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AGENCY FOR INTERNATIONAL DEVELOPMENT  
OFFICE OF THE AUDITOR GENERAL

REPORT OF AUDIT

OF

SPECIAL DEVELOPMENT ACTIVITY

PROJECT/ACTIVITY NO. 497-15-998-187

From Inception (March 26, 1968) to May 15, 1971

(Indonesia Program)

Report No. 8-497-72-7

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East Asia Area Office  
c/o USAID/Korea

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## SPECIAL DEVELOPMENT ACTIVITY

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### I. SCOPE OF EXAMINATION

In accordance with Manual Order No. 793.1 Audit of Technical Assistance, we have made an audit of Project/Activity No. 497-15-998-187, Special Development Activity. The purpose of the audit was to determine the effectiveness of commodity assistance to various Government of Indonesia (GOI) departments and institutes, and to assess progress made in implementing the objectives and goals of the Agreement.

The examination included review of USAID project commodity procurement documentation; analysis and testing of USAID and GOI commodity receipt and distribution reports; physical observation of project commodities; and discussions with responsible USAID and GOI personnel.

This is the initial audit of this activity. Significant matters disclosed by the audit are presented in Section III, Findings and Recommendations.

### II. BACKGROUND INFORMATION

Since March 26, 1968, the USAID and the GOI Committee for Foreign Technical Cooperation have entered into four non-obligating Project Agreements (ProAgs) under Project/Activity No. 497-15-998-187, Special Development Activity, totaling \$200 thousand as follows:

<u>Agreement No.</u>	<u>Date</u>	<u>Amount (000)</u>
Unnumbered	3/26/68	\$ 50
69/3	12/30/68	50
70/2	10/10/69	50
71/1	8/20/70	<u>50</u>
Total		<u>\$200</u>

The purpose of the project was to administratively reserve funds, to be used at the discretion of the Mission Director, to respond immediately, and without reference to goal plans, sectors of concentration, or other elements of USAID's country assistance plan, to GOI requests for assistance to small constructive activities, which in the Mission Director's view, would have an immediate favorable impact and would advance U.S. objectives.

USAID fiscal records showed that as of March 31, 1971, a total of \$98,214 had been obligated under the project; that \$75,653 had been disbursed; and that an unexpended balance of \$22,561 remained available.

On April 5, 1971 the Mission Director requested that the administrative reservation of \$50 thousand under ProAg 71-1 be cancelled, inasmuch as no plans had been developed to use any of these funds.

### III. FINDINGS AND RECOMMENDATIONS

#### Commodity Distribution

Our examination showed that the need exists for the USAID to assure itself that project commodities are distributed to recipients on a timely basis.

Review of USAID and GOI commodity receipt and distribution records and physical observation showed that project commodities, consisting of technical books, spare parts, and replacement supplies totaling \$11,908 had not distributed to final recipients, although these commodities had been in Indonesia ranging from 8 to 18 months.

We noted a shipment of technical books, with a value of \$2,862, procured by the Mission to replenish the GOI Department of Public Works Central Library, still being held in the USAID, although these books arrived in the Mission during June 1970. Mission officials stated that priority assignments in the Division had delayed the presentation of these books to the GOI but that an attempt would be made to accomplish this in the near future. Subsequent follow-up showed that the books were officially turned over to the GOI on May 18, 1971, and thus, no further action is required.

At the Department of Education in Djakarta, we noted a shipment of medical equipment spare parts and operating supplies valued

at \$2,580. Records showed that these commodities had been made available to the Department during September 1970. GOI officials, during our visit in early April, stated that they had experienced difficulty in forwarding the commodities to the final recipient, the Airlangga University in Surabaya, but that an effort would be made to ship the commodities as soon as possible. Our follow-up on May 4, 1971 showed that the commodities had been forwarded by the Department on April 27, 1971; and thus, no further action is required.

At the GOI Directorate of Higher Education in Djakarta, we noted three sets of "reference libraries", value \$6,516, which had not yet been forwarded to recipient universities (Hasanuddin in Makassar, Sjahkuala in Atjeh, and Andalas in Padang). Records showed that these books arrived in the Mission during October 1969 and February 1970, and that they had been made available to the Directorate during November 1970. GOI officials stated that the distribution of the reference libraries would be accomplished at the earliest opportunity; however, not until a new "Logistic Officer" for the Directorate would be appointed by the Ministry of Education.

Recommendation No. 1

We recommend that USAID/Djakarta follow-up and assure that project commodities, presently located in the GOI Directorate of Higher Education in Djakarta, will be distributed to final recipients at the earliest opportunity. (The USAID has advised us that corrective action as recommended above has been initiated).

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