* Short-term advisor.

NEED PLAN PROJECT  
NO. 493-11-810-215

EXHIBIT II

THE ARRIVAL AND DEPARTURE DATES OF THE CONTRACT PERSONNEL  
AMERICAN TECHNICAL ASSISTANCE CORP.  
As of December 31, 1971

<u>Name &amp; Position</u>	<u>Date of Arrival</u>	<u>Date of Departure</u>
Mr. Forrest E. Cookson, Jr.	8/26/70	2/26/72

FINANCIAL STATUS AS OF DECEMBER 31, 1971

	<u>Obligated</u>	<u>Accrued Expenditures</u>	<u>Balance</u>
<u>U.S. Contribution</u>			
Personal Services			
Contracts:			
L. Berger Inc./Systems Associates Inc.	\$1,050,000	\$1,033,578	\$ 16,422
American Technical Assistance Corp.	90,000	72,014	17,986
Other	20,488	14,700	5,788
Participants	328,472	176,911	151,561
Commodities	41,950	37,859	4,091
Miscellaneous	<u>2,936</u>	<u>2,600</u>	<u>336</u>
Total	<u>\$1,533,846</u>	<u>\$1,337,662</u>	<u>\$196,184</u>
<u>RTG Contribution (฿20 equals \$1.00)</u>			
Trust Funds <u>1/</u>	฿3,240,318	฿2,348,690	฿891,628
Project Account Funds <u>2/</u>	<u>4,389,128</u>	<u>3,613,149</u>	<u>775,979</u>
Total	<u>฿7,629,446</u>	<u>฿5,961,839</u>	<u>฿1,667,607</u>
U.S. dollar equivalent	<u>\$ 381,472</u>	<u>\$ 298,092</u>	<u>\$ 833,804</u>

1/ To pay local currency support cost of U.S. employed technicians.

2/ To pay all approved local currency costs (other than Trust Funds) for the project funded from counterpart funds.

SOURCE: USOM/Thailand financial records.

**NEED PLAN PROJECT**  
**NO. 493-11-810-215**

**SCHEDULE I**

**REPORT DISTRIBUTION**

	<b><u>No. of Copies</u></b>
<u>IGA/W</u>	1
<u>AID/W</u>	
AG/AUD	4
SA/IR/PROC	1
SA/IR/MGT/ARO	2
SA/IR/LT/T	1
<u>AG/IIS/Bangkok</u>	1
<u>LA/Bangkok</u>	1
<u>USOM/Thailand</u>	
Director	1
Controller	15
<u>AG/EA</u>	
Area Audit Office	5
Bangkok Residency	5