

PD-AAZ-098

WNR=60593

REOPENING OF RECOMMENDATIONS NO. 2 AND 3
AUDIT OF MAE CHAEM WATERSHED
DEVELOPMENT PROJECT, USAID/THAILAND
Audit Report No. 2-493-86-04

Audit Report No. 2-493-89-08
April 3, 1989

UNITED STATES OF AMERICA
AGENCY FOR INTERNATIONAL DEVELOPMENT
REGIONAL INSPECTOR GENERAL/AUDIT
MANILA

UNITED STATES POSTAL ADDRESS
USAID/RIG/A/M
APO SAN FRANCISCO 96528

INTERNATIONAL POSTAL ADDRESS
c/o AMERICAN EMBASSY
MANILA, PHILIPPINES

DATE: April 3, 1989

MEMORANDUM

TO: Dr. John Eriksson
Director, USAID/Thailand

FROM: *William C. Montoney*
William C. Montoney
Regional Inspector General, RIG/A/M

SUBJECT: Reopening of Recommendations No. 2 and 3
Audit of Mae Chaem Watershed Development Project,
USAID/Thailand. Audit Report No. 2-493-86-04,
May 28, 1986

Audit Report No. 2-493-89-08

The Office of the Regional Inspector General for Audit/Manila has completed its follow-up audit of USAID/Thailand's actions to close Recommendations No. 1 through 3 of the Mae Chaem Watershed Development Project Report, dated May 28, 1986. Five copies of the report are provided for your action. Your comments on our draft report are included in Appendix 1.

The follow-up audit verified that corrective actions taken by USAID/Thailand to close Recommendation No. 1 were sufficient. For Recommendations No. 2 and 3 the promised actions had been implemented but not completed to the extent that they would correct the deficiencies noted in the original audit report. Accordingly, our draft report indicated that Recommendations No. 2 and 3 would have to be reopened. However, subsequent Mission actions allow us to close Recommendation No. 2 and to consider Recommendation No. 3 as resolved on issuance of this report. Please advise me within 30 days of any actions taken or planned to close the resolved recommendation.

I appreciate the cooperation and courtesy extended to my staff during the audit.

- 1 -

Background

The Regional Inspector General for Audit, Manila issued Audit Report No. 2-493-86-04 on the Mae Chaem Watershed Development Project (No. 493-0294) on May 28, 1986. The project was essentially an experimental demonstration project in watershed development and was designed to increase productivity of existing cropland, develop additional cropland and provide ancillary facilities for irrigation, agricultural credit, extension and research. Total cost of the project was \$21 million, of which A.I.D. was to provide \$10 million.

The recommendations addressed the need to develop a strategy to increase the likelihood of project sustainability, to implement a system for measuring project results and to better control AID-financed commodities (see Appendix 2). All report recommendations were closed on January 7, 1987, based on actions taken or promised by USAID/Thailand.

Office of Inspector General standards for closing outstanding audit recommendations require that appropriate actions be taken to either correct or improve the identified deficiencies or demonstrate that actions are not necessary before recommendations can be closed. Recommendations are considered resolved when firm plans of action to correct the reported deficiencies have been established. Further, OMB Circular No. A-50 requires a periodic evaluation to ensure that the promised corrective actions have been taken and have had the intended affect.

Audit Object and Scope

The objective of this audit was to verify that corrective actions promised by USAID/Thailand were completed for the three closed audit recommendations contained in Audit Report No. 2-493-86-04, Mae Chaem Watershed Development Project, dated May 28, 1986.

Project files, records and reports were reviewed and discussions were held with key project officials at USAID/Thailand. Audit field work was performed during November and December 1988. The audit was made in accordance with generally accepted government auditing standards.

Results of Audit

The follow-up audit verified that corrective actions implemented by USAID/Thailand to close Recommendation No. 1 were sufficient. For recommendations No. 2 and 3, the promised actions had been implemented but not completed to the extent that they would correct the deficiencies noted in

the original report. For example, in response to Recommendation No. 2, a computerized monitoring system was developed by USAID/Thailand for measuring project results. However, USAID/Thailand was unable to provide evidence that the system had been implemented as promised and that data was being generated and used by USAID/Thailand for management purposes. Recommendation No. 3 was closed on the basis that USAID/Thailand would more closely monitor project resources. A Mission Order was revised and an end-use study of project commodities was conducted as promised. However, project managers were unable to provide evidence that project resources had been monitored, subsequent to the recommendation being closed. Accordingly, Recommendations No. 2 and 3 were reopened.

Discussion - The follow-up audit verified that corrective actions promised by USAID/Thailand had been implemented for Recommendations No. 2 and 3, but the promised actions had not been completed to the extent that they would correct the deficiencies noted in the original report.

The original audit found that sufficient data was not available to accurately measure project results. Therefore, Recommendation No. 2 provided that USAID/Thailand develop and implement a system for fully measuring project results as required by A.I.D. Handbook 3. Such a system was to include setting goals and objectives in clear and quantifiable terms with milestones, measuring accomplishments periodically and comparing accomplishments with objectives, and reporting the results. The recommendation was closed based on the assurance that USAID/Thailand had established a Mae Chaem project monitoring system, which had been placed on the Mission's computer system. The monitoring format was to have been adopted by the Mae Chaem line agencies during fiscal year 1987. The reporting format was to have been translated into Thai and line agency representatives were to have submitted completed worksheets at monthly meetings. These sheets would have been forwarded to the USAID project officer on a quarterly basis and entered into the computer for tabulation.

The follow-up audit found that USAID/Thailand had developed a system for measuring project results as required by A.I.D. Handbook 3. The system included a methodology for setting goals and objectives in quantifiable terms and provided the basis for comparing project accomplishments with project objectives. The project officer advised us that Mae Chaem line agencies had adopted the system and that data was being collected in the field. These actions were consistent with the actions promised by USAID/Thailand to close Recommendation No. 2.

These actions, however, were not sufficient to correct the deficiencies noted in the original report. Data being collected by the Mae Chaem line agencies had not been forwarded to USAID/Thailand and, thus, had not been computerized for analysis purposes. The project officer was unable to provide documentation which would demonstrate that USAID/Thailand had used the information generated for measuring project results. Accordingly, the prior audit finding was still valid because the project monitoring system still needed to be completed and utilized. Therefore, the audit recommendation was reopened.

Subsequent to our follow-up visit, USAID/Thailand agreed that a computerized monitoring system using line agency generated data had not been implemented as promised. However, the Mission submitted a number of alternative actions to show that close project monitoring had occurred, resulting in successful completion of the project at a considerable cost savings. These actions included the submission of computer generated reports, project evaluations and recent trip reports. Also, on March 31, 1987, PIL No. 63 was issued limiting the funding level for the project to \$9.2 million instead of the \$10.0 million initially authorized. Based on a review of this information, it appeared that adequate project monitoring had occurred and project elements had been adjusted to reflect the monitoring efforts. Further, it appeared that the monitoring system was adequate for measuring project accomplishments against project objectives. Therefore, Recommendation No. 1 is closed on issuance of this report.

The original audit found that the utilization of more than \$1.3 million in AID-financed project commodities had not been monitored by USAID/Thailand. In addition, monitoring procedures needed to be updated, inventory status and locator cards were not maintained, and end-use checks were not made. Recommendation No. 3 provided that USAID/Thailand revise, update, and implement its 1972 Mission Order No. 1414.2 on commodity status reports and disposition procedures to conform with requirements in A.I.D. Handbooks 3 and 15. As a minimum, the USAID Order should require an inventory, status and locator report from implementing agencies for all AID-financed commodities and resources; include specific monitoring guidance to ensure the accuracy of the commodity status reports submitted by the implementing agencies; include specific procedures to ensure a systematic approach to end-use checks, so that all or most commodities/resources will be routinely checked and that A.I.D. marking requirements are met; include specific procedures to ensure that project commodities, no longer having utility or being ineffectively used, be transferred to another A.I.D. project or disposed of and the proceeds applied to project purposes; and include specific procedures

for monitoring the use and final disposition of AID-financed resources after the USAID withdraws from actively supporting the project.

The recommendation was closed based on the submission of a revised Mission Order on Project Commodity Control, End-Use Monitoring and Disposal. USAID/Thailand also contracted for an End-Use Study in June of 1986 which was to have included an inventory of all Mae Chaem project commodities having a value over \$100. Other actions promised by USAID/Thailand included conducting periodic end-use project commodity reviews and developing standard trip reporting formats which, among other things, would require reporting on commodity status and utilization.

The follow-up audit verified that Mission Order 410.04 had been issued on February 21, 1986. The Order established specific responsibilities and procedures for commodity control, end-use monitoring and disposal for AID-financed commodities. A commodity End-Use Study was also completed as promised and the final report included the Mae Chaem Watershed Development Project. These actions were consistent with the actions promised by USAID/Thailand to close Recommendation No. 3.

The follow-up audit, however, showed that project managers were unable to provide evidence that project resources had been monitored subsequent to closure of the recommendation. The project officer was unable to provide documentation that periodic end-use commodity reviews had been conducted or that the standardized trip report formats promised to close the audit recommendation had been developed. Also, he was unable to provide an inventory, status and locator report for AID-financed commodities or evidence that commodities were being properly utilized. It appeared that there has been little adherence on this project to the commodity monitoring procedures established by Mission Order 410.04. Accordingly, the audit recommendation was reopened.

The End-Use Study contained a number of recommendations by which USAID/Thailand could improve project commodity management and utilization, but these recommendations were not fully implemented. For example, USAID/Thailand indicated that all Mae Chaem project commodities having a value over \$100 would be inventoried during the end-use study. However, the study team reported that only 53% of the commodities were physically observed, and it recommended that the project manager physically observe the remaining commodities. According to the project manager, this recommendation had not been implemented. The study also contained seven specific recommendations for the Mae Chaem project for improved commodity management and utilization. The project manager indicated that the recommendations had only been partially addressed by USAID/Thailand.

Subsequent to our follow-up visit, the USAID acknowledged that the project officer did not maintain inventory, status and locator cards on project commodities nor did he closely monitor the project financed commodities as originally planned. USAID however, believed that monitoring of project commodities was adequate and that, overall, project commodities were being administered well. In support of its position, the USAID agreed to (1) provide a commodity report/list compiled each fiscal year by the Mae Chaem project operations staff, (2) provide a January 1989 commodity end-use report being prepared by the Thai Department of Technical and Economic Cooperation, and (3) conduct an inspection of all major procurement items (vehicles, motorcycles, etc.). Since these actions are responsive to it, Recommendation No. 3 is resolved on issuance of this report. This recommendation can be closed when the promised actions have been completed.



U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT
USAID THAILAND

CABLE: USAID THAILAND

Telex: 87058 RPS TH

Telephone: 252-8191

USAID/THAILAND
Box 47
APO San Francisco 96346-0001
International Address:
USAID/Thailand
37 Soi Petchburi 15 (Somprasong 3)
Bangkok 10400 Thailand.

MEMORANDUM

DATE: March 10, 1989
TO: William Montoney, RIG/A/M
FROM: John R. Eriksson, Director, USAID/Thailand. *J. Eriksson*
SUBJECT: Reopening of Recommendations No. 2 and 3
Audit of Mae Chaem Watershed Development Project
Audit Report No. 2-493-86-04, May 28, 1986

A recent audit compliance report was issued on the Mae Chaem Watershed Development Project by your office. While the follow-up audit verified that corrective actions promised by USAID/Thailand had been taken, the promised actions were considered "not to have been completed to the extent that they would correct the deficiencies noted in the original report." (Audit discussion draft, p. 3)

The sections below deal with the audit compliance findings on Recommendations No. 2 and 3 and discuss the Mission's response to these findings. A full discussion of the audit compliance report was held among USAID/Thailand technical and support staff and with a representative of your office.

Compliance Audit Findings:

Recommendation No. 2 - Project Monitoring: The follow-up audit found that USAID/Thailand had developed a system for measuring project results as required by Handbook 3 and that these actions were consistent with the actions promised to close the original Recommendation No. 2. However, the data being collected by the Mae Chaem line agencies had not been forwarded to USAID/Thailand (as originally planned) and thus had not been computerized for analysis purposes. The audit went on to state "The project officer was unable to provide any documentation which would demonstrate that USAID/Thailand had used the information generated for measuring project results." The auditors, therefore, believed that the audit finding was still valid because the project monitoring system still needs to be completed and utilized. The audit compliance report thus reopened the audit recommendation but considers it to be resolved. The report states that "The recommendation will be closed when documentation is provided to show that information generated from the system is being used by USAID management to measure project results." (Audit, p. 5.)

11

- 2 -

Mission Comments: The Mission accepts the finding that a computerized monitoring system utilizing line agency generated data from the field was not fully implemented as promised. The Mission notes, however, in the discussion section below, the reason for failing to fully comply with the promised action. The Mission also points out that USAID did have a monitoring system but it was not based on the use of a microcomputer alone. And, the Mission submits as evidence a number of actions taken which indicated that close monitoring of project performance resulted in successful completion of the project at considerable savings to the U.S. Government.

Discussion: In Fiscal Year 1987, the Mae Chaem project still had a small number of key and easily quantifiable targets to be accomplished: kilometers of roads constructed, hectareage of terraces built, number of small scale water resources developed, numbers of land use certificates issued. The progress against these targets was reported in each of the quarterly PIR meetings (dating back to March 1985) with percentages of completion assigned to each of the major targets USAID tracked. A computerized development monitoring plan was developed by the project officer, a USDH employee assigned at the time to Chiang Mai, in order to close out the audit. The system developed was fine and met the requirements of the auditors, however, for a number of reasons, the computerized monitoring system was not effectively implemented.

First, the USDH project officer was re-assigned to Bangkok, and, due to severe staffing constraints, was assigned to manage the entire agricultural project portfolio with a shrinking number of US and FSN staff. It was still planned at the time to put a microcomputer into the project operations unit (POU) and transfer the approved monitoring function to the POU. This idea was not supported by the Project Director, the Governor of Chiang Mai Province, who stated that "the Chiang Mai Provincial headquarters did not have electric typewriters, how can we approve a computer for the Mae Chaem District!" It was concluded that a computerized system was not needed as the RTG system (as supplemented by the reporting from the Project's technical advisor, Dr. Kampe) was accurate, sufficiently timely and measured progress carefully to monitor project progress. In sum, given the reduction in USDH and FSN staff during 1987 it was not possible to maintain the highly detailed level of monitoring of activities at the project level after FY 1987 as proposed at the time the audit recommendations were developed.

It must be stated, however, in order to balance out the picture, that despite the lack of a computerized system progress regular and timely reporting was being done and USAID was aware of the project's progress in all major areas through measurements provided by:

- the project operations unit monthly reports (in Thai, on file);
- project officer reports and memoranda;
- numerous construction site field trip reports provided by the USAID Chief Engineer;

8

- 3 -

- Project Implementation Reports (PIRs) which measured targets and reported completion percentages;
- financial records at USAID and the POU.

In addition, USAID was advised of project progress on a continuing basis through discussions and meetings, telephone calls, and written communications with the Deputy Project Director, FSN project officer and U.S. project advisor in Chiangmai on an average of once every 10 days. The U.S. project advisor, for example, submitted additional in-depth analyses, reports, and evaluations on all key project target and components - a total of 20 reports/analyses, 3 evaluations/analyses, 5 photo essays, 6 graphic presentations, and numerous miscellaneous reports. A total of 35 separate reports were issued in 30 months, and a number of these reports utilized computer analyzed data, presented in tabular and graphic form. (see Annex II for examples).

As a result of what USAID believes to have been close measuring of the project targets, on March 31, 1987, PIL No. 63 was issued extending the Mae Chaem PACD date by two years and limiting the funding level to not to exceed \$9.2 million. In the Action Memorandum accompanying PIL No. 63 USAID stated explicitly that major targets had been achieved with the exception of roadwork and small scale irrigation systems. (PIL 63, the Action Memo and the request for Project Extension from the Ministry of Agriculture are attached as Annex I to this memo). The decision at the time to limit project funding to not more than \$9.2 million (instead of the \$10.0 million initially authorized for the project) was based upon regular measurements of project progress and the analysis that additional funding was not required to complete the project as planned.

Given this level of reporting the Mission would like to correct the impression that it could not measure the project's progress. In fact, it was precisely because of the existence of current project status reports from the field (a result of the insistence upon better monitoring recommended by the original audit report) that a number of unnecessary project activities were not approved or were modified to meet changing circumstances. As a result of this close monitoring of project progress, the project will be completed in June 30, 1989 at a cost of \$8.4 million dollars thus having achieved 100% of its target over an extended period of time at 16% under budget.

Given the fact that the Mae Chaem Project Assistance Completion Date (PACD) is June 30, 1989 and that a very satisfactory method of project progress monitoring is in place (relying primarily upon the project funded U.S. resident advisor and his periodic report) the Mission feels that it is simply not cost-effective to institute a change in the monitoring format given the few remaining months within the PACD. The Mission suggests that the RIG/A/M review of this memo will suffice as evidence that, for a number of reasons, a computerized system was indeed not put into place but that a monitoring system evolved which permitted USAID to monitor the project and to effect significant cost-savings while achieving the original objectives of the project. The Mission recommends that the RIG/A/M close Recommendation No. 2.

9

- 4 -

The Mission could, if absolutely needed in order to close the recently re-opened audit, re-design a project monitoring format which it can keep current for one additional quarter. Attached is a draft format which lists the most relevant "targets" for the extension period of the project (6/30/87-6/30/89). The first hard-copy of this monitoring report can be ready for review by the end of the second quarter of FY 1989 (March 30, 1988). The new format as designed provides a means to "integrate" the various sources of reports (project officer's field trip reports, engineering site visit reports, project staff monthly progress reports, PIRS) into one "system". As there is a large amount of reporting on this project and as some of the reports include photographs of project progress/achievements, the monitoring system will highlight the reports and cite what reports exist. Information in this revised monitoring system will largely rely upon qualitative data and, for ease of entry, the format used in the Wang VS system. A special diskette will be formatted and kept for this purpose. For further reference ease, all Mae Chaem trip reports or other memoranda related to project monitoring will be kept on this special diskette.

A copy of this revised format has been given to Dr. Kampe and he has been asked to assure that periodic up-dates are provided for inclusion in the PIR reports and for the one issuance of the revised quarterly monitoring plan. Dr. Kampe recently met with project staff and has developed a set of "measurable indicators" suitable for monitoring should it be necessary to install a system for the remaining 4 months of the project.

Compliance Audit Findings:

Recommendation No. 3: Monitoring of Project Commodities

The Mae Chaem follow-up audit verified that Mission Order 410.04 had been issued establishing specific responsibilities and procedures for commodity control, end-use monitoring and disposal of AID-financed commodities. The M.O. and the end-use study were two actions found to be consistent with the actions promised by USAID/Thailand to close original audit recommendation No. 3. However, the compliance audit also found that since the audit "project managers were unable to provide evidence that project resources had been continuously monitored. The project officer was unable to provide documentation that periodic end-use commodity reviews had been conducted or that the standardized trip report formats promised to close the audit recommendations had been developed." Further, the project officer "was unable to provide an inventory, status and locator report for AID-financed commodities or evidence that commodities were being properly utilized." In sum, little apparent adherence to the commodity monitoring procedures established by Mission Order 410.04.

Mission Comments: The Mission agrees with the finding in that the USAID Project Officer did not maintain inventory, status and locator cards on project commodities nor did he as closely monitor the project financed commodities as originally planned. As with the previous audit recommendation, the Mission would like to explain why it was considered not feasible to provide this highly detailed level of project level monitoring for the Mae Chaem project.

- 5 -

USAID feels that given our reduced staff it is no longer possible to monitor every commodity item in every project. This was especially true for the Mae Chaem project which had a large number of relatively small value equipment items widely scattered over a large and difficult to access project area. It is USAID's position that the Mae Chaem project operations unit and the participating line agencies do maintain a current inventory and location data on the project commodities and that the system used is more than sufficient to "control" project financed commodities and equipment as evidenced by the 1986 End-Use Study conducted by Mr. Jim Hanson during July 9 - October 27, 1986. The study "reaffirmed USAID's perception that the RTG now has the basic capability and procedures to provide adequate commodity procurement, tracking and disposal in accordance with AID and U.S. Government regulations." (Executive Summary, p.3)

Specifically in the Mae Chaem project the report found that commodities with dollar values exceeding \$100/unit represented a mere 6.3 percent of the grant budget and totalled 276 items. And, only 5 of 276 items were found to be insufficiently recorded (p. 26). The report stated (p. 62) "Overall, the commodities were being administered well. The majority of those items seen were being extensively utilized."

The Mae Chaem project operations unit staff has submitted a separate commodity list/report at the end of each fiscal year as per RTG (Prime Minister's Office) regulations (copies will be provided to the RIG/A/M when received from the field). And, in January, 1989, the Department of Technical and Economic Cooperation completed a commodity end-use report.

It is the Mission's position that the Mae Chaem project has maintained a current and accurate inventory of the project-financed commodities as required by RTG regulations. Further, the Mission has confidence in the system and in the proper utilization of project commodities as informally verified by the resident U.S. project advisor and the resident FSN assigned to the project. However, it is the Mission's intention to review and re-issue, if necessary, M.O. 410.04 and instruct all project officers of their responsibility for monitoring of project financed commodities. As for the Mae Chaem project, the Provincial Advisory Committee will be reviewing the DTEC list of commodities for their accuracy. Further, they will inspect major procurement items (vehicles, motorcycles) in the next 6 weeks. We will provide copies of their findings and any reports that may be issued when the review process has been completed. We believe these actions planned demonstrate an appropriate level of commodity accountability and the desire on the part of the RTG to inventory, inspect and dispose or allocate project-financed commodities in accordance with RTG regulations by the conclusion of the project.

Recommendation: The Mission therefore recommends that audit recommendation No. 3 be closed based upon actions taken and planned with regard to monitoring of project-financed commodities.

11

- 6 -

The audit report also mentioned follow-up actions based upon recommendations made in the 1986 Commodity End-Use Study. I have asked the project officer to review those recommendations and comment upon the status of actions which the Mission has taken or plans to take in regard to those recommendations. The Project Officer's review of the study found that the End-Use Study report made a number of general and project specific recommendations for USAID/Thailand and included eight specific recommendations for the Mae Chaem project as follows:

The Hanson commodity end-use study made a number of suggestions for consideration in improving commodity management and utilization (p. 30-31, 61,75).

1. Follow-up Survey : On page 61 a recommendation was made to follow up on the 47% on the project commodities which the study team was unable to physically inspect.* This recommendation was not formally adopted as the dollar value of the commodities involved and the cost involved in physically inspecting each of these commodities was not necessary given the findings of the team that commodity administration and accounting was very good. It was felt that this recommendation was considerably self-serving as well.
2. Workshop on Commodity Control/Disposal: To my knowledge the MOAC has not established such a workshop and USAID did not feel that insisting upon the development of such a course was really necessary. This recommendation came from DTEC and MOAC staff who have commodity control/disposal responsibilities. It is they who felt the need for a workshop. USAID felt that such a workshop was not needed.
3. Establishment of a 3-4 member committee for examination of commodity lists and physical inspection of commodities. Based upon the January 31, 1989 National Steering Committee meeting held at the MOAC it was agreed that the Provincial Advisory Committee would re-review the DTEC end-use report and establish a committee to physically inspect major commodity items. I understand that the District Office has already advised the line agencies of his plans and an inspection of automobiles and motorcycles as well as buildings and certain equipment will be conducted by the end of April, 1989 (Ken Kampe personal communication). The committee will also advise of disposal needs for any equipment which is no longer needed or unsuitable for the project purpose.

* The report found that commodities with dollar values exceeding \$100/unit represented 6.3 percent of the grant budget and totalled 276 items. Only 5 of 276 items were found to be insufficiently recorded (p. 26). The report stated (p. 62) "Overall, the commodities were being administered well. The majority of those items seen were being extensively utilized." It should be noted, however, that the audit team was able to physically observe only 53% of the items valued at greater than \$100/unit.

12-

- 7 -

4. Closer coordination among DTEC and the POU for better commodity procurement procedures. Since the issuance of the end-use study only a limited number of commodities were procured. The work proceeded much more smoothly than in the past based upon improved communications between the field and Bangkok via the USAID agriculture office.
5. Annual refresher courses for commodity management and disposal. The report suggested the need for annual refresher courses for the POU's procurement officer. None were held to my knowledge as the individual who had recently been assigned to the POU remained on site from June 1986 until the present (see p. 26). The recommendation was made on the assumption that continued staff turn-over would necessitate periodic training. With only 4 months remaining within the PACD this recommendation won't be acted upon.
6. Sharing of commodity related documentation: The recommendation dealt with sharing of audits, progress reports and commodity information to be distributed among DTEC, AID, participating agencies, etc. This has been done as evidence by the sharing of DTEC's end-use study being included in the agenda folder for the National Steering Committee meeting of January 31, 1989. In this regard, the Project Officer has written to the Project Director (February 17, 1989) transmitting a computerized inventory of all items procured under the project with a dollar value exceeding \$100.00 to assist the work of the provincial advisory committee. This list will be given to representatives of participating agencies.
7. Auditor General's Involvement in the Mae Chaem project: The study suggested that DTEC and USAID officially request the Auditor General to include the Mae Chaem (NESSI, NERAD and other project as well) project in their normal auditing schedule. If not possible, it was suggested that the Office of the Provincial Auditor be involved to help ensure compliance with RTG regulations. Such a request has not, to my knowledge been made. The project officer will discuss this recommendation with project officials. It may be that the Office of the Provincial Auditor is already involved as the project has long been administered at the provincial level with the Provincial Governor as the Project Director.
8. Disposal/under-utilization: The Provincial Advisory Committee's (PAC) planned action will identify and resolve any pending problems related to disposal or under-utilization of project commodities. They will report their findings to the Project Director, Governor Pairat. Dr. Kampe has been asked to keep USAID informed of the progress of the PAC review.

Attachments: a/s

NOTE: Attachments identified as Annex I and II have been deleted.

13

List of Recommendations

	<u>STATUS</u>
<u>Recommendation No. 1</u>	Closed
<p>We recommend that USAID/Thailand develop a strategy of alternatives in an effort to increase the likelihood of project sustainability including finding a way:</p>	
<p>a. for the function of Interface Teams to be assumed by others (community leaders, extension agents, etc.) or continue funding the teams until their function is taken over by others;</p>	
<p>b. to provide for sufficient number of extension agents to provide the necessary technical assistance to farmers; and</p>	
<p>c. to provide adequate funding for road maintenance.</p>	
<u>Recommendation No. 2</u>	Closed
<p>We recommend that USAID/Thailand develop and implement a system for fully measuring project results as required in Handbook 3. Such a system should include:</p>	
<p>a. setting goals and objectives in clear and quantifiable terms with milestones;</p>	
<p>b. measuring accomplishments periodically and comparing accomplishments with objectives; and</p>	
<p>c. reporting the results.</p>	
<u>Recommendation No. 3</u>	Resolved
<p>We recommend that USAID/Thailand revise, update, and implement its 1972 Mission Orders No. 1414.1 and 1414.2 on commodity status reports and disposition procedures, to conform with requirements in A.I.D. Handbooks 3 and 15. As a minimum, the USAID Order should:</p>	

- a. require an inventory, status, and locator report from implementing agencies for all AID-financed commodities and resources;
- b. include specific monitoring guidance to ensure the accuracy of the commodity status reports submitted by the implementing agencies;
- c. include specific procedures to ensure a systematic approach to end-use checks, so that all or most commodities/resources will be routinely checked and that A.I.D. marking requirements are met;
- d. include specific procedures to ensure that project commodities no longer having utility or being ineffectively used, be transferred to another A.I.D. project or disposed of and the proceeds applied to project purposes; and
- e. include specific procedures for monitoring the use and final disposition of AID-financed resources after the USAID withdraws from actively supporting the Project.

APPENDIX 3Report Distribution

	<u>No. of Copies</u>
Mission Director, USAID/Thailand	5
Assistant Administrator, Bureau for Asia and Near East (AA/ANE)	1
Thailand Desk (ANE/EA)	1
Audit Liaison Office (ANE/DP)	1
Bureau for External Affairs (AA/XA)	1
Office of Press Relations (XA/PR)	1
Office of Legislative Affairs (LEG)	1
Office of the General Counsel (GC)	1
Assistant to the Administrator for Management (AA/M)	2
Assistant to the Administrator for Personnel and Financial Management (AA/PFM)	2
Office of Financial Management (PFM/FM)	2
PPC/CDIE	3
Office of the Inspector General	
IG	1
IG/A	1
IG/PPO	2
IG/LC	1
IG/ADM	12
IG/I	1
IG/PSA	1
Regional Inspectors General	
RIG/A/Cairo	1
RIG/A/Dakar	1
RIG/A/Nairobi	1
RIG/A/Singapore	1
RIG/A/Tegucigalpa	1
RIG/A/Washington	1
RIG/I/Singapore	1