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AUDIT OF
CONTROLS OVER EQUIPMENT UTILIZATION
IN SRI LANKA

Audit Report No. 5-383-88-5
May 27, 1988

AGENCY FOR INTERNATIONAL DEVELOPMENT
OFFICE OF THE REGIONAL INSPECTOR GENERAL FOR AUDIT
- Singapore -

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May 27, 1988

MEMORANDUM FOR USAID/Sri Lanka, Director, Peter Bloom
FROM: Richard E. Derrick, RIG/A/Singapore
SUBJECT: Audit of Controls Over Equipment
Utilization in Sri Lanka;
Audit Report No. 5-383-88-5

The Office of the Regional Inspector General for Audit/Singapore has completed its audit of Controls Over Equipment Utilization in Sri Lanka. The report contains two recommendations which are resolved. Please advise us within 30 days of any additional information relating to actions planned or taken to implement the recommendations. We appreciate the cooperation and courtesy extended our staff during the audit.

Background

USAID/Sri Lanka spent over \$8 million since 1979 to procure commodities, including equipment and vehicles, for four projects. Two of these projects, Mahaweli Ganga Irrigation and Water Management, involved heavy equipment for construction and maintenance of irrigation systems and a third project, Agricultural Base Mapping, involved the procurement of machines and photo equipment in support of map making activities. The fourth project, Reforestation and Watershed Management, had completed procurements totalling about \$864,000 primarily for supplies and small items and for some vehicles, but not for large equipment. Only this latter project is active.

A.I.D. Handbook 15, Chapter 10, requires Missions to either monitor the Borrower/Grantees' system or establish a mission system to ensure effective commodity utilization and, when necessary, initiate appropriate corrective action such as transferring equipment to other projects, issuing refund claims, or disposing of the equipment. Handbook 15 defines effective use of project commodities as use in accordance with project implementation plans.

The project agreements placed responsibility on the Borrower/Grantee to ensure that the commodities were devoted to the project until completion and thereafter used so as to further project objectives. The agreements provided for A.I.D. to require a refund from the cooperating country for the cost of any equipment not used effectively in accordance with the agreement. The right to require such a refund continued for three years from the date of the last disbursement under the agreement.

Audit Objectives and Scope

The objectives of this program results audit were to evaluate USAID/Sri Lanka's monitoring and controls over equipment utilization and to determine if USAID/Sri Lanka took timely and appropriate action when equipment was not effectively utilized.

The audit was conducted from September to October 1987 both at USAID/Sri Lanka and at the Government of Sri Lanka offices where certain equipment data was maintained. Due to in-country travel restrictions imposed by the U.S. Embassy, the auditors could not make site visits in December 1987 and February 1988 to districts where heavy irrigation equipment and the related utilization records were located. Audit work consisted of discussions with USAID/Sri Lanka, Government of Sri Lanka, and contractor officials and included reviews of USAID/Sri Lanka and Government of Sri Lanka reports and data on A.I.D. financed equipment. The audit also included visits to sites within the Agricultural Base Mapping and Reforestation and Watershed Management projects.

The audit was hampered in several ways. First, neither USAID/Sri Lanka nor the Government of Sri Lanka central offices, were able to provide us with verifiable listings of equipment purchased under two of the three closed projects or formal records showing status, condition, and location of purchased equipment. Therefore, certain data in this report is based solely upon interviews with cognizant Government of Sri Lanka officials, informal records, and where possible, site visits. Second, due to the absence of complete formal inventory records and other audit restrictions, we were not able to quantify the total dollar value of items audited of the A.I.D. funded commodities procured for the four projects amounting to about \$8 million.

USAID/Sri Lanka comments to the draft report, included as Appendix 1, have been considered in preparing this report.

The review of internal controls and compliance was limited to activities related to the report finding. The audit was made in accordance with generally accepted government auditing standards.

Results of Audit

USAID/Sri Lanka did not adequately monitor A.I.D.-funded equipment and consequently, did not know that items were not effectively utilized, poorly maintained and in some instances severely cannibalized. USAID/Sri Lanka, therefore, did not initiate required action to transfer unneeded items to other projects or initiate disposal action.

To improve utilization, the report recommends establishment and implementation of a commodity monitoring system and corrective actions on specific equipment items discussed in this report.

USAID Needs To Establish Controls Over Equipment. - A.I.D. Handbook 15 requires USAIDs to establish a system to ensure effective utilization and maintenance of A.I.D. financed commodities. However, of the \$8 million worth of A.I.D.-funded major equipment brought into Sri Lanka during the 1980s, at least \$1.6 million had not been effectively utilized and maintained during the last 2 to 4 years. This situation occurred primarily because USAID/Sri Lanka had not established an adequate commodity monitoring system to ensure effective utilization as required by Handbook 15. Therefore, USAID/Sri Lanka was not aware of this underutilization and did not consider the available corrective actions such as transferring or disposing of unneeded or inappropriate equipment and assisting in obtaining spare parts for needed but deadlined equipment. USAID/Sri Lanka was in the process of saving approximately \$2 million by considering the use of existing equipment rather than purchasing new equipment. It still has opportunities to save additional A.I.D. funds by reevaluating project paper commodity lists; reducing equipment requirements; and transferring, disposing or issuing a refund claim for equipment that cannot be effectively utilized.

Discussion - A.I.D. Handbook 15, Chapter 10, requires USAIDs to take certain steps to ensure effective utilization of project commodities and, when necessary, initiate appropriate corrective action such as transferring equipment to other projects, issuing refund claims, or disposing of the equipment. Paragraph 10.D of this chapter states:

USAID is responsible for monitoring the Borrower/Grantee's system in a manner appropriate to local conditions.

With respect to project assistance, this usually means the review of project progress reports to ascertain that commodities financed by A.I.D. are being effectively used in the project, or if not, are transferred to other projects, or otherwise disposed of as approved by the USAID.

Appendix 10A of Chapter 10 provides a model mission order that provides for the USAID to monitor equipment maintenance if the Government is unable to accomplish it satisfactorily. It states that the USAID should determine whether spare parts support and repair and maintenance are adequate. If not, the handbook states the USAID should determine why, and the Government's intended solution.

The project agreements placed responsibility on the Borrower/Grantee to ensure that the commodities were devoted to the project until completion and thereafter used so as to further project objectives. The standard provisions in providing for refunds stated that if the failure of the cooperating country to comply with any of its obligations resulted in commodities not being used effectively, A.I.D. may require a refund from the cooperating country. The right to require a refund continued for three years from the date of the last disbursement under the agreement.

The Government of Sri Lanka had not effectively utilized and maintained high-cost commodities and USAID/Sri Lanka had not established a monitoring system. In fact, certain A.I.D.-funded equipment was so poorly maintained that USAID/Sri Lanka is funding replacement parts to make the equipment once again operational for use on a subsequent project.

Utilization and Maintenance - While the one ongoing project included in the review, the Reforestation and Watershed Management Project (Project No. 383-0055), had detailed and complete commodity lists, there was no verifiable inventory list of equipment acquired under the two closed A.I.D.-funded projects at either USAID/Sri Lanka or the Government of Sri Lanka implementing offices.

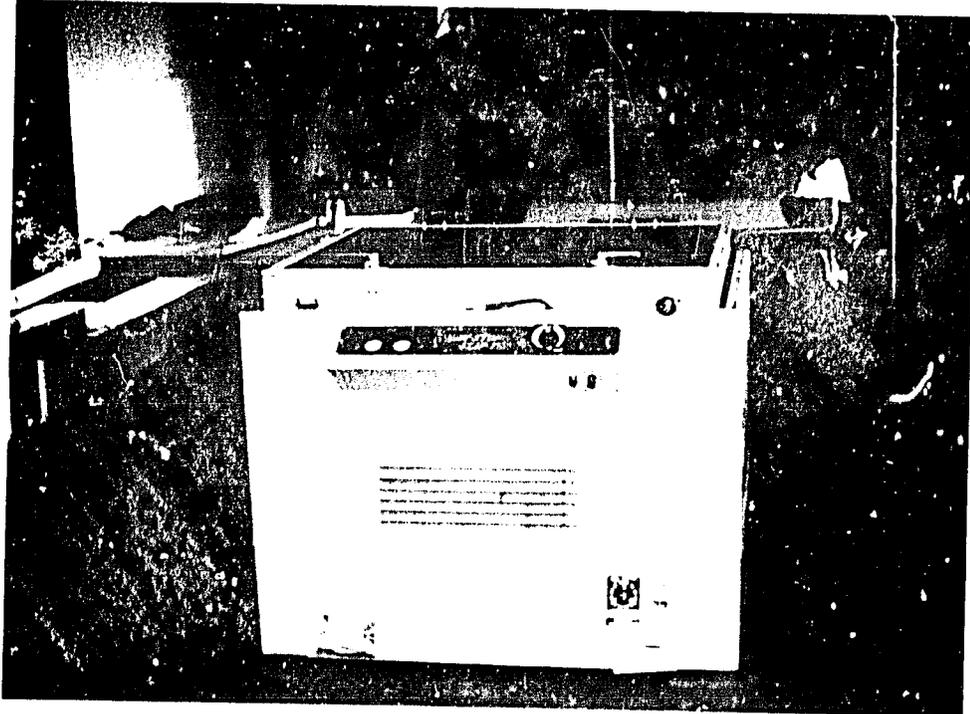
Upon request by USAID/Sri Lanka, the Government of Sri Lanka's Irrigation Department prepared a listing of 60

equipment items procured under the Water Management Project. However, there were no supporting records for the listing. It was prepared based upon personal knowledge, informal records, telephone conversations, and recollection of various people. Twenty nine of the 60 items or 48 percent were listed as unserviceable.

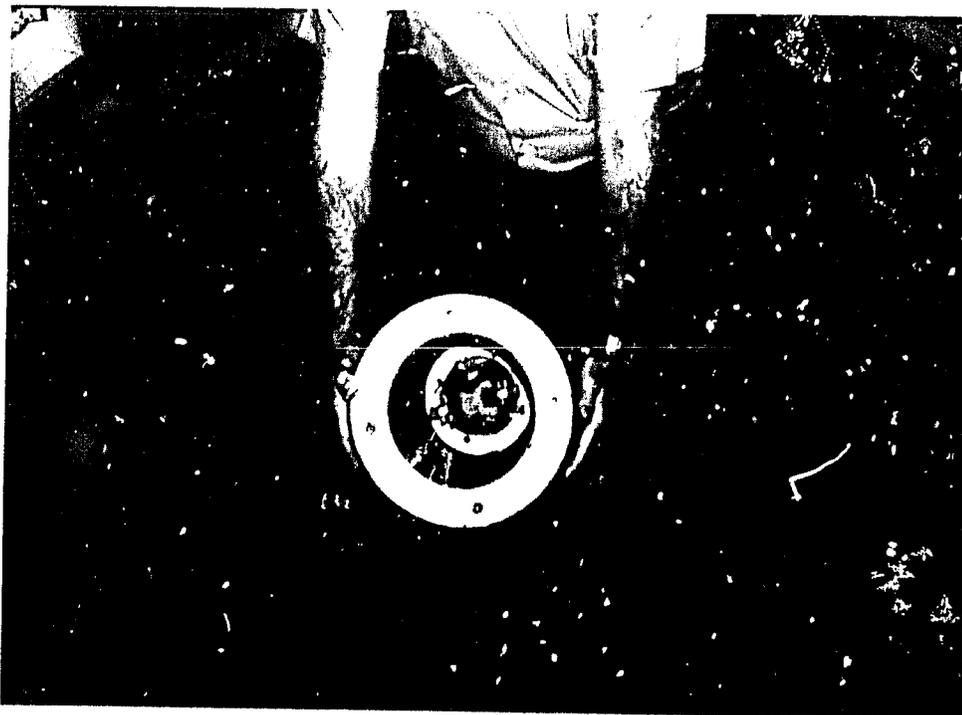
In addition to this listing we were able to obtain weekly equipment reports from the Irrigation Department for the Gal Oya districts in Ampara covering 17 weeks during the first half of 1985. These reports showed utilization for 19 items of heavy equipment that were provided under the Water Management Project. Seven of the 19 items were unserviceable, or out-of-order, for the entire time covered by the reports, and eight for part of the time.

Even equipment that was serviceable was used very little. For example, a vibrating compactor was not used and two dump trucks were used only 19 out of a possible 102 days. Information from various sources indicated that items costing at least \$1.6 million acquired under the Water Management Project were underutilized (see Exhibit 1). This occurred for several reasons, but the major factors were budgetary constraints, the difficulty in obtaining parts for certain makes of equipment, and low priority needs for the equipment. For example, a stone crusher costing \$625,000 was acquired in 1981 but never effectively used. It was sold by the Irrigation Department during 1987 to the River Valleys Development Board (a quasi governmental organization) for about \$8,000.

Most of the equipment acquired under the Agriculture Base Mapping Project was functioning properly and being used for project related purposes. There were some notable exceptions. For example, a floptop printer was too small and accordingly had never been used. A large and complex film developer required eight gallons of costly developing fluid which made it uneconomical to use because of the small amount of film to be developed at any one time. A large specially designed camera costing \$53,455 that essentially occupied an entire room had been unserviceable for about two years because one of its two small motors had burned out and had not been replaced or repaired. Additionally, two of three flood lamps were unserviceable because the burned out bulbs were too expensive to replace locally. There was no contact point to obtain the bulbs from the United States. USAID/Sri Lanka should assist the Government of Sri Lanka to obtain needed repairs and parts and dispose of unneeded equipment.



A fliptop printer that had never been used because it was too small for map reproduction purposes.



A burned out electric motor that left a \$53,455 camera unuseable for the past two years.

The Mahaweli Engineering and Construction Authority has 20 levels and seven theodolites (surveying instruments) deadlined for lack of parts. One of the theodolites and five levels that were A.I.D.-funded had been in the repair shop since mid-1984. The theodolite needed a bubble and the levels needed an automatic leveling pendulum. We believe the Irrigation Systems Management Project Officer should use project funds to repair this equipment rather than purchase new theodolites and levels as planned.



A.I.D.-funded Theodolite and five levels that have needed minor repairs since Mid-1984.

Due to poor records at both USAID/Sri Lanka and the Government of Sri Lanka, it was not feasible during the audit to identify all A.I.D.-funded major equipment items not effectively utilized. We believe that it is incumbent upon the USAID to identify such items and to initiate appropriate corrective action.

Cannibalized Equipment - The project papers did not specifically address the need for the Government of Sri Lanka to budget for and develop plans to maintain A.I.D.-funded equipment. Accordingly, equipment that was initially inoperative for relatively minor reasons had been subjected to extensive cannibalization. This equipment may now be beyond economic repair thereby requiring additional expenditure of A.I.D. funds for new equipment to meet requirements for current and future projects.

For example, A.I.D. funded 10 motor graders at a cost of about \$400,000 under the Mahaweli Ganga Irrigation Project. One was subsequently damaged beyond repair in an accident and four were transferred to the Mahaweli Economic Authority. In March 1987, after the project was completed, the Government of Sri Lanka approved the cannibalization of two graders to provide parts needed by the remaining three because there were insufficient funds to buy needed parts. Information was not readily available on the status of the four transferred to the Mahaweli Economic Authority.

The 35 jeeps purchased in 1980 under the Agricultural Base Mapping project had not been utilized effectively. After less than 8 years, several had been dismantled for parts and many others were not operational due to excessive servicing requirements. This occurred, in part, because a large number of jeeps had been cannibalized since spare parts were not available. Also, of the 24 jeeps purchased under the Water Management Project, only nine were serviceable. One jeep acquired under the Reforestation Project had been driven only about 4,970 miles. It received some body damage to the side and was cannibalized rather than repaired.

A lack of parts availability or funds to purchase parts can lead to cannibalization leaving costly equipment useless and permanently deadlined. This not only wastes appropriated funds but precludes savings from being realized on new A.I.D. projects when similar new equipment must then be purchased. In order to clearly establish the Government of Sri Lanka's responsibilities, provisions requiring planning and funding for the maintenance of A.I.D.-funded equipment need to be included in future project documentation.

Purchase of New Equipment - Purchase of certain equipment for the new Irrigation Systems Management Project could duplicate existing A.I.D.-funded idle equipment. This could occur because USAID/Sri Lanka does not have an inventory of existing equipment or controls to ensure available resources are considered when establishing requirements for new projects.

This matter was discussed with the Irrigation Systems Management project manager during the audit. He subsequently reevaluated project resource requirements, and then proposed a modified commodity list reducing the equipment requirements set forth in the project paper from about \$3.4 million to about \$1.2 million, a reduction of project funds of about \$2 million.

This ad hoc approach will not fully consider similar equipment in the other 79 districts that may also be idle and therefore subject to transfer. For example, the final evaluation report of the Water Management Project stated that the project was left with a large surplus of equipment costing about \$3.5 million. Since this equipment had about an 80 percent remaining useful life, the report recommended the equipment be transferred to other projects (see Exhibit 2).

While some transfers were being made (two non-motorized scrapers used for the On Farm Water Management Project were excess to needs and were being made available to a new project) no system exists at USAID/Sri Lanka to identify idle or deadlined equipment and ensure such equipment is matched to requirements for new projects. USAID/Sri Lanka could save significant project funds in the future by establishing such a system. For example, in addition to the items listed in Exhibit 1, other equipment purchased for the Mahaweli Ganga and Water Management projects included compactors, back hoes, farm tractors and trailers, a front end loader and at least 15 crawler tractors for a total cost of about \$3.7 million. This A.I.D.-funded equipment under two closed projects is currently idle, or very substantially underutilized. It is the type of equipment that could be used in future earth moving maintenance and construction type projects and could have a significant resale value.

Accordingly, USAID/Sri Lanka needs to evaluate the full potential for using existing resources to meet new project requirements as well as to further objectives of prior A.I.D.-funded projects. Disposal action or a Bill of Collection may be necessary for certain equipment that cannot be effectively utilized. To preclude equipment from being ineffectively utilized after project closure, USAID/Sri Lanka should identify such equipment in the Project Assistance Completion Report and take appropriate action at that time.

Monitoring - USAID/Sri Lanka had not established commodity monitoring procedures as required by A.I.D. Handbook 15, Chapter 16. Had such procedures been established, USAID/Sri Lanka would have been aware that high value A.I.D.-funded equipment was not being effectively utilized and was not being maintained in an operating condition.

For example, paragraph 10C, of Handbook 15 Chapter 10 states that USAID is responsible for the review of project progress reports to verify that A.I.D.-financed commodities are being effectively used. However, equipment utilization and maintenance were not covered by any of the progress reports for the Water Management, Mahaweli Ganga and Agricultural Base Mapping projects

In order to ensure commodities are effectively utilized, Appendix 10A of Handbook 15 Chapter 10 provides a model for project officers to use if the Borrower/Grantee records are insufficient to provide accurate information on commodity utilization. Appendix 10A provides for the end-use reviews to determine: (1) whether the commodities were being utilized properly; (2) if the project organization had an overall commodity utilization plan with measurable levels of achievement, and (3) if spare part support and repair and maintenance of equipment were adequate. Since USAID/Sri Lanka did not have procedures requiring end-use reviews and preparation of commodity utilization reports, such reviews were not conducted and utilization reports were not prepared.

Due to the significant problems with A.I.D.-funded equipment utilization and maintenance identified in this report, we believe USAID/Sri Lanka should establish monitoring procedures as required by AID Handbook 15. In this way, USAID/Sri Lanka will be in a better position to take timely action to correct commodity problems.

Recommendation No. 1

We recommend that USAID/Sri Lanka:

- (a) identify major A.I.D.-funded equipment items in the Mahaweli Ganga, Water Management and Agricultural Base Mapping projects which are not effectively utilized, and
- (b) initiate appropriate action such as rehabilitation, transferring the items to other projects or programs, or initiating disposal action for equipment which will not be effectively utilized.

Recommendation No. 2

We recommend that USAID/Sri Lanka establish commodity monitoring procedures in accordance with Handbook 15 Chapter 10 including specific requirements to:

- (a) ensure that maintenance plans for equipment are in future project documents and adequately funded in the Government of Sri Lanka's budgets;
- (b) obtain periodic operational status reports from the Government of Sri Lanka on A.I.D.-funded high cost equipment and evaluate each non-operational item to determine adherence to agreements and appropriate corrective action as warranted;
- (c) require that major items of equipment in country be considered before authorizing new procurement;
- (d) ensure that all major A.I.D.-funded equipment items that will not be effectively utilized are identified in the Project Assistance Completion Report and take appropriate actions such as transferring or disposing of the items at that time.

USAID/Sri Lanka concurred with all parts of both recommendations and promised corrective actions. We believe that when fully implemented these actions will greatly strengthen controls over utilization and maintenance of A.I.D.-funded equipment in Sri Lanka. Based upon these promised actions, we are resolving all parts of both recommendations. Each part will be closed upon completion of the related corrective action.

In commenting on the draft audit report USAID/Sri Lanka raised several issues that need clarification. These matters are discussed in the following paragraphs.

In commenting on monitoring responsibilities, USAID/Sri Lanka disagreed that Handbook 15 requires USAIDs to establish a system to monitor commodity utilization. Rather, they stated that the Host Government has this responsibility. As discussed in the audit report, Handbook 15 Chapter 10 provides for USAIDs to monitor commodity utilization by either relying upon the Borrower/Grantees information system or if necessary, by establishing its own independent information system. As discussed in the report, USAID/Sri Lanka had not used either means of ensuring effective commodity utilization.

USAID/Sri Lanka commented that the report was critical of the use of project funds for replacement parts needed to repair existing equipment for use on a new project. In fact, the report was not critical of using project funds for this purpose. The report, however, was critical of USAID/Sri Lanka's monitoring practices that had allowed major items of A.I.D.-funded equipment to be so poorly maintained that substantial project funds are now needed to bring the equipment to a useable condition.

USAID/Sri Lanka proposed that when the project assistance completion date is reached, the Project Assistance Completion Report actions become the only USAID/Sri Lanka commodity monitoring responsibility and once the actions identified in the report are accomplished that USAID/Sri Lanka no longer has a monitoring responsibility. On the surface, we believe this proposal has merit. However, project agreements provide for A.I.D. to require a refund from the cooperating country for the cost of any equipment not used effectively. The right to require this refund continues for three years after the date of the last disbursement. Accordingly, it would seem that some monitoring may be necessary for this additional three year period to ensure this agreement provision is implemented when warranted.

UNDERUTILIZED EQUIPMENT PROCURED UNDER
THE WATER MANAGEMENT PROJECT

<u>NUMBER</u>	<u>UNDERUTILIZED EQUIPMENT</u>	<u>APPROXIMATE COST</u>
3	Crawler tractors	\$ 120,000
1	Crawler excavator	175,000
1	Elevating scraper	87,000
2	Flat bed trucks	64,000
3	Dump trucks	126,000
1	Mobile workshop	61,000
15	Jeeps	148,500
1	Micro bus	6,000
13	Mobil radios	169,000
2	Air compressors	17,400
1	Stone crusher	625,000
	Total	<u>\$1,598,900</u>
		=====

WATER MANAGEMENT PROJECT
HEAVY EQUIPMENT UTILIZATION
(FROM PROJECT FINAL EVALUATION REPORT)

<u>IDENTITY</u>	<u>DESCRIPTION</u>	<u>UTILIZED HOURS</u>	<u>PERCENT OF PRODUCTIVE HOURS UTILIZED (1)</u>
ID/MG/9	Motor Grader	2196	22%
ID/MG/10	Motor Grader	2038	20%
ID/MS/16	Elevating Scraper	345	3%
ID/MS/17	Elevating Scraper	2922	29%
ID/FL/24	Loader	3685	36%
ID/CT/36	Crawler Tractor	2405	24%
ID/CT/37	Crawler Tractor	3138	31%
ID/CE/39	Backhoe	1371	14%
ID/CE/40	Backhoe	1006	10%
ID/CE/10	Backhoe	1187	12%
ID/CE/11	Backhoe	3155	32%
ID/CE/8	Dragline	1967	20%
ID/CE/9	Dragline	2016	20%
ID/CT/34	Crawler Tractor	1150	11%
ID/CT/35	Crawler Tractor	758	<u>8%</u>
		Average	20%

Note: (1) The useful life of heavy earth moving equipment is assumed to be about 10,000 hours. Therefore hours utilized divided by 10,000 equals percent of productive hours utilized.

(4) ACTION AID INFO CHG DCM

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RR RUEHGP
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ZNR UUUUU ZZH
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LOC: 256-257 206
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CN: 30223
CHRG: AID
DIST: AID

UNCLAS SECTION 01 OF 02 COLOMBO 03107

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E.O. 12356: N/A

SUBJECT: DRAFT REPORT OF OUR AUDIT OF CONTROLS OVER
- EQUIPMENT - SRI LANKA

1. WHILE USAID/SRI LANKA CONCURS GENERALLY WITH THE SUBJECT DRAFT AUDIT REPORT'S SINGLE FINDING AND TWO RECOMMENDATIONS, WE DO NOT AGREE WITH MANY OF THE GENERAL STATEMENTS AND CONCLUSIONS CONTAINED IN THE NARRATIVE. WE ARE PLEASED TO NOTE THAT OF EIGHT PROJECTS SURVEYED ONLY FOUR INDICATED COMMODITY ISSUES WORTHY OF AUDIT. WE WERE ALSO GRATIFIED BY THE FACT THAT THE FOUR ONGOING PROJECTS SURVEYED APPEAR TO HAVE ADEQUATE COMMODITY CONTROLS IN PLACE AND THAT THE ONLY UTILIZATION ISSUES ARE IN PROJECTS WITH PACDS IN 1982 AND 1983.

2. FINDINGS : THE ONLY SPECIFIC QUOTE FINDING UNQUOTE THAT WE WERE ABLE TO DISCERN IN THE REPORT WAS QUOTE CONTROLS OVER EQUIPMENT ARE NEEDED UNQUOTE ON PAGE 5. WE AGREE FULLY THAT THESE CONTROLS ARE NEEDED. HOWEVER, WE CONTINUE TO DISAGREE THAT AID HANDBOOK 15 PROVIDES THAT USAID MUST ESTABLISH THE SYSTEM OF MONITORING COMMODITY UTILIZATION AND MAINTENANCE. RATHER, AS YOU STATE ON PAGES 6 AND 7 AND AS REFLECTED IN YOUR RECOMMENDATIONS ON PAGE 13, WE BELIEVE THAT THE GOVERNMENT OF SRI LANKA APPROPRIATELY HAS THE RESPONSIBILITY FOR MONITORING COMMODITY UTILIZATION AND MAINTENANCE AND REPORTING PERIODICALLY TO USAID. WE INTEND TO CONSTRUCT OUR COMMODITY SYSTEM AROUND THIS PREMISE.

3. RECOMMENDATION 1 : WE CONCUR WITH BOTH PARTS (A) AND (B) OF RECOMMENDATION 1 AND IN RESPONSE TO THE AUDIT WILL REQUEST THAT THE GOVERNMENT MINISTRIES PROVIDE US A COMMODITY UTILIZATION REPORT ON MAJOR AID-FUNDED EQUIPMENT ITEMS IN EACH OF THE THREE PROJECTS PER PART (A) AND DEFINE APPROPRIATE ACTIONS PER PART (B). THIS PROCESS IS LIKELY TO REQUIRE SOME TIME TO COMPLETE (CERTAINLY MORE THAN THE 6-MONTH RESPONSE TIME FOR AUDITS) DUE TO SECURITY PROBLEMS IN THE WATER MANAGEMENT PROJECT AREA. THEREFORE WE REQUEST THAT OUR PLAN FOR ACTIONS PURSUANT TO PART (B) BE ACCEPTED TO CLOSE THIS RECOMMENDATION.

4. RECOMMENDATION 2 : WE CONCUR WITH ALL FOUR PARTS

S. J. G. S.

09 MAY 88

RIG/A/S

OF RECOMMENDATION 2. WE WILL RESPOND TO THE AUDIT BY INCORPORATING MAINTENANCE PLANS AND CONSIDERATION OF EXISTING MAJOR EQUIPMENT SPECIFICALLY INTO OUR MISSION ORDER ON PROJECT DESIGN PER PARTS (A) AND (C), INITIATING PERIODIC STATUS REPORTS ON HIGH COST EQUIPMENT PER PART (B) AS PART OF OUR NORMAL GOVERNMENT REPORTING REQUIREMENT, AND REVISING OUR MISSION ORDER ON FACRS TO INCORPORATE IDENTIFICATION OF MAJOR EQUIPMENT WHICH WILL NOT BE EFFECTIVELY UTILIZED PER PART (D).

5. AS DISCUSSED DURING THE AUDIT, WE DO NOT ACCEPT THE REPORT'S ARBITRARY STANDARD OF A 10-15 YEAR USEFUL LIFE FOR OFF THE ROAD VEHICLES. AS FAR AS WE CAN DETERMINE, THIS IS FAR IN EXCESS OF ANY USG STANDARDS APPLIED BY CIVILIAN OR DEFENSE AGENCIES, INCLUDING AID ITSELF, FOR PASSENGER VEHICLES - EVEN THOSE USED EXCLUSIVELY ON SUPER HIGHWAYS - TO SAY NOTHING OF OFF ROAD. IT SEEMS TO US THAT ALL EQUIPMENT HAS A QUOTE USEFUL LIFE UNQUOTE BEYOND WHICH IT IS MORE COST EFFECTIVE TO CANNIBALIZE OR DESTROY RATHER THAN TO CONTINUE TO REPAIR. SINCE THIS IS NOT DIRECTLY RELEVANT TO THE FINDINGS AND RECOMMENDATIONS WE WILL NOT PURSUE IT FURTHER BUT BELIEVE THAT SER/COM MIGHT WISH TO ESTABLISH GUIDELINES ON THIS MATTER WHICH ARE REALISTIC.

6. WE APPRECIATE YOUR RECOGNITION OF THE VALUE OF THE COMMODITY TRACKING SYSTEM UTILIZED IN THE ONE ONGOING PROJECT WHICH REMAINED IN THE AUDIT AFTER THE SURVEY OF FOUR PROJECTS - REFORESTATION AND WATERSHED MANAGEMENT (393-2055). WE HOPE TO APPLY THIS MODEL BROADLY USING DATA SUPPLIED BY HOST COUNTRY MINISTRIES TO MEET THE REQUIREMENTS FOR OUR OTHER ONGOING PROJECTS. THIS WILL PROVIDE A PERMANENT COMMODITY LISTING FOR OUR PROJECTS.

7. WE DID FEEL THAT THE DRAFT REPORT STILL CONTAINS SOME INCONSISTENCIES. FOR EXAMPLE, ON PAGE 8 THE REPORT CHASTIZES US FOR HAVING TO FUND REPLACEMENT PARTS TO MAKE EQUIPMENT USEABLE ON A NEW PROJECT AND THEN ON PAGE 11 IT SUGGESTS THAT WE USE PROJECT FUNDS TO REPAIR THEODOLITES AND LEVELS. IT SEEMS WE ARE DAMNED IF WE DO AND DAMNED IF WE DON'T.

8. AS DISCUSSED DURING THE AUDIT, THE NEW ISM PROJECT HAD PLANNED FROM THE PP STAGE TO UTILIZE EQUIPMENT FROM THE WATER MANAGEMENT PROJECT. THE AUDIT TOOK PLACE DURING THE SURVEY OF EXISTING EQUIPMENT AND, WHILE IT PROVIDED A VERY USEFUL INPUT TO THIS SURVEY, IT WAS NOT THE CAUSE OF THE COMMODITY SURVEY NOR USE OF WATER MANAGEMENT EQUIPMENT IN ISM.

9. FURTHER, AS DISCUSSED DURING THE AUDIT, THE AGENCY MUST ESTABLISH RATIONAL GUIDELINES GOVERNING HOW LONG AFTER THE CLOSE OUT OF A PROJECT, MISSIONS ARE RESPONSIBLE FOR MONITORING PROJECT FUNDED

C
PROPOSE THAT WHEN THE PACR IS REACHED, THE PACR ACTION BECOME THE ONLY MISSION MONITORING RESPONSIBILITY AND ONCE THE ACTIONS IDENTIFIED IN THE PACR ARE ACCOMPLISHED, THE MISSION NO LONGER HAS MONITORING RESPONSIBILITY. SPAIN

BT

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