

**AUDIT OF USAID/PAKISTAN'S  
TRANSFORMATION AND INTEGRATION  
OF THE PROVINCIAL AGRICULTURAL  
NETWORK (TIPAN) PROJECT**

**PROJECT NO. 391-0488  
AUDIT REPORT NO. 5-391-91-03  
May 24, 1991**

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**USAID/Pakistan has been successful in properly awarding technical assistance contracts, obtaining qualified and eligible construction contractors at a fair price, and ensuring that participants trained under the project worked in appropriate fields upon their return to Pakistan.**

**USAID/Pakistan could make improvements in monitoring the work of contractors, ensuring funds obligated were needed, planning for participant training, ensuring that commodities were used for the intended purposes and that the Government of Pakistan provided its required project contributions. In addition, USAID/Pakistan should ensure that payments made to Pakistan for general budget support were for only allowable costs and that required audits were made of project activities.**

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

-Singapore-

U.S. POSTAL ADDRESS:  
American Embassy  
AID/RIG  
FPO San Francisco 96699-0001

INTERNATIONAL ADDRESS:  
c/o American Embassy  
30 HILL STREET  
Singapore 0617  
Tel: 225-1033

May 24, 1991

MEMORANDUM FOR

James A. Norris  
Director, USAID/Pakistan

FROM:

  
James B. Durnil, RIG/A/Singapore

SUBJECT:

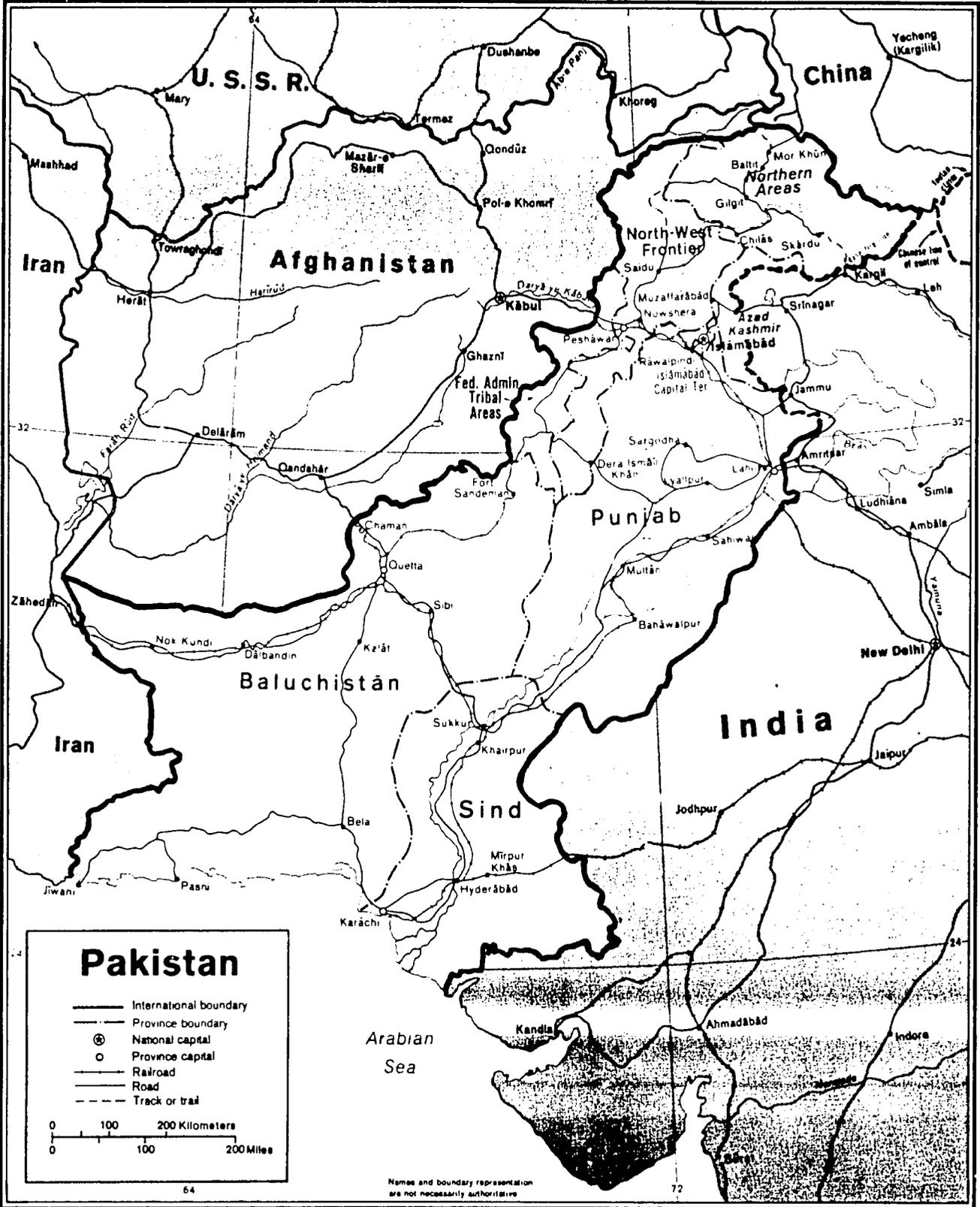
Audit of USAID/Pakistan's Transformation and  
Integration of the Provincial Agricultural Network  
(TIPAN) Project No. 391-0488

Enclosed are five copies of our audit report on USAID/Pakistan's Transformation and Integration of the Provincial Agricultural Network (TIPAN) Project, Report No. 5-391-91-03.

We have reviewed your comments on the draft report and included them as Appendix II to this report. Based on your comments, Recommendation Nos. 2 and 6.3 are closed. Recommendation Nos. 1, 3, 4, 5, 7, 8, 9 and 10 are resolved and can be closed when appropriate actions are completed. Recommendation Nos. 6.1 and 6.2 are unresolved.

Please provide us information within 30 days indicating any actions planned or taken to implement the open recommendations.

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



## EXECUTIVE SUMMARY

The objectives of the Transformation and Integration of the Provincial Agricultural Network (TIPAN) Project in Pakistan are to (1) develop a modern provincial research system by merging the current provincial research operations with the major agricultural university in the province, (2) improve the quality of education offered and research undertaken by the university, and (3) strengthen the university's ability to disseminate research information to farmers.

The project was approved in August 1984 and is to be completed by August 29, 1994. The total project costs are estimated at \$84.5 million with A.I.D. and the Government of Pakistan providing \$55.5 million and \$29.0 million, respectively. A.I.D. obligations and expenditures (as of September 30, 1990) were \$43.5 million and \$22.5 million, respectively.

Between June 4 and October 5, 1990, we audited the project in accordance with generally accepted government auditing standards (see Appendix I) and found the following:

- USAID/Pakistan followed A.I.D. procedures in awarding technical assistance contracts. However, the primary technical assistance contractor (to whom A.I.D. has paid \$5.6 million) did not include information in its workplans and progress reports which would enable USAID/Pakistan to measure the contractor's performance and project progress (see pages 5 to 10).
- USAID/Pakistan followed A.I.D. procedures in obtaining qualified and eligible construction contractors at a fair price, but it did not adequately follow A.I.D. procedures for monitoring the construction contractor's performance and ensuring the validity of funds obligated for construction. We estimate that about \$3.9 million could possibly be deobligated/reprogrammed (see pages 10 to 13).
- USAID/Pakistan followed A.I.D. procedures for monitoring participant's performance to ensure satisfactory progress when they were in training and for ensuring that participants worked in appropriate fields when they returned from overseas training, but it did not follow A.I.D. procedures for planning participant training (see pages 14 to 16).
- Although the commodities inspected (which cost \$225,000) were found at the location indicated by USAID/Pakistan's records and were being effectively used,

we believe USAID/Pakistan should improve its controls over A.I.D.-funded commodities by performing end-use reviews to ensure compliance with the Foreign Assistance Act and the project agreement (see pages 16 to 18).

- USAID/Pakistan did not ensure that the Government of Pakistan provided its required project contributions (see pages 18 to 21).
- USAID/Pakistan did not ensure payments (\$422,000) made for general budget support to the project's implementing university were for allowable costs and that required audits were made of project activities (see pages 22 to 25).
- USAID/Pakistan did not establish adequate quantifiable indicators to objectively measure and report on the project's progress. Furthermore, it did not establish an effective system for following up on the implementation of project evaluation report recommendations (see pages 25 to 30).

The report contains 10 recommendations. It also presents our assessment of internal controls (see page 31) and reports on USAID/Pakistan's, the Government of Pakistan's and the technical assistance contractors' compliance with applicable laws, regulations, and contractual commitments (see page 37).

A draft of this report was provided to USAID/Pakistan officials for comment. In responding to the draft report, they generally concurred with the findings and recommendations. However, their comments were not fully responsive to our findings and recommendations to ensure that the Government of Pakistan provided its required project contributions. USAID/Pakistan's comments are summarized after each finding and included as Appendix II to this report.

*Office of the Inspector General*

Office of the Inspector General  
May 24, 1991

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# INTRODUCTION

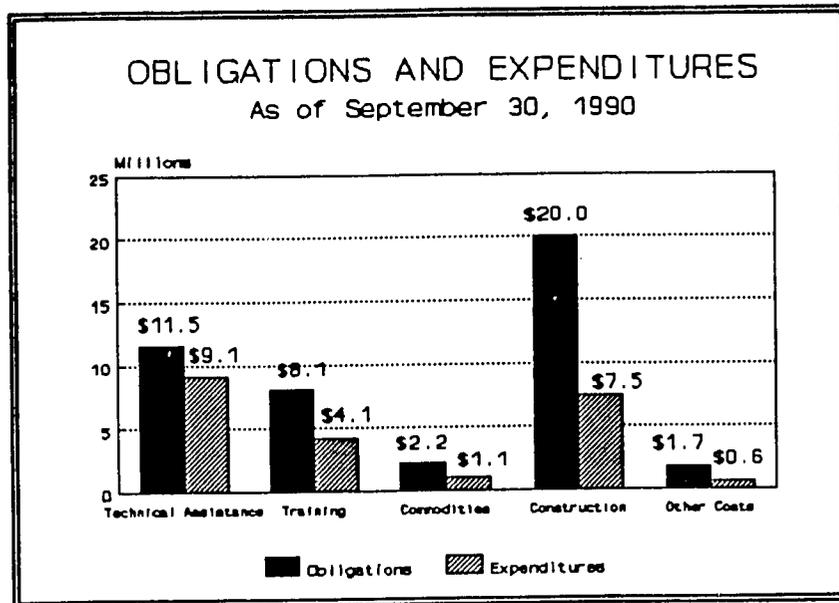
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## **Background**

The objectives of USAID/Pakistan's **Transformation and Integration of the Provincial Agricultural Network (TIPAN) Project** are to (1) develop a modern provincial research system by merging the current research operations with the major agricultural university in the province, (2) improve the quality of education offered and research undertaken by the university, and (3) strengthen the university's ability to disseminate research information to farmers. These objectives were to be accomplished by establishing an administrative structure for the new system, providing training to Pakistanis responsible for project implementation, revising the education program at the university, revamping the university's research program, linking the university with agricultural extension services, and establishing a network to link the university with other international agricultural research centers.

The Government of Pakistan is responsible for providing funds, in addition to A.I.D. funds, and all other resources required to carry out the project effectively and in a timely manner. The Government's Ministry of Education and the Northwest Frontier Provincial Agricultural University are responsible for the implementation of this project. A technical assistance contractor was hired to assist the Government in achieving the project objectives. USAID/Pakistan is responsible for monitoring the project to ensure compliance with the terms and conditions of the project agreement and to ensure the effective and efficient use of A.I.D. funds.

The project was approved on August 22, 1984 and is to be completed by August 29, 1994. The total project costs are estimated at \$84.5 million with A.I.D. and the Government of Pakistan providing \$55.5 million and \$29.0 million (Rs. 434,263 million), respectively. As illustrated below, A.I.D. obligations and expenditures (as of September 30, 1990) were \$43.5 million and \$22.5 million, respectively.




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## Audit Objectives

The Office of the Regional Inspector General for Audit/Singapore audited USAID/Pakistan's Transformation and Integration of the Provincial Agricultural Network Project to answer the following questions.

- What is the progress of the project?
- Did USAID/Pakistan follow A.I.D. procedures in awarding technical assistance contracts to qualified and eligible contractors and in obtaining the required services and reporting from contractors?
- Did USAID/Pakistan follow A.I.D. procedures in (a) obtaining qualified and eligible construction contractors at a fair price, (b) monitoring the contractor's performance, and (c) monitoring A.I.D.'s funding requirements?
- Did USAID/Pakistan and the Government of Pakistan follow A.I.D. procedures in (a) planning for participant training, (b) monitoring participants when they were in training, and (c) ensuring that participants worked in appropriate fields when they returned from overseas training?
- Did USAID/Pakistan follow A.I.D. procedures in ensuring the timely and effective use of commodities?

- Did USAID/Pakistan follow A.I.D. procedures to ensure the Government of Pakistan provided its required project contributions?
- Did USAID/Pakistan ensure that payments made to the Government of Pakistan for general budget support were for only allowable costs and that required audits were made of project activities?
- Did USAID/Pakistan follow A.I.D. procedures in monitoring, evaluating, and reporting on project progress?

In answering these audit objectives, we tested whether USAID/Pakistan (1) followed applicable internal control procedures and (2) complied with certain provisions of laws, regulations, and contractual obligations. Our tests were sufficient to provide reasonable—but not absolute—assurance of detecting abuse or illegal acts that could affect the audit objectives. However, because of limited time and resources, we did not continue testing when we found that, for the items tested, USAID/Pakistan followed A.I.D. procedures and complied with legal requirements. Therefore, we limited our conclusions concerning these positive findings to the items actually tested. But when we found problem areas, we performed additional work

- to conclusively determine that USAID/Pakistan was not following a procedure or not complying with a legal requirement,
- to identify the cause and effect of the problems and
- to make recommendations to correct the condition and cause of the problems.

Appendix I contains a complete discussion of the scope and methodology for this audit.

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# REPORT OF AUDIT FINDINGS

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## What is the progress of the project?

The original project design paper (approved by USAID/Pakistan in August 1984) provided for three project phases (beginning in September 1984 and ending in August 1994) and estimated costs of \$175 million with A.I.D. and the Government of Pakistan providing \$55 million and \$120 million, respectively. In September 1989, USAID/Pakistan approved a redesign paper for the project. While A.I.D.'s estimated life-of-project costs remained the same, the Government of Pakistan's estimated contributions were reduced to about \$37.7 million—or a reduction of almost 69 percent. However, the redesign paper stated that the project's completion date (August 1994), goals, and purpose remain unchanged.

**The actual progress in accomplishing the project objectives cannot be objectively measured because adequate quantifiable indicators (benchmarks, targets, and timeframes) have not been established on what was expected to be accomplished.** For example, one objectively variable indicator to measure the research objective specified that "Most research conducted by mixed on-and-off campus personnel". However, no interim targets and timeframes were established for the total research to be conducted and for the percentage of research to be performed by mixed on-and-off campus personnel. Therefore, it is not possible to objectively measure progress in achieving the research objective. Problems with the lack of adequate quantifiable indicators are discussed in more detail on pages 25 to 27.

While the lack of adequate indicators precludes an objective assessment of the project's progress, we did identify the following examples of progress—or delays in progress—in project implementation:

- **Technical Assistance** - The technical assistance input was generally in accordance with the revised implementation plan. About \$5.6 million of the planned \$6.4 million had been expended as of September 30, 1990.
- **Commodities** - Expenditures for commodities were generally in accordance with the revised implementation plan. Commodity support for the project included procurement of vehicles, textbooks, telephone equipment, farm research equipment, and furniture. As of September 30, 1990, \$1.1 million

had been disbursed for those commodities. According to the revised plan, \$1.2 million should have been disbursed.

- **Construction** - The construction appeared to be significantly behind schedule. The construction component was to build major academic buildings, small farm center buildings and the related infrastructure. The rate of progress could not be determined as the contractor and USAID/Pakistan had not agreed on a method for measuring progress. The most recent status report (dated July 31, 1990) prepared by a USAID/Pakistan engineer indicated that the work was 32 percent completed compared to 57 percent that should have been completed by that date. The revised plan provided that \$11.9 million should have been spent but only \$7.5 million was spent (as of September 30, 1990).
- **Participant Training** - Although the targets for short-term training may be achieved or exceeded, the targets for long-term training probably will not be met within the implementation period. The project plan called for 140 long-term participants to receive long-term overseas training. As of September 30, 1990, 87 participants had completed or were in long-term training. According to the current training plan, another 45 participants are scheduled to start training, but our analysis showed that at least 40 of these will not be able to complete their training within the implementation period. According to the revised project financial plan, \$5.4 million should have been disbursed (as of September 30, 1990) but only \$4.3 million had been spent.

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**Did USAID/Pakistan follow A.I.D. procedures in awarding technical assistance contracts to qualified and eligible contractors and in obtaining the required services and reporting from the contractors?**

USAID/Pakistan followed A.I.D. procedures in awarding technical assistance contracts to qualified and eligible contractors but did not follow A.I.D. procedures for obtaining the required services and reporting from its principal technical assistance contractor.

USAID/Pakistan funded two A.I.D. direct technical services contracts for the TIPAN project. The first (awarded in November 1984 with an estimated completion date of September 30, 1992) was a \$14.7 million contract for general technical assistance to help the Government of Pakistan in achieving the project objectives. As of September 30, 1990, A.I.D. has paid this contractor \$5.6 million. The second contract (awarded in January 1986 with an estimated completion date of January 1991) was a \$4.3 million contract for architectural and engineering services to design and supervise project construction activities. As of September 30, 1990, A.I.D. has paid this contractor \$3.5

million.

Both contracts were competitively awarded to qualified and eligible contractors as required by A.I.D. Handbook 14. The contractor for architectural and engineering provided the services and reports required under the contract; however, we found problems with the services and progress reports provided by the contractor for general technical assistance.

### **The Contractor's Scope of Work Needs to be Better Defined and Progress Reporting Needs to be Improved**

A.I.D. requires that each contract's statement of work be well defined and have specific benchmarks that will permit periodic evaluation of the contractor's progress. In addition, the contract required the technical assistance contractor to prepare annual workplans setting forth the strategy to meet project objectives and report on progress in achieving those objectives. We found deficiencies in the contract's statement of work, and in the contractor's annual workplans and progress reports. These deficiencies existed because USAID/Pakistan did not ensure the contractor's scope of work was well defined and that the contractor provided the required workplans and progress reports. Because of these deficiencies, USAID/Pakistan could not objectively measure the progress of the project and assess the effectiveness of the technical assistance for which \$5.6 million had been spent.

#### **Recommendation No. 1: We recommend that USAID/Pakistan:**

- 1.1 ensure a well-defined scope of work (or life-of-project workplan) for the technical assistance contractor is developed that includes the benchmarks (targets and timeframes) needed by USAID/Pakistan and others to objectively measure the contractor's performance and project progress;**
- 1.2 require that technical assistance contractor to prepare annual workplans which contain the necessary details about specific tasks to measure the progress of project activities; and**
- 1.3 ensure that progress reports address the progress to date in achieving the objectives as described in the scope of work in the contract and in accomplishing the specific tasks outlined in the workplan, including a description and analysis of problems, constraints, and recommended solutions.**

A.I.D. Handbook 3, Supplement A, stipulates that each contract's statement of work should include specific indicators of progress or benchmarks (targets and timeframes) which will enable A.I.D. to objectively monitor and evaluate the contractors' progress against the expenditures of both time and money. The Handbook further stipulates that

the statement of work is the most substantive part of any contract; it constitutes the essence of the agreement between the parties and sets forth the precise obligations of the contractor with respect to performance, and describes contract objectives and the steps which must be taken to achieve them.

Although the contract requires that the contractor assist the Government of Pakistan in achieving the project's objectives, **the technical assistance contract did not contain an adequate statement of work.** For example, a primary objective of the technical assistance contractor was to assist the Northwest Frontier Provincial Agricultural University in revising its curriculum and teaching program. The objective was not divided into discrete phases of accomplishments that would permit periodic evaluation of progress toward this objective. For example, there were no indicators on what revisions were needed and when they were to be completed. Thus, it could not be determined what progress was made and how much remained to be accomplished to achieve this objective.

**The problem of an inadequate statement of work in the contract was compounded by inadequate workplans prepared by the contractor.** The contract required the contractor to submit to USAID/Pakistan a detailed annual workplan. This plan was to include at least the following:

- a detailed description of the specific tasks to be accomplished by the contractor during the year;
- an illustrative implementation schedule with target dates for completion of each task; and
- specific benchmarks or performance targets to be achieved.

The contractor's workplans did not include the above information. For example, the work plan submitted for the period April 1, 1989 - March 31, 1990, indicated tasks to be performed during the year; however, it did not contain the detailed description called for in the contract. Examples of the deficiencies included the following:

- One task listed in the work plan was to "monitor and support the fruit fly control program". The work plan did not indicate what type of monitoring and support was needed. Also, it did not contain specific benchmarks or performance targets to be achieved and a target date for completion of the task.
- Another task was to evaluate the outcome of a seed industry workshop. The workplan did not state the purpose of this evaluation or the evaluation criteria. Also, it did not contain specific benchmarks or performance targets to be achieved and a target date for completion of the task.

- In the final example, one task was to "tighten" the system for commodity procurement. There were no details as to the problem with the procurement system or how it was to be improved. Also, it did not contain specific benchmarks or performance targets to be achieved and a target date for completion of the task.

**There were also problems with the contractor's progress reports.** The contract required the contractor to submit quarterly progress reports to USAID/Pakistan. The reports were to include but not limited to the following information:

Progress to date by each of the long-term consultants in achieving the objectives of his work assignment as described in his scope of work in this contract and in accomplishing the specific tasks outlined in his work plan, including a description and analysis of problems, constraints, and recommended solutions...

The progress reports for the period April 1, 1989, through June 30, 1990, were analyzed to determine if the reports complied with the above requirement. We found that the technical assistance contractor generally provided the reports in a timely manner; however, the reports did not clearly describe progress toward the contract and project objectives and progress in accomplishing the specific tasks outlined in the annual workplan.

For example, the annual work plan (for the period April 1, 1989 through March 31, 1990) for the teaching program listed 25 specific tasks to be completed in the April 1, 1989 -June 30, 1989 reporting period. But the contractor's report for that quarter adequately addressed only 3 of these 25 tasks. For the remaining 22 tasks, the contractor did not report on the specific tasks or stated that no activity took place. No other information was provided indicating problems or constraints that prevented the accomplishment of these tasks. Examples of specific task not addressed or where the contractor indicated that no activity took place are listed below:

- For the faculty development objective, the annual work plan indicated that the technical assistant contractor was to initiate a program for faculty evaluation and improvement. This was not addressed in the progress report.
- For the placement program objective, the annual work plan provided that the technical assistant contractor was to conduct a manpower needs study. This was not addressed in the progress report.
- For the advisory program objective, the technical assistant contractor was to provide on the job training to faculty on their role as student advisors. The contractor reported that no activity was undertaken in that area but did not

provide any explanation for this situation and did not recommend any solution.

- For the advanced studies objective, the technical assistant contractor was to select a Director of Advanced Studies and develop a policy for the advance studies program. The contractor reported that no activity was undertaken in that area but did not provide any explanation for this situation and did not recommend any solution.

A.I.D. must use every reasonable safeguard to ensure that U.S. Government funds are spent efficiently and that the services paid for are effectively used. To fulfill these requirements, A.I.D. Handbook 3, Supplement A, stipulates that the A.I.D. project officers need to monitor contract implementation and ensure that the contractor's performance is evaluated. They should review each progress report submitted by the contractor for adequacy, particularly for discussions of progress toward planned targets and identification of actual or potential problem areas. The project officer should also bring any deficiencies in the reports (e.g., failure to measure progress toward identified targets) to the contractor's attention. These cases should be documented in the project file and, if appropriate, brought to the attention of mission management.

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*The lack of a well-defined scope of work in the technical assistance contract and inadequate workplans and reporting by the technical assistance contractor precluded USAID/Pakistan from effectively monitoring the contractor's performance and project progress.*

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USAID/Pakistan officials stated that they had asked the contractor to improve the quality of its progress reports, but we found little evidence in USAID/Pakistan's project files indicating the contractor's progress reports had been reviewed.

The lack of a well-defined scope of work in the technical assistance contract and inadequate workplans and reporting by the technical assistance contractor precluded USAID/Pakistan from effectively monitoring the contractor's performance and project progress. Therefore, USAID/Pakistan needs to ensure that a well-defined scope of work (or life-of-project workplan) for the contractor is developed and that the technical assistance contractor's workplans and progress reports contain information necessary (e.g., starting, interim, and completion target dates) for measuring the project's progress.

### **Management Comments and Our Evaluation**

USAID/Pakistan concurred with the finding and is working with the contractor to ensure that (1) the contract scope of work is re-defined to include benchmarks and timeframes

which will facilitate the objective measurement of contractor and project progress; (2) the contractor prepares annual workplans which contain sufficient detail about specific tasks to permit measurement of progress of project activities; and (3) progress reports address the progress to date in achieving the objectives as described in the scope of work in the contract and in accomplishing the specific tasks outlined in the workplan, and include a description and analysis of problems, constraints and recommended solutions.

Based on USAID/Pakistan comments, Recommendation Nos. 1.1, 1.2 and 1.3 are resolved and will be considered for closure when USAID/Pakistan provides documentary evidence that the recommended actions are completed.

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**Did USAID/Pakistan follow A.I.D. procedures in (a) obtaining qualified and eligible construction contractors at a fair price, (b) monitoring the construction contractor's performance, and (c) monitoring A.I.D.'s funding requirements?**

USAID/Pakistan followed A.I.D. procedures in obtaining qualified and eligible construction contractors at a fair price, but it did not adequately follow A.I.D. procedures for monitoring the construction contractor's performance and A.I.D.'s funding requirements.

USAID/Pakistan funded one A.I.D. direct fixed price construction contract for \$17.4 million. The contract was awarded in July 1988 and all construction was to be completed by December 1991. The contractor was to build 13 major academic buildings, 11 small farm center buildings, student hostels, and the related infrastructure. The awarding of this contract was delayed about five months because one of the contract bidders protested to the U.S. General Accounting Office about the way USAID/Pakistan awarded the contract. The protest was eventually resolved in A.I.D.'s favor. Construction began in December 1988, and as of September 30, 1990, A.I.D. had paid the contractor \$7.5 million.

The audit noted that there was a disagreement between USAID/Pakistan and the contractor about the rate of progress on the construction work. Also, some A.I.D. funds allocated for construction may not be needed.

**A More Accurate System for Measuring Construction Progress Needs to be Established**

A.I.D. policy requires that missions develop a monitoring system that will reliably measure construction contractor's progress and compliance with the contract terms.

Although USAID/Pakistan had established a monitoring system to measure progress and compliance, there were problems in the system because USAID/Pakistan and the construction contractor have not been successful in agreeing to a method for measuring the rate of progress. Since progress payments to the construction contractor were based on this monitoring system, A.I.D. payments to the contractor may have been inaccurate.

**Recommendation No. 2:** We recommend that USAID/Pakistan implement a more accurate method for measuring construction progress and amend the construction contract accordingly.

Federal Acquisition Regulation (Part 52.232-5) requires that progress payments for fixed-price construction contracts be made as the work proceeds. The payments are to be based on estimates of work accomplished which meets the standards of quality established under the contract. The contractor should furnish information to substantiate the payment amount requested in order to provide a basis for determining the progress in such detail as requested by the Contracting Officer. A.I.D. Handbook 3, Supplement A, states that requests for payments by the contractor requires approval by the A.I.D. project officer to assure that A.I.D.'s interests are adequately protected (i.e., the services and/or commodities covered by the contractor's vouchers have in fact been satisfactorily delivered).

The contract for construction under the TIPAN project included a percentage of completion schedule to measure the construction progress. A.I.D.'s payments were to be based on estimates of completed work certified by the A.I.D.-funded architectural and engineering firm and approved by USAID/Pakistan.

The system being used to measure progress and making payments is not adequate because USAID/Pakistan and the construction contractor have not been successful in agreeing to a method for measuring the rate of progress. In November 1989, USAID/Pakistan first expressed its concern to the contractor that the pace of construction work was too slow to meet the completion date and asked the contractor to outline steps he intended to take to complete the work within the scheduled completion period. However, the contractor insisted that the pace of work was not slow and that the method stipulated in the contract for measuring work progress was inaccurate. The contractor believed that a larger amount of work had been completed than was shown by using the measuring system stipulated in the contract.

On May 2, 1990, USAID/Pakistan sent a formal notice to the construction contractor stating that the contractor must show how the construction will be completed by the date stipulated in the contract or USAID/Pakistan would terminate the contract for default. USAID/Pakistan gave the contractor until September 4, 1990, to provide the report.

On May 21, 1990, the construction contractor again disputed this claim of slow progress and stated again that the measurement system used to measure work progress in the

contract did not accurately reflect the amount of work that has actually been completed. The contractor added that if he was forced to accelerate the work pace and it was determined that the work was not behind schedule, he would demand acceleration payments. In July 1990, the contractor proposed another measuring system to measure construction progress.

USAID/Pakistan officials acknowledged to the auditors that the current system to measure contractor performance may not be accurate and that they may agree to the proposed progress measuring system after an appropriate review. But as of September 30, 1990, USAID/Pakistan had not yet adopted the new measurement method. The most recent status report (dated July 31, 1990) prepared by a USAID/Pakistan engineer indicated that the work was 32 percent completed compared to the 57 percent that should have been completed by that date based on the contract's construction schedule. The status report stated that the work was now about nine months behind in the 36-month construction schedule.

Without a reliable and agreed upon progress measuring method, USAID/Pakistan could be liable for acceleration claims by the contractor if the contractor is forced to increase his work force and accelerate the work pace unnecessarily. Additionally, USAID/Pakistan may have underpaid or overpaid the contractor for work performed. Therefore, USAID/Pakistan should confirm whether the current system used to measure progress is adequate and, if not, establish a more accurate method to measure construction progress and amend the contract accordingly.

### **There is a Potential to Deobligate or Reprogram Construction Funds**

A.I.D. policy requires missions to periodically review unliquidated obligations and to promptly deobligate or decommit any excess funds. Some funds obligated for construction may not be needed because of the devaluation of the local currency and because the need for uncommitted construction obligations have not been identified. Therefore, about \$3.8 million could possibly be deobligated/reprogrammed.

**Recommendation No. 3: We recommend that USAID/Pakistan make adjustments for the devaluation of the local currency and determine if the \$3.9 million identified in this report for project construction can be deobligated/reobligated.**

U.S. law (31 U.S.C. 1501) requires that obligations be recorded only when supported by documentary evidence and that A.I.D. certifies each year that the obligations are valid. To ensure compliance with this requirement, A.I.D. Handbook 19, Chapter 2, stipulates that unliquidated obligations should be reviewed periodically, and any excess funds should be promptly deobligated. USAID/Pakistan did not identify the potential to deobligate excess funds for construction because it did not revise the funding requirement

based on the devaluation of local currency and it did not adequately determine or document if there was a continued need for uncommitted funds.

In July 1988, USAID/Pakistan signed a fixed price construction contract to build 13 major academic buildings, 11 small farm center buildings, student hostels, and related infrastructure at the major agriculture university in the Northwest Frontier Province. The contract amount was \$17.4 million (including \$5.3 million in dollar expenditures and the equivalent of \$12.1 million in local currency). Since that time, the local currency has devalued 25 percent in value against the U.S. dollar. **Therefore, we estimate that about \$2.0 million can be deobligated or reprogrammed from this element because only about \$10.1 will be required in local currency due to the devaluation.**

In addition to the \$17.4 million committed for the above construction, there was an obligation of \$2.6 million which was not committed. Although USAID/Pakistan officials said that they were going to construct additional buildings, the only additional building included in the current construction plan (dated September 1989) was an operations and maintenance building which was expected to cost \$700,000. **Thus, there is no formal plan to spend the remaining \$1.9 million that was uncommitted.**

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*In conclusion, USAID/Pakistan should determine whether the \$3.9 million identified above is still needed for project construction and, if not, deobligate or reprogram the excess funds.*

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### **Management Comments and Our Evaluation**

USAID/Pakistan concurred with the findings and recommendations. Concerning Recommendation No. 2, USAID/Pakistan amended the contract to provide a more accurate method for measuring construction progress. Accordingly, this recommendation is considered closed.

In response to Recommendation No. 3, USAID/Pakistan conducted a financial analysis and identified \$3.5 million available resulting from devaluation of the local currency. USAID/Pakistan further stated that these and other funds (totalling \$3.9 million) will be essential to complete construction work. This recommendation is resolved and can be closed when we are provided documentary evidence to support the need for the \$3.9 million.

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**Did USAID/Pakistan and the Government of Pakistan follow A.I.D. procedures in (a) planning for participant training, (b) monitoring participants when they were in training, and (c) ensuring that participants worked in appropriate fields when they returned from overseas training?**

USAID/Pakistan followed A.I.D. procedures for monitoring participants' performance to ensure satisfactory progress when they were in training and ensuring that participants worked in appropriate fields when they returned from overseas training, but it did not follow A.I.D. procedures for planning participant training.

The progress of the participants was adequately monitored while they were in training. For the 20 participant files that we reviewed, USAID/Pakistan received academic reports from the participant's faculty advisor after each semester. These reports (Academic Enrollment Term Reports) contain grades and comments on the participant's progress. The project officer said he monitors these reports to assure that participants are progressing satisfactorily. We also found that all 28 participants who have returned from training were listed in the Northwest Frontier Agricultural University directory of personnel as being assigned to departments or research units related to their fields of study. In addition, we interviewed six of these returned participants and found that they were either teaching or doing agricultural research.

Our review showed that USAID/Pakistan needed to review its training plan for this project to ensure participants complete their training and return to Pakistan within timeframe prescribed by A.I.D. policy.

**Training Plans Need to be Revised**

A.I.D. policy requires that participant trainees complete their training six months before the project completion date. Some training currently scheduled will not be completed within the allowed timeframe because USAID/Pakistan did not consider the 6-month requirement and other factors when developing the training plan. Consequently, the project's participant training objective will not be met within the implementation period and some funds authorized for training may not be needed.

**Recommendation No. 4: We recommend that USAID/Pakistan:**

- 4.1 revise the life-of-project training plan to include realistic targets, timeframes, and funding requirements based on expected achievements within the implementation period; and**
- 4.2. reprogram participant training funds identified as not needed based on the revised plans.**

Handbook 10, Chapter 35, states that it is A.I.D. policy that projects with participant training components be designed and implemented so that participants will return to the project no later than 6 months prior to the project completion date in order to permit orderly reintegration. A.I.D. Handbook 3, Chapter 9, stresses the need for budgets to be reviewed and updated as soon as additional information becomes available to provide a current picture of expenditures to be made.

If the current training plan for the TIPAN project is followed, 40 participants who are scheduled to start long-term training in fiscal years 1991 through 1993 will not return at least 6 months prior (or by February 28, 1994) to the project's completion date (August 28, 1994). The total cost of the training for these participants is estimated at \$3.4 million. The probable return dates for the 40 participants are illustrated below:

**Estimated Return Dates for Participants Scheduled for Training**

<u>Departure Date</u>	<u>Duration</u>	<u>Return Date</u>
January 1991 Doctorate Degree - 15	46 Months	October 1994
January 1992 Doctorate Degree - 15 Masters Degrees - 5	46 Months 32 Months	October 1995 August 1994
January 1993 Masters Degrees - 5	32 Months	August 1995

The above return dates are based on project experience that shows the average time required for participants to complete doctorate degrees and masters degrees are 46 months and 32 months, respectively. The project records also show that most participants start training in either January or September. Therefore, even considering the earlier start date (of January), 30 doctorate participants scheduled to start training in fiscal years 1991 and 1992 and 10 master degree participants scheduled to start in fiscal years 1992 and 1993 will not be able to complete their studies and return to Pakistan six months before the project completion date.

The technical assistant contractor officials who managed the participant training for the TIPAN project stated that they were not aware of A.I.D.'s policy that requires participants to return six months prior to the project's completion date. In fact, they thought that the participants only had to start training prior to the completion date. In addition, the officials stated that participants have taken longer than expected (i.e., 36 months for doctorate degrees and 24 months for masters degrees) because the participants were generally weak in the mathematics and science skills. Thus, they were required to take more prerequisite and remedial courses than other students and generally have taken

one or two semesters longer than normal to complete their studies.

In conclusion, the project's long-term participant training objective probably will not be met within the implementation period and some of the training funds authorized for the 40 degrees identified above may not be needed. Therefore, USAID/Pakistan should revise its participant training plan and reprogram any excess funds not needed based on the revised plan.

### **Management Comments and Our Evaluation**

Concerning Recommendation Nos. 4.1 and 4.2, USAID/Pakistan revised its life-of-project training plan and determined that all training funds under the original plan will be fully utilized. Major changes were to cancel plans to send 22 participants in fiscal years 1991 and 1992 for doctorate degrees (at an estimated cost of \$2.5 million) and instead increased the number of participants it planned to send for masters degrees during those years. Another change was to cancel plans to send 5 participants in fiscal year 1993 for masters degrees (at an estimated cost of \$400,000).

Based on USAID/Pakistan's comments, Recommendation Nos. 4.1 and 4.2 are resolved and will be closed when USAID/Pakistan provides documentary evidence that 28 participants were sent in fiscal year 1991 (by January 1991) as provided for in the revised training plan.

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### **Did USAID/Pakistan follow A.I.D. procedures in ensuring the timely and effective use of commodities?**

USAID/Pakistan did not effectively implement A.I.D. procedures for ensuring the timely and effective use of commodities.

As of September 30, 1990, USAID/Pakistan had obligated and expended \$2.2 million and \$1.1 million, respectively, for commodities. The procurements (mostly for vehicles, textbooks, telephone equipment, farming research equipment, and furniture) to date were made under both A.I.D. direct and host country contracting procedures. In our opinion, USAID/Pakistan could improve its control over the use of A.I.D.-funded commodities.

### **Controls Over Commodity Utilization Need to be Strengthened**

A.I.D. requires that missions ensure A.I.D.-funded commodities are used effectively and in a timely manner. USAID/Pakistan did not follow prescribed A.I.D. procedures or its own procedures for conducting end-use reviews because the responsible project official

stated that he was not aware of the requirements. Without such controls, USAID/Pakistan cannot adequately ensure that A.I.D.-funded commodities were being used effectively for their intended purposes.

**Recommendation No. 5: We recommend that USAID/Pakistan conduct the end-use reviews in accordance with USAID/Pakistan Mission Order No. PAK-15-1.**

The Foreign Assistance Act (Section 101) and the project agreement require that A.I.D.-funded commodities be effectively used for the purpose for which the assistance was made available. To ensure compliance with these requirements, A.I.D. Handbook 15, Chapter 10, states that A.I.D. project officers have the ultimate responsibility for ensuring that A.I.D.-funded commodities are effectively used for project purposes. It further states that

- the project officers and their host country counterparts will continuously monitor their project and give periodic commodity end-use reports to the Mission Director, and
- recommendations on corrective action that must be initiated should be brought to the attention of appropriate officials (USAID/Pakistan and host country) to assure appropriate action is taken.

USAID/Pakistan Mission Order No. PAK-15-1 (dated January 10, 1990) states that USAID/Pakistan project officers are responsible for ensuring that project commodities financed by A.I.D. are being effectively utilized in the project. Project officers are to use a commodities tracking system to help in monitoring commodities and to provide periodic end-use reports to the Mission Director and other staff. Recommendations on needed corrective actions were to be brought to the attention of appropriate officials (USAID/Pakistan or the Government of Pakistan) so that appropriate action could be taken.

The project officers responsible for the TIPAN project had not conducted any commodity end-use reviews since the inception of the project. The current USAID/Pakistan project officer stated that he was a relatively new project officer and that he was not aware of the requirements to perform these end-use reviews.

Although the commodities inspected (which cost \$255,000) were found at the location indicated on USAID/Pakistan's records and were being effectively used, we believe USAID/Pakistan should improve its controls over A.I.D.-funded commodities to ensure compliance with Section 101 of the Foreign Assistance Act and the project agreement.

### **Management Comments and Our Evaluation**

USAID/Pakistan concurred with the recommendation and provided a copy of a Project

Officer's Inspection Report (dated March 3, 1991) to substantiate that the project officer for this project has begun to conduct end-use reviews (e.g., inspected 7 of 53 A.I.D.-funded vehicles) in accordance with USAID/Pakistan Mission Order No. PAK-15-1. Thus, Recommendation No. 5 is considered resolved and will be closed when USAID/Pakistan provides evidence that additional end-use reviews for this project have been conducted.

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**Did USAID/Pakistan follow A.I.D. procedures to ensure that the Government of Pakistan provided its required project contributions?**

USAID/Pakistan did not follow A.I.D. procedures to ensure the Government of Pakistan provided its required project contribution.

Our review showed that USAID/Pakistan did not ensure the Government of Pakistan is providing its project contributions required under the project agreement.

**Host Country Contributions  
Need to be Better Monitored**

Although the project agreement required the Government of Pakistan to provide a contribution of \$29.0 million to the project, USAID/Pakistan did not ensure that these contributions were provided because it did not implement prescribed A.I.D. procedures to monitor host country contribution. As a result, USAID/Pakistan could not substantiate whether the Government was complying with the agreement.

**Recommendation No. 6: We recommend that USAID/Pakistan:**

- 6.1 develop and implement procedures to ensure that the Government of Pakistan provides its required project contributions;**
- 6.2 in coordination with the Regional Legal Advisor, determine the propriety of paying \$148,000 for research that was originally planned to be borne by the Government of Pakistan; and**
- 6.3 determine whether the agreement should be amended to increase the Government of Pakistan's contributions to the project.**

Section 110 of the Foreign Assistance Act provides that host countries in most cases must contribute at least 25 percent of the costs of A.I.D.-funded development assistance projects. The project agreement requires the Government of Pakistan to provide the

equivalent of \$29.0 million (Rs. 434.3 million). The agreement also required the Government to provide all funds, in addition to A.I.D. funds, and all other resources required to carry out the project effectively and in a timely manner.

A.I.D. Handbook 3, Chapters 9 and 11, stipulate that missions' monitoring of host country contributions is critical to project success and that project officers should assure that the host country provides its contributions on a timely basis by comparing planned versus actual host country inputs (e.g., financial, staffing and logistical support). The primary purpose of this monitoring is to alert mission and host country management about potential implementation problems and enable the mission to make judgments as to the continuing appropriateness of project design and the need for in-depth evaluations. In addition, A.I.D. Handbook 19 prescribes policy and procedural guidance for carrying out effective financial monitoring of host country contributions for project implementation. This guidance requires mission controllers to

- review host country accounting records to determine whether the records are adequate to ensure and disclose compliance with the project agreement (which would include host country contribution requirements);
- review project implementation from a financial management point of view to determine whether project objectives were met economically and efficiently by the application of funds for manpower, supplies, equipment, and facilities from A.I.D. and host country funding sources; and
- provide financial analyses expertise to mission management of the causes and possible solutions in the event the host country is delinquent or shows other evidence of difficulty in providing its required contributions.

USAID/Pakistan did not implement the above policies and guidance and did not know how much project contributions the Government of Pakistan provided. For example, although the Government reported that it provided the equivalent of \$5.3 million (Rs. 69.4) as of June 30, 1990, USAID/Pakistan had no assurance that this amount was correct because it had not reviewed the Government's accounting records to ensure that the records were adequate for determining the level of the Government's contributions. USAID/Pakistan also did not compare planned versus actual host country contributions.

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*In addition to not knowing how much the Government has actually provided and picking up costs that should have been borne by the Government, USAID/Pakistan (in our opinion) has not adequately addressed the requirements for additional contributions by the Government.*

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One area where the shortage of the Government's contributions has adversely affected project implementation is research. For instance, the project's technical assistance contractor made the following comments in the December 1989 progress report:

As a consequence of the inadequate operating funds for the field research system for the current fiscal year, as well as the fact that NWFP-AU (Northwest Frontier Provincial Agricultural University) has not honored its previous commitment to fund on-campus research, USAID/Pakistan indicated that ... funds could be made available to support research projects approved by the Technical Review Committee. Accordingly, NWFP-AU has formally requested USAID/Pakistan financial support in the amount of Rs. 1.209 million (\$40,000) to support operating funds of the 53 approved research projects.

In response to the Government's request, USAID/Pakistan committed \$148,000 in February 1990 to support the University's research program. According to the project agreement, these costs should have been borne by the Government of Pakistan.

In addition to not knowing how much the Government has actually provided and picking up costs that should have been borne by the Government, USAID/Pakistan (in our opinion) has not adequately addressed the requirements for additional contributions by the Government. For example, the original project design paper (approved by USAID/Pakistan in July 1984) provided for three project phases (beginning in September 1984 and ending in August 1994) and estimated total life-of-project costs of \$175 million with A.I.D. and the Government of Pakistan providing \$55 million and \$120 million, respectively. In September 1989, USAID/Pakistan approved a redesign paper that also provided for implementation through August 1994. While A.I.D.'s estimated costs remained the same (\$55 million), the Government of Pakistan's estimated contributions were reduced to about \$37.7 million (Rs. 565.3 million)—or a reduction of almost 69 percent. Although the redesign paper stated that the project's goals and purpose remain unchanged, it did not discuss what effect the reduced Government's contributions would have on project implementation. Furthermore, the contract includes the A.I.D.'s estimated life-of-project funding of \$55 million, but it has not yet been amended to increase the required Government's contributions to the \$37.7 million identified in the redesign paper.

In conclusion, USAID/Pakistan needs to develop procedures to ensure that the Government provides its required project contributions and determine the propriety of spending the \$148,000 to pay for research costs that should have been borne by the Government of Pakistan. Also, USAID/Pakistan should determine whether the agreement should be amended to increase the Government's contribution.

## **Management Comments and Our Evaluation**

USAID/Pakistan comments were not fully responsive to our finding and recommendations on the need to develop and implement procedures to ensure that the Government of Pakistan provides its required project contributions and, in coordination with the Regional Legal Advisor, determine the propriety of paying for research that was originally planned to be borne by the Government of Pakistan. Accordingly, Recommendation Nos. 6.1 and 6.2 are considered **unresolved**.

Concerning Recommendation No. 6.1, USAID/Pakistan stated that it would review two Government of Pakistan documents to verify the amount of the Government's contributions. Although one of the documents (Annual Development Program Financial Estimates for the Budget Year 1990-91) provided by USAID/Pakistan along with their comments does identify actual expenditures, USAID/Pakistan has not established procedures (e.g., review of host country accounting records) to determine whether the records are adequate to ensure and disclose compliance with the project agreement's requirements for host country contributions. The other document (Demands for Grants Current Expenditure for 1990-91) referred to in USAID/Pakistan's comments apparently identifies the amount authorized—not what is actually spent. USAID/Pakistan stated that the Government had already provided approximately \$6.9 million (Rs. 90 million) but did not provide support for this amount and did not compare this amount to the planned contributions as of this time. In our opinion, USAID/Pakistan needs to develop and implement better procedures to ensure that the Government of Pakistan provides its required project contributions.

In response to Recommendation No. 6.2, USAID/Pakistan stated that A.I.D. funds did not substitute for Government of Pakistan contributions which indeed were provided to carry on more traditional programs. This statement appears to contradict comments made by the project's technical assistance contractor. The contractor stated in December 1989 that as a consequence of inadequate operating funds for field research during the current fiscal year as well as the fact that the Government of Pakistan has not honored its previous commitment to fund on-campus research, USAID/Pakistan indicated that A.I.D. funds could be made available to support research projects. Our report (see page 20) further notes that in response to the Government's request, USAID/Pakistan committed \$148,000 in February 1990 to support the research projects. Therefore, we continue to believe that USAID/Pakistan should coordinate its decision with the Regional Legal Advisor.

Concerning Recommendation No. 6.3, USAID/Pakistan stated that it reviewed the project agreement and its funding levels and found that planned function levels are adequate to meet project objectives. Therefore, USAID/Pakistan determined that there is no need to amend the project agreement at this time. Based on USAID/Pakistan's comments, Recommendation No. 6.3 is considered **closed**.

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## **Did USAID/Pakistan ensure payments made to the Government of Pakistan for general budget support were for allowable costs and that required audits were made of project activities?**

USAID/Pakistan did not ensure payments made to the Government of Pakistan for general budget support were for allowable costs and that required audits were made of project activities.

Our review showed that USAID/Pakistan did not conduct adequate reviews of reimbursement claims for general budget support costs and ensure that the Government of Pakistan conducted the required audits.

### **Better Reviews of Reimbursement Claims Need to be Performed**

A.I.D. regulations require missions to conduct sufficient examination of reimbursement vouchers and supporting documentation to ensure that payments are made for only allowable costs. USAID/Pakistan did not perform the required examination because it has traditionally concentrated on reviewing the local cost records of A.I.D.-direct contractors and because responsible officials believed there was a lack of adequate staff to supervise and be involved in more complex financial monitoring. Consequently, USAID/Pakistan did not ensure that the \$421,520 paid to the University was for allowable costs.

#### **Recommendation No. 7: We recommend that USAID/Pakistan:**

- 7.1 request a non-Federal audit or conduct a detailed examination of supporting documents for the \$421,520 claimed by the Northwest Frontier Provincial Agricultural University for general budget support to ensure A.I.D. payments were for only allowable costs; and**
- 7.2 recover any amounts from the Northwest Frontier Provincial Agricultural University that are determined to have been paid for unallowable costs.**

A.I.D. Handbook 19, Chapter 3, requires that project officers conduct a detailed examination of reimbursement claims to ensure payments are made for only allowable costs. If the project officer agrees that the claim is proper for payment, he provides the appropriate administrative approval and sends the claim to the controller's office for payment. The project officer's approval does not relieve the certifying officer of any responsibility in ascertaining that payment is in order. Rather, project officer approval strengthens the internal control system upon which the certifying officer relies to assure that reasonable verification of the billing has taken place.

USAID/Pakistan did not appropriately follow these procedures when they made payments to the Northwest Frontier Provincial Agricultural University for general budget support. These payments were authorized to meet the increased operating costs of the University as a result of project activities during the period July 1985 to June 1989.

We reviewed the last three vouchers submitted by the University (for the period July 1987 through June 1989), with total reimbursement claims of \$246,000 of the \$421,520 paid (as of September 30, 1990). We found that the requests for reimbursement submitted by the University consisted of only a summary of expenses by category, but no detailed support was submitted that would link that cost to the project. For example, there was no documentation to support that the \$110,000 claimed for electrical charges resulted from project activities.

USAID/Pakistan officials stated that because of the tremendous volume of activity in USAID/Pakistan controller office, voucher examiners do not have the time to conduct in-depth reviews of every voucher. Therefore, they requested the University not to submit detailed support for project vouchers. To replace this in-depth review, the financial analysis section of the controller's office was to periodically review the supporting documentation at the project sites. But according to USAID/Pakistan officials, the reviews were not conducted because the controller's office has traditionally concentrated on reviewing the local cost records of A.I.D.-direct contractors and because there was a lack of adequate staff to supervise and be involved in more complex financial monitoring. Therefore, there has been no detailed reviews of University's request for reimbursement. As a result, USAID/Pakistan may have made payments to the University that were not proper.

#### **Required Audits Were Not Performed**

USAID/Pakistan did not ensure that the Government of Pakistan maintained adequate records on project activities and had audits performed as required by the project agreement. This lack of assurance occurred because USAID/Pakistan officials relied on the Government to comply with these requirements without any verification. As a result, USAID/Pakistan did not ensure compliance with the project agreement and was taking unnecessary risk that A.I.D. funds were not effectively and efficiently spent.

**Recommendation No. 8: We recommend that USAID/Pakistan take action to ensure that the Government of Pakistan complies with the project agreement's requirements for maintaining adequate records on project activities and for audits.**

The project agreement requires the Government of Pakistan to maintain (or causes to be maintained), in accordance with generally accepted accounting principles and practices, books and records related to this project. Such documents should clearly show the receipt and use of goods and services, the nature and extent of solicitation of prospective

supplies of goods and services acquired, the basis of award of contracts, and the overall progress of the project toward completion. The project agreement also requires that such books and records be audited regularly in accordance with generally accepted auditing standards.

According to A.I.D. Handbook 19, Chapter 8, mission controllers are responsible for reviewing, analyzing, and commenting upon financial reports submitted to the mission by grantees and borrowers, and by their public accountants. The controller also determines whether independent audit, when required under grant/loan agreements, was performed in a manner consistent with accepted U.S. audit practices, both as to nature and frequency of such audits, and whether it fulfills the provisions of the particular loan/grant agreement.

**USAID/Pakistan did not ensure that the Government of Pakistan maintained adequate records on project activities and had audits performed as required by the project agreement.** USAID/Pakistan officials stated that they relied on Government of Pakistan internal audits for assurance that these requirements were met. However, these internal audits were not verified or reviewed by USAID/Pakistan officials. In fact, USAID/Pakistan officials could not provide us with copies of these audit reports to substantiate that the requirements of the project agreement had been met.

Thus, USAID/Pakistan needs to take action to assure the Government of Pakistan complies with the project agreement's requirement for audits.

### **Management Comments and Our Evaluation**

USAID/Pakistan concurred with the finding and recommendation (Recommendation No. 7.1) on the need to conduct a detailed examination of supporting documents for \$421,520 claimed by the Northwest Frontier Provincial Agricultural University for general budget support. Although USAID/Pakistan's comments to a draft of this report were not fully responsive to Recommendation Nos. 7.2 and 8 to recover any amounts from the University determined to have been paid for unallowable costs and to ensure that the Government of Pakistan complies with the project agreement's requirements for maintaining adequate records on project activities and for audits, the comments indicate USAID/Pakistan concurred with the intent of these recommendations. Accordingly, Recommendation Nos. 7.1, 7.2 and 8 are resolved and will be closed when USAID/Pakistan provides documentary evidence that the recommended actions have been completed.

USAID/Pakistan believed that Recommendation Nos. 7 and 8 should be combined into one recommendation which essentially recommends that USAID/Pakistan conduct financial reviews of local cost financing in order to ensure (1) that expenditures are allowable, (2) there is adequate supporting documentation to support requests for reimbursement, and (3) there are adequate financial systems and internal controls. While

we agree these are essentially the actions recommended, we continue to believe that separate recommendations are needed (e.g., Recommendation No. 8 is needed to ensure the Government of Pakistan complies with the project agreement's requirement for maintaining adequate records on project activities and for audits).

Concerning Recommendation No. 7.1, USAID/Pakistan agreed that the controller's office should have conducted a financial review of the Northwest Frontier Provincial Agricultural University's activities and stated that such a review would be scheduled soon. USAID/Pakistan also noted certain errors in the report concerning the reasons the reviews were not made and the need for reimbursement vouchers to contain detailed supporting documents. The report was revised to correct these inaccuracies.

USAID/Pakistan's comments did not specifically address Recommendation Nos. 7.2 and 8 to recover any amounts that are determined to have been paid for unallowable costs and to take action to ensure the Government of Pakistan complies with the project agreement's requirements for maintaining adequate records and for audits. However, since USAID/Pakistan agreed to conduct a financial review to ensure A.I.D. payments were for only allowable costs, we assume USAID/Pakistan also intends to recover payments made for unallowable costs (Recommendation No. 7.2).

Concerning Recommendation No. 8, USAID/Pakistan noted that it has obtained a copy of the Government of Pakistan's Auditor General audit report on the University's 1989-90 accounts and (although the report included some findings) the audit generally concludes the accounts are well managed. Thus, USAID/Pakistan has initiated some action to ensure the Government's compliance with the project agreement's requirements for maintaining adequate records and for audits. We will consider this recommendation for closure when we receive and review a copy of the Auditor General's report.

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### **Did USAID/Pakistan follow A.I.D. procedures in monitoring, evaluating, and reporting on project progress?**

USAID/Pakistan did not follow A.I.D. procedures for monitoring, evaluating, and reporting on the project's progress. The previous sections of this report identified problems in USAID/Pakistan's project management monitoring. This section identifies two other problem areas.

In addition to issues discussed previously in this report, USAID/Pakistan can improve its project monitoring by (1) establishing quantifiable indicators (targets and timeframes) and reporting systems to measure project progress and (2) establishing a system to assure evaluation report recommendations are appropriately implemented.

## **Better Quantifiable Indicators Need to be Established for Measuring Project Progress**

Project progress could not be determined because adequate quantifiable indicators (targets and timeframes) and reporting systems were not established or implemented as required by the Foreign Assistance Act and A.I.D. regulations. Better indicators and improved reporting are needed to effectively monitor and measure project progress.

### **Recommendation No. 9: We recommend that USAID/Pakistan:**

- 9.1 establish quantifiable indicators (targets and timeframes) to measure progress towards accomplishing project objectives, and**
- 9.2 ensure that periodic reports to Mission management identify the progress in achieving each established indicator.**

The Foreign Assistance Act requires A.I.D. to establish a management system that includes (1) the definition of objectives, (2) the development of quantifiable indicators to measure progress towards these objectives, and (3) the adoption of methods for comparing actual versus anticipated results. In addition, A.I.D. Handbook 3 requires a reporting system which keeps all parties advised of the current status of project activities. The project paper is also clear as to the management information requirements. The paper provided for several baseline data collection efforts to be undertaken early in the project as a benchmark to be used in monitoring and evaluation of the project. The technical assistance team was to devise a system for continual monitoring of the progress and impact of the project.

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*The indicators established for this project are not adequate to measure the project's progress.*

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The indicators established for this project are not adequate to measure the project's progress. A review of the "objectively verifiable indicators" (contained in the project's logical framework of the revised project design paper approved in October 1989) reveals that most indicators had not been quantified and none were time-specific. For example:

- The project paper lists four "objectively verifiable indicators" to measure the project purpose: "To integrate agricultural research in the NWFP (Northwest Frontier Province) with agricultural education at the University level, improve the quality of education offered and research undertaken by the University, and strengthen linkages with agricultural extension through a problem-solving,

farmer-oriented outreach program at the University." None of the indicators for those objectives were even vaguely quantified and the only timeframe given for attainment was the end of project.

- The project paper list six different outputs for the research objective and assigns each output an "objectively verifiable indicator". None of the six indicators were quantified or time specific.

USAID/Pakistan officials agreed that adequate quantifiable indicators had not been established, that the necessary baseline studies had not been performed, and that an adequate management information system had not been implemented for the TIPAN project. These problems were recognized in its internal control assessment report (dated October 1989) and they recently developed a "purpose level monitoring system" for all projects. This system will include better defined objectives and quantifiable indicators, adopted methods for comparing actual versus anticipated results, and will set up a scheme to collect and summarize the information required for this system to work. However, USAID/Pakistan had not yet established adequate quantifiable indicators and implemented data collection and reporting systems for the TIPAN project.

In conclusion, USAID/Pakistan needs to establish quantifiable indicators (benchmarks, targets and timeframes) to measure progress in meeting project objectives and reporting progress in management reports.

#### **Follow-up Procedures on Project Evaluation** **Recommendations Need to be Improved**

A.I.D. policy requires that A.I.D. missions ensure that recommendations in project evaluation reports are resolved and appropriately implemented. Although USAID/Pakistan had a system to follow up on evaluation report recommendations, the system was not adequate because it did not track all outstanding recommendations. As a result, some recommendations made in the 1987 evaluation which had not been implemented as planned were not being adequately monitored.

**Recommendation No. 10: We recommend that USAID/Pakistan ensure that all recommendations in the 1987 project evaluation report are appropriately resolved and implemented in a timely manner.**

The A.I.D. Evaluation Handbook stipulates that A.I.D. missions should respond to recommendations presented in evaluation reports. The response should be identified in the A.I.D. Evaluation Summary and may be a complete or partial acceptance of a recommendation, a proposed alternative action that accomplishes the same objective, or rejection of a recommendation. The course of action to be followed must be documented and rejections or modification of recommendations must be explained. The missions are also required to establish a system for following up on the decided course of action in

response to evaluation recommendations to ensure that these actions are implemented.

The A.I.D. Evaluation Handbook also states that the primary purpose for conducting an evaluation is to obtain information that can help managers improve the performance and effectiveness of the activity. The Handbook further states that the evaluation process is not complete until action is taken on the evaluation report recommendations.

During the October 1989 Internal Control Assessment, USAID/Pakistan recognized that they had no organized system for following up on evaluation report recommendations to ensure that recommendations are appropriately implemented. On July 23, 1990, a USAID/Pakistan official reported in an internal memorandum that the problem had been satisfactorily resolved by the establishment of the evaluation recommendation tracking system. The memorandum indicated that the status of all outstanding recommendations would be reviewed quarterly.

However, most recommendations made in the November 1987 evaluation of the TIPAN Project had not been entered into the tracking system. USAID/Pakistan officials responsible for entering recommendations into the system stated that only the recommendations included on the face sheet of the A.I.D. Evaluation Summary are entered and tracked. For this evaluation, only two recommendations were identified on the face sheet. There were 28 other recommendations attached to the Evaluation Summary, which the project officer called "project level recommendations". These recommendations concerned the Northwest Frontier Provincial Agricultural University's administration, teaching program, research program, outreach program, learning resources, commodities acquisitions, participant training, technical assistance, home office support for the project, and host country commitment. Although the project's technical assistance contractor prepared a report in May 1990 for the USAID/Pakistan project officer on the status of implementing these 28 recommendations, this was the only report prepared on actions taken to implement the recommendations.

As a result of this weakness in the monitoring system, 16 of the 30 recommendations made in the November 1987 evaluation report, which had not been implemented, were not being monitored in the tracking system. Examples of recommendations not implemented and not tracked include the following:

- **Student Body Enrollment** - The evaluators found that the Northwest Frontier Provincial Agricultural University was producing an excess supply of graduates relative to the demand for their employment. The evaluators recommended that the University study the national and provincial agricultural manpower needs to keep the supply of graduates in line with demand. USAID/Pakistan stated in the Evaluation Summary that the University and the technical assistance team would develop a proposal to conduct a study of the Provincial human resource needs by June 1989. At the time of our audit, USAID/Pakistan officials stated that the proposal had not been developed because the study would be too large

and complex to handle with the studies already underway or planned.

- **Organizational Structure** - The evaluators found that while the University organizational structure was in place, it was not functioning as well as it should. The evaluators recommended that the technical advisors conduct a training workshop for senior University officials to help them understand the administrative process and develop additional skills for managing the resources under their control. USAID/Pakistan stated in the Evaluation Summary that they would conduct in-service workshops for senior University officials and that an administrator conference involving technical advisors and management will be conducted before the end of June 1989. At the time of our audit, USAID/Pakistan officials stated that recent changes in the University's administration has delayed the in-service workshops and administrator conference.
- **Financial Management** - The evaluators identified a problem in the University's financial management. They found that the University's budgeting and accounting system did not show budgeting and expenditures for research, teaching, and outreach which the Government of Pakistan agreed to fund. The University had no funds earmarked for carrying out these functions. To resolve the problem, the evaluators recommended that the Director of Finance for the University revise the budget and accounting system to show the expenditures made in support of teaching, research, and outreach program areas. USAID/Pakistan's Evaluation Summary indicated that the technical assistance contractor would hire a consultant to revamp the University's finance and accounting operation. The changeover was to be completed by June 1, 1989. At the time of our audit, USAID/Pakistan stated that research had its own budget, but the plan to implement budgets for teaching and outreach had not been implemented.

In conclusion, USAID/Pakistan has not taken sufficient action to implement and follow up on evaluation report recommendations because of a major weakness in USAID/Pakistan's follow-up system. The results are that problems identified three years ago still plague the project. USAID/Pakistan should ensure that all outstanding TIPAN evaluation items have been listed in its evaluation tracking system and that all recommendations in the project evaluation reports are resolved and implemented in a timely manner.

### **Management Comments and Our Evaluation**

USAID/Pakistan concurred with the findings and has already initiated actions to implement the recommended actions to establish quantifiable indicators to measure progress towards accomplishing project objectives (Recommendation No. 9.1), ensure that periodic reports to Mission management identify the progress in achieving each

established indicator (Recommendation No. 9.2), and to ensure that all recommendations in the 1987 project evaluation report are appropriately resolved and implemented in a timely manner (Recommendation No. 10).

Based on USAID/Pakistan's response, Recommendation Nos. 9 and 10 are considered resolved and will be closed when USAID/Pakistan provides us with documentary evidence that the recommended actions are completed.

USAID/Pakistan had additional comments concerning the finding and recommendation concerning the 1987 project evaluation. USAID/Pakistan stated that contrary to the report finding that the only report on the status of implementing the evaluation report recommendations was a May 1990 technical assistance contractor report, there was also a status report prepared in September 1989. (This earlier report was not identified to the auditors during the audit and a copy was not provided along with USAID/Pakistan's comments.) USAID/Pakistan also provided the current status of the examples of open recommendations identified in this finding and stated that only eight recommendations in the report had not been completed at the time USAID/Pakistan provided its comments to the draft of this report (April 30, 1991). USAID/Pakistan further stated that the status of these eight recommendations are being monitored through weekly meetings with the project's technical assistance contractor and Government of Pakistan staff. Based on their current monitoring system, USAID/Pakistan felt that Recommendation No. 10 should be withdrawn from the final report.

Although USAID/Pakistan now has a system for monitoring the status of the recommendations, such a system was not in place at the time of the audit. Accordingly, this recommendation remains in the final report and will be closed when USAID/Pakistan provides us evidence that all recommendation in the 1987 project evaluation report are appropriately resolved and implemented.

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# REPORT ON INTERNAL CONTROLS

We have audited USAID/Pakistan's Transformation and Integration of the Provincial Agricultural Network (TIPAN) Project from its inception (August 1984) through October 5, 1990, and have issued our report thereon dated May 24, 1991.

## Scope of Our Internal Control Assessment

We performed our audit in accordance with generally accepted government auditing standards which require that we:

- assess the applicable internal controls when necessary to satisfy the audit objectives; and
- report on the controls assessed, the scope of our work, and any significant weaknesses found during the audit.

We limited our assessment of internal controls to those controls applicable to the audit's objectives and not to provide assurance on the auditee's overall internal control structure.

For the purposes of this report, we have classified significant internal control policies and procedures applicable to each audit objective by categories. For each category, we obtained an understanding of the design of relevant policies and procedures and determined whether they have been placed in operation—and we assessed the control risk. We have reported these categories as well as any significant weaknesses under the applicable section heading for each audit objective.

## General Background on Internal Controls

The management of A.I.D., including USAID/Pakistan, is responsible for establishing and maintaining adequate internal controls. Recognizing the need to re-emphasize the importance of internal controls in the Federal Government, Congress enacted the Federal Manager's Financial Integrity Act (the Integrity Act) in September 1982. This Act, which amends the Accounting and Auditing Act of 1950, makes the heads of executive agencies and other managers as delegated legally responsible for establishing and maintaining adequate internal controls. Also, the General Accounting Office (GAO) has

issued "Standards for Internal Controls in the Federal Government" to be used by agencies in establishing and maintaining such controls.

In response to the Integrity Act, the Office of Management and Budget (OMB) has issued guidelines for the "Evaluation and Improvement of Reporting on Internal Control Systems in the Federal Government." According to these guidelines, management is required to assess the expected benefits versus the related costs of internal control policies and procedures. The objectives of internal control policies and procedures for Federal foreign assistance are to provide management with reasonable—but not absolute—assurance that resource use is consistent with laws, regulations, and policies; resources are safeguarded against waste, loss, and misuse; and reliable data is obtained, maintained, and fairly disclosed in reports. Because of inherent limitations in any internal control structure, errors or irregularities may occur and not be detected. Moreover, predicting whether a system will work in the future is risky because (1) changes in conditions may require additional procedures or (2) the effectiveness of the design and operation of policies and procedures may deteriorate.

In doing our audit, we found certain problems that we consider reportable under standards established by the Comptroller General of the United States. (Note: In its October 1989 internal control assessment required by the Integrity Act, USAID/Pakistan identified unsatisfactory systems for three problem areas included in this report—the areas were identifying contractor's nonperformance, designing projects with information components for sound monitoring, and following up on project evaluation recommendations. However, at the time of our review, USAID/Pakistan had considered the problems resolved, whereas our audit showed continued problems). Reportable conditions are those relating to significant deficiencies in the design or operation of the internal control structure which we become aware of and which, in our judgment, could adversely affect USAID/Pakistan's ability to assure that resource use is consistent with laws, regulations, and policies; resources are safeguarded against waste, loss, and misuse; and reliable data is obtained, maintained, and fairly disclosed in reports.

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### **Conclusion for Audit Objective One**

The first audit objective was to determine the progress of the project. The sources of information was the 1987 and 1989 project evaluation reports, USAID/Pakistan and the technical assistance contractor's progress reports and financial reports, project design documents and interviews. For this objective, the categories of applicable internal controls and the reportable problems are covered under audit objectives two and eight.

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## **Conclusion for Audit Objectives Two and Three**

Objectives two and three concern the procurement of technical assistance and construction services under three A.I.D. direct contracts. In planning and performing our audit of these contracts, we considered the applicable internal control policies and procedures cited in the Federal Acquisition Regulations (FAR), A.I.D. Acquisition Regulations (AIDAR), and A.I.D. Handbooks 3, 14 and 19. For the purposes of this report, we have classified policies and procedures into the following categories: the procurement planning process, the contract award process, and the contractor monitoring process.

We noted three reportable conditions related to the control and adequacy of the contractors' reporting and USAID/Pakistan's budgetary planning:

- The technical assistance contracts scope of work, and the contractor's annual workplans and progress reports were not adequate to measure the contractor's performance.
- An adequate monitoring system had not been established to accurately measure construction contractor's progress.
- USAID/Pakistan did not revise funding requirements for construction based on the devaluation of local currency and did not adequately determine or document if there was a continued need for uncommitted construction funds.

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## **Conclusion for Audit Objective Four**

Objective four concerned participant training. In planning and performing our audit of participant training, we considered the applicable internal control policies and procedures cited in A.I.D. Handbook 10. For the purpose of this report, we have classified participant training policies and procedures into the following categories: the planning process, monitoring process, and the tracking of returned participants process.

We noted one reportable condition:

- USAID/Pakistan did not adequately consider certain factors (e.g., A.I.D.'s policies that participants trainees return to the recipient country at least 6 months prior to the project completion date) when developing its participant training plan.

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## **Conclusion for Audit Objective Five**

This objective relates to the procurement of project commodities. In planning and performing our audit of the commodities, we considered the applicable internal control policies and procedures cited in A.I.D. Handbooks 3 and 15. For the purposes of this report, we determine the relevant policies and procedures for ensuring the effective use of commodities.

We noted one reportable condition relating to control over A.I.D.-funded commodities:

- End-use reviews had not been conducted to ensure that commodities were being effectively used.

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## **Conclusion for Audit Objective Six**

This objective relates to USAID/Pakistan's monitoring procedures for the Government of Pakistan's project contributions. In planning and performing our audit of Mission accounting, we considered the applicable internal control policies and procedures cited in A.I.D. Handbook 3. For the purposes of this report, we have classified the relevant policies and procedures into two categories: the budgeting process and monitoring process.

We noted one reportable condition relating to monitoring of host country contributions:

- USAID/Pakistan did not follow A.I.D. procedures to ensure that the Government of Pakistan provided its contribution to the project.

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## **Conclusion for Audit Objective Seven**

This objective relates to the Mission's accounting for the A.I.D. funding to the Northwest Frontier Provincial Agricultural University for general budgetary support and host country audits of project activities. In planning and performing the Mission's accounting, we considered the applicable internal control policies and procedures cited in A.I.D. Handbook 3 and 19 and the Controller's Handbook. For the purposes of this report, we have classified the relevant policies and procedures into the following categories: the budgetary accounting system, disbursement process, voucher examination process, and the reporting process.

We noted two reportable conditions relating to the ensuring that payments were made to

the University for allowable cost and ensuring that the Government of Pakistan conducted the required audits:

- USAID/Pakistan did not follow A.I.D. procedures to ensure payments for general budget support were for only allowable costs.
- USAID/Pakistan did not ensure the Government of Pakistan maintained adequate records of project activity and had audits performed.

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## **Conclusion for Audit Objective Eight**

This objective relates to the project monitoring and evaluation of the project. In planning and performing our audit of project evaluation, we considered the applicable internal control policies and procedures cited in A.I.D. Handbook 3 and the A.I.D. Evaluation Handbook. For the purposes of this report, we have classified the relevant policies and procedures into five categories: the planning process, project organization process, project staffing process, implementation process, and the evaluation and reporting process.

We noted two reportable conditions relating to establishing quantifiable indicators to measure project progress and evaluation recommendation follow-up:

- Adequate quantifiable indicators (targets and timeframes) and reporting systems were not established to measure project progress.
- Adequate system to follow up on evaluation report recommendations had not been established.

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A material weakness is a reportable condition in which the design or operation of the specified internal control elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial reports on project funds being audited may occur and may not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of internal controls would not necessarily disclose all matters that might be reportable conditions and, accordingly, would not necessarily disclose all

reportable conditions that are also considered to be material weaknesses as defined above. However, we believe that the reportable conditions described under all audit objectives are material weaknesses.

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# REPORT ON COMPLIANCE

We have audited USAID/Pakistan's Transformation and Integration of the Provincial Agricultural Network Project from its inception (August 1984) through October 5, 1990, and have issued our report thereon dated May 24, 1991.

## Scope of Our Compliance Assessment

We conducted our audit in accordance with generally accepted government auditing standards which require that we:

- assess compliance with applicable requirements of laws and regulations when necessary to satisfy the audit objectives (which includes designing the audit to provide reasonable assurance of detecting abuse or illegal acts that could significantly affect the audit objectives) and
- report all significant instances of noncompliance and abuse and all indications or instances of illegal acts that could result in criminal prosecution that were found during or in connection with the audit.

We tested USAID/Pakistan, appropriate contractors, and host-government compliance with certain provisions of Federal laws and regulations, and contractual obligations. However, our objective was not to provide an opinion on overall compliance with such provisions.

## General Background on Compliance

Noncompliance is a failure to follow requirements, or a violation of prohibitions, contained in statutes, regulations, contracts, grant and binding policies and procedures governing entity conduct. Noncompliance constitutes an illegal act when there is a failure to follow requirements of law or implementing regulation, including intentional and unintentional noncompliance and criminal acts. Not following internal control policies and procedures in the A.I.D. Handbooks generally does not fit into this definition and is included in our report on internal controls. Abuse is distinguished from noncompliance in that abusive conditions may not directly violate laws or regulations. Abusive activities may be within the letter of the laws and regulations but violate either their spirit or the more general standards of impartial and ethical behavior.

Compliance with Federal laws and regulations, and contractual obligations applicable to the Project is the overall responsibility of USAID/Pakistan's management.

### **Conclusions on Compliance**

The results of our tests of compliance disclosed the following significant instances of noncompliance:

- Audit Objective No. 2 - The technical assistance contractor was not complying with the contract requirements for the preparation of workplans and progress reports (Section C, Article III).
- Audit Objective No. 6 - USAID/Pakistan could not provide evidence that the Government of Pakistan provided its required contributions as required by the project agreement (Annex 1, Amendment 5).
- Audit Objective No. 7 - USAID/Pakistan could not provide evidence that the Government of Pakistan regularly audited the books and records relating to the project as required by the project agreement (Annex 2, Article B: Section B.5).

Except as described, the results of our tests of compliance indicate that, with respect to the items tested, USAID/Pakistan, contractors, and the Government of Pakistan complied, in all significant respects, with the provisions referred to in the fourth paragraph of this report. With respect to items not tested, nothing came to our attention that caused us to believe that USAID/Pakistan, contractors, and the Government of Pakistan had not complied, in all significant respects, with those provisions.

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## SCOPE AND METHODOLOGY

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### **Scope**

We audited USAID/Pakistan's Transformation and Integration of the Provincial Agricultural Network in accordance with generally accepted government auditing standards. We conducted the audit from June 4 through October 5, 1990, and covered the systems and procedures relating to project inputs financed by A.I.D. from August 1984 (project inception) through September 30, 1990. We conducted our field work in the offices of USAID/Pakistan in Islamabad, and at the Northwest Frontier Provincial Agricultural University (project site) in Peshawar and its research institutes at Tarnab, Pirsabak, and Mingora.

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### **Methodology**

The methodology for each audit objective follows:

#### **Audit Objective One**

To accomplish the first audit objective, we reviewed documents, such as the project paper and agreements, and the 1987 and 1989 project evaluation reports, USAID/Pakistan project implementation reports and the quarterly progress reports prepared by the technical assistance contractor to determine the project objectives and identify progress towards meeting these objectives. We also interviewed USAID/Pakistan's technical assistance contractors and Government of Pakistan officials to obtain their views on the project's progress and problems.

#### **Audit Objectives Two and Three**

To accomplish the second and third audit objectives, we determined whether: (1) allowable forms of contracts were selected; (2) proper competitive procedures were followed in choosing contractors; (3) contracts provided reasonable assurances that the

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necessary services would be provided on time; (4) contracts were expeditiously awarded; (5) contractors were capable of performing according to contract terms; (6) contractors were performing in accordance with the contract's statement of work; and (7) contracting and performance data was obtained, maintained, and fairly disclosed in reports. To accomplish these ends, we examined the Project Paper's procurement plan, administrative analysis and supporting files, the project agreement, project implementation letters, advertisements, notices to prospective offerers, lists of qualified offerers, statement of work, requests for technical proposals, proposals, selection panel results, cost proposals, memoranda relating to contract negotiations, biographic data of key contractor personnel, contracts, A.I.D. approvals, contractor reports, site visit reports, progress reports, and contract monitoring files. We also held discussions with contractor personnel and Government of Pakistan and USAID/Pakistan officials.

#### **Audit Objective Four**

To accomplish the fourth audit objective, we determined whether: (1) planning for participant training was adequate; (2) A.I.D. policies and procedures were followed for selecting participant trainees; (3) participant trainees were adequately monitored while they were in training; and (4) participants worked in appropriate fields when they returned from overseas training. We examined project planning documents, participant trainee files for 20 of the 32 participants who had completed or were in training at the time of our audit, and contractor's progress reports for the period January 1, 1989 through June 30, 1990. We interviewed USAID/Pakistan officials, Government of Pakistan officials, the contractor, and six returned participants.

#### **Audit Objective Five**

To accomplish the fifth audit objective, we determined whether (1) commodity were properly stored until needed; (2) commodities were used for the purposes intended; and (3) the host country properly reported the receipt, storage, and use of the commodities. We examined the project paper's procurement plan, justifications and waivers, all Project Implementation Orders/Commodities, payment vouchers and accompanying documents for vehicles, project implementation reports, all available site visit reports, the project agreement, and the property records and warehouse receipts and issue documents at the Northwest Frontier Provincial Agricultural University.

#### **Audit Objective Six**

To accomplish the sixth audit objective, we determined whether the Mission had established procedures to monitor Government of Pakistan contributions to the project and determined whether the controller had performed required reviews of the Northwest Frontier Provincial Agricultural University accounting and reporting systems on financial

contributions. We examined internal control assessments, the project agreement, evaluation reports, and progress reports. We interviewed contractors, USAID/Pakistan management, and Government of Pakistan project officials.

### **Audit Objective Seven**

To accomplish the seventh audit objective, we determined whether: (1) the Government of Pakistan was billed for disallowed costs and refunded such costs to A.I.D. in an expeditious manner; (2) vouchers were promptly and properly recorded to appropriate commitment liquidation records; and (3) USAID/Pakistan ensured required audits were performed.

To accomplish the above, we examined the budget allowance ledgers, the project agreement, amendments project implementation letters, the project ledger, commitment documents funds control ledgers, earmark control records and earmarking documents, commitment liquidation records, vouchers, commitment liquidation record reports, and comprehensive pipeline reports.

The audit included appropriate tests of supporting records and reports. Audit tests focused on the budgeting and disbursement processes for the general budgetary support to the Northwest Frontier Provincial Agricultural University and were based on a judgmental sample of \$246,000 of the \$422,000 paid to the University as of September 30, 1990. Vouchers were selected to determine whether they had been administratively approved, subjected to a detailed mission accounting office examination, and payments were made only for allowable costs. We interviewed responsible USAID/Pakistan officials.

### **Audit Objective Eight**

To accomplish the eighth audit objective - monitoring we: (1) examined reports to determine whether the USAID/Pakistan monitored, evaluated, reported, and delineated the roles of the project officer, project committee, office directors, mission director, and others; (2) determined the size of the mission portfolio as well as how projects were allocated among project officers; (3) obtained the views of mission personnel about the effectiveness of the project management system, including whether there were any obstacles to performing the required responsibilities; (4) concluded whether significant weaknesses in the project management structure prevented the mission from

- monitoring host country compliance with legislation, regulatory and A.I.D. policies, procedures, and regulations;
- ensuring timely and coordinated provision of A.I.D. financing and/or inputs;

- identifying potential problems and issues by gathering timely information on inputs, outputs, and actions which are critical to project success;
- assuring that A.I.D.-financed commodities and services are used effectively to produce the intended benefits;
- identifying implementation problems;
- determining the continuing appropriateness of the project design and the need for in-depth evaluation; and
- preparing periodic reports for the mission and bureau review.

For project evaluation, we determined whether: (1) the USAID/Pakistan's evaluation system was working as intended; (2) project management had established and was monitoring an evaluation plan and had assessed the quality of evaluation reports; (3) evaluation recommendations had been resolved; and (4) determined whether USAID/Pakistan had a recommendation follow-up system and if appropriate corrective action was being taken in a timely manner. We reviewed A.I.D. and USAID/Pakistan policies concerning project evaluations. We interviewed officials of USAID/Pakistan, the technical assistance contractor, and the Government of Pakistan.

To accomplish the above, we: (1) analyzed Internal Control Assessments and supporting documentation to identify weaknesses in the project management structure; (2) determined whether action plans adequately assessed the status of the project, provided recommendations for addressing problems, and whether these recommendations were being implemented; (3) examined critical assumptions included as covenants to agreements, and determined whether the project officer was monitoring those covenants to agreements; (4) determined whether Project Management Information System (PROMIS) and Purpose Level Monitoring system accurately reported the progress of the project, delays, substantive issues, problems, and the action being taken; (5) determined whether the mission director had established a system to ensure problems reported in the reports were acted upon; and (6) determined whether bureau comments were received and the action taken. Additional records examined included Mission Orders, organizational charts, the Country Development Strategy Statement, Mission Action Plan, and relevant memoranda and reports of the project committee, project officer, and other personnel.

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UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT  
MISSION TO PAKISTAN

Cable: USAIDPAK

HEADQUARTERS OFFICE  
ISLAMABAD

Office of the Director

30 APR 1991

MEMORANDUM

From James A. Norris, Mission Director, USAID/Pakistan  
To James B. Durnil, RIG/A/Singapore  
Sub: Draft Audit Report on USAID/Pakistan's TIPAN Project

Enclosed is our response to the RIG/Singapore's draft audit report on USAID/Pakistan's TIPAN Project.

Thank you and Mr. Whitney Glenn for meeting with our staff in Washington to discuss the report. We found the meetings worthwhile for understanding several points and being able to clarify our procedures and systems. We also appreciate the additional time allowed for our responding to the Report since we were all impacted by the recent Gulf War.

We look forward to receiving the final report.

Mission Response to Recommendations  
Islamabad, Pakistan

AUDIT OBJECTIVE: DID USAID/PAKISTAN FOLLOW AID PROCEDURES IN AWARDING TECHNICAL ASSISTANCE CONTRACTS TO QUALIFIED AND ELIGIBLE CONTRACTORS AND IN OBTAINING THE REQUIRED SERVICES AND REPORTING FROM THE CONTRACTORS?

RECOMMENDATION NO. 1: We recommend that USAID/Pakistan:

1.1 ensure a well-defined scope of work (or life-of project workplan) for the technical assistance contractor is developed that includes the benchmarks (targets and timeframes) needed by USAID/Pakistan and others to objectively measure the contractor's performance and project progress;

1.2 require the technical assistance contractor to prepare annual workplans which contain the necessary details about specific tasks to measure the progress of project activities; and

1.3 ensure that progress reports address the progress to date in achieving the objectives as described in the scope of work in the contract and in accomplishing the specific tasks outlined in the workplan, including a description and analysis of problems, constraints, and recommended solutions.

RESPONSE: Mission accepts recommendations and is working with contractor to ensure that a) the contract scope of work is re-defined to include benchmarks and timeframes which will facilitate the objective measurement of contractor and project progress; b) the contractor prepares annual workplans which contain sufficient detail about specific tasks to permit measurement of progress of project activities; and c) progress reports address the progress to date in achieving the objectives as described in the scope of work in the contract and in accomplishing the specific tasks outlined in the workplan, including a description and analysis of problems, constraints and recommended solutions.

Comment: Using the PP as amended and the purpose level monitoring indicators while also drawing on past annual workplans (deficient as they are) we will map out project objectives in a matrix format which will facilitate definition and monitoring. As the blanks of the matrix are completed and we guide the contractor on preparation of its next annual workplan the emphasis will be on clarity and specificity of definition. The contractor will be required to provide a historical perspective - a section which tells where the project is in its achievements and shortfalls with respect to project objectives. Then the workplan will need to spell out

clearly what part of the project objectives the current year will target and expect to achieve. This needs to be broken down by sub-objectives (outputs to be achieved), activities needed to carry out those objectives and the inputs needed to perform those activities. A further breakdown by quarter is needed and in some cases even within quarters. Budgets must have a clear and logical link to the activities and inputs needed.

Full and active participation of host country counterparts is essential in the above described process to ensure a sustainable institution on completion of the project.

We also note that the workplan should be for the project, not just the contract. As such all outputs expected from the project during the year in question would be described and linked to inputs and budgets.

Regarding curriculum improvement as noted on page seven of the draft, there have been improvements already, however the point that clear expectations are needed in order to accurately measure progress toward the project purpose is still valid.

On page eight of the draft states that the auditors found little evidence to indicate that the progress reports had been reviewed. The Mission does value the quarterly progress reports, however to keep better informed and active in actual project management the Project Officer holds regular weekly meetings with the TA team and counterpart officials. These meetings ensure that USAID is always current on project progress. During the first and second quarters of FY 91 we did formally review the quarterly reports and will continue to do so during the remaining life of project.

**AUDIT OBJECTIVE: DID USAID/PAKISTAN FOLLOW A.I.D. PROCEDURES IN (A) OBTAINING QUALIFIED AND ELIGIBLE CONSTRUCTION CONTRACTORS AT A FAIR PRICE, (B) MONITORING THE CONSTRUCTION CONTRACTOR'S PERFORMANCE, AND (C) MONITORING A.I.D.'S FUNDING REQUIREMENTS?**

**RECOMMENDATION NO. 2: We recommend that USAID/Pakistan implement a more accurate method for measuring construction progress and amend the construction contract accordingly.**

**RESPONSE: The Mission accepts the recommendation and has amended the contract accordingly. The mission requests closure of this recommendation based on the amendment (attached).**

**Comments: A more accurate method to gauge construction progress has been adopted based upon a "Cost Loaded" critical path method (CPM) format. USAID, the construction contractor ENCORP and the**

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A/E firm of Skidmore, Owings and Merrill (SOM) are fully satisfied with and in agreement to use this method. Work progress has been measured and payments made on this method from the 17th payment (dated 4th December, 1990) onwards. This method has been incorporated into the ENCORP contract vide amendment 5. Attached is the text of amendment 5 to the contract. Please see part II of this modification which describes the payment method in detail.

RECOMMENDATION NO. 3.: We recommend that USAID/Pakistan make adjustments for the devaluation of the local currency and determine if the \$3.8 million identified in this report for project construction can be deobligated/reobligated.

RESPONSE: Mission accepts the recommendation and has conducted a financial analysis and identified \$3.5 million available resulting from devaluation of the local currency. The USAID has reviewed and determined that these funds will be essential to complete the construction of the NWFP AU. Inflation of the cost of construction materials and extensions of the period of construction caused by delays due to the Gulf War will absorb the funds available.

AUDIT OBJECTIVE: DID USAID/PAKISTAN AND THE GOVERNMENT OF PAKISTAN FOLLOW A.I.D. PROCEDURES IN (A) PLANNING FOR PARTICIPANT TRAINING, (B) MONITORING PARTICIPANTS WHEN THEY WERE IN TRAINING, AND (C) ASSURING THAT PARTICIPANTS WORKED IN APPROPRIATE FIELDS WHEN THEY RETURNED FROM OVERSEAS TRAINING?

RECOMMENDATION NO. 4. We recommend that USAID/Pakistan:

4.1 revise the life-of-project training plan to include realistic targets, timeframes, and funding requirements based on expected achievements within the implementation period; and

4.2. reprogram participant training funds identified as not needed based on the revised plans.

RESPONSE: The Mission accepts the recommendations and attaches a copy of the revised training plan. Funds provided under the original plan will be fully utilized. Based on the revised plan the Mission recommends closure of the recommendations.

Comments: The revised training plan reflects adjustments in programs to be responsive to the needs of the NWFP AU and will be completed during the life-of-project.

**AUDIT OBJECTIVE: DID USAID/PAKISTAN FOLLOW A.I.D. PROCEDURES IN ENSURING THE TIMELY AND EFFECTIVE USE OF COMMODITIES?**

**RECOMMENDATION NO 5:** We recommend that USAID/Pakistan conduct the end-use reviews in accordance with USAID/Pakistan Mission Order No. PAK-15-1.

**RESPONSE:** The Mission accepts the recommendation and based on the attached Project Officer's Inspection Report requests that the recommendation be closed.

**Comment:** The Project Officer continues to conduct end-use reviews of project commodities in accordance with USAID/Pakistan Mission Order No. PAK-15-1 as per Attachment entitled "Project Officer's Inspection Report - Commodity Tracking System for project funded vehicles, manual typewriters, computers, photocopiers and vacuum cleaners". The NWFP AU maintains a complete record of all project funded commodities received and distributed under the TIPAN Project by end-users. All of these records have been obtained and are being monitored by the Project Officer on the pattern of the Attachment.

**AUDIT OBJECTIVE: DID USAID/PAKISTAN FOLLOW A.I.D. PROCEDURES TO ENSURE THAT THE GOVERNMENT OF PAKISTAN PROVIDED ITS REQUIRED PROJECT CONTRIBUTION?**

**RECOMMENDATION NO. 6:** We recommend that USAID/Pakistan:

6.1 develop and implement procedures to ensure that the Government of Pakistan provides its required project contributions;

6.2 in coordination with the Regional Legal Advisor, determine the propriety of paying \$148,000 for research that was originally planned to be borne by the Government of Pakistan; and

6.3 determine whether the agreement should be amended to increase the Government of Pakistan's contributions to the project.

**RESPONSE:** 6.1 The Mission accepts the recommendation and will use Provincial and Federal Financial documentation to verify the GOP contributions. We request closure of the recommendation.

Comments: On page 17 of the draft referred to Section 110 of the Foreign Assistance Act which required that host countries must contribute at least 25% of the cost of AID funded development assistance (DA) projects. The TIPAN project is funded through two sources, DA and ESF accounts. Out of the total obligation of \$43.5 million \$12 million are DA funds. The 25% of \$12 million is \$3 million which, if evaluated at the current exchange rate of \$1 = Rs 23, comes to Rs. 69 million. The GOP has already spent Rs. 90 million out of federal funds alone, thus the condition of GOP's contribution of 25% of the total development assistance costs have already been met.

The draft report also referred to the Project Agreement which required the GOP to provide Rs. 434.3 million, equivalent to \$29 million, as the GOP contribution to the project costs. The same Project Agreement provided footnote 4 which said that the GOP contribution of Rs. 434.3 million "includes local currency contribution as reflected in Annual Development Programs (ADP) plus in-kind contribution by both Provincial and Federal Governments". The GOP's contribution of Rs. 434.3 million includes Rs. 178 million in Federal Development Funds and Rs. 60 million in Provincial Development Funds. The rest of the contribution will be in-kind. In addition to the Rs. 90 million already accounted for Rs. 8 million have been provided during the GOP FY 90/91 and Rs. 43 million will be received during FY 91/92. The remaining Rs. 36 million will be provided during the remainder of the project.

NWFPAU prepares its ADP and Budget which is approved by the syndicate and is considered as an authority for the University to spend funds. Therefore, the document prepared by the University entitled "Financial Estimates for the Budget Year 1990-91 (ADP)" is a valid and adequate document for verification of the GOP contribution. Similarly, the research budget of the NWFPAU comes from the Provincial Government. Their document "Demands for Grants Current Expenditure for 1990-91" gives the authority to each department to spend money against their authorized budget estimates. Thus the Mission finds these two documents to be adequate to verify the GOP contribution.

USAID/Pakistan reviews these two documents on a continuous basis to verify the GOP contribution. Copies of the relevant pages from those two documents are enclosed for your information.

RESPONSE: 6.2 The Mission has reviewed the recommendation and found that the \$146,000 of research costs were appropriately borne by the project as they were additive and not a substitute for GOP funds used for research. We request the recommendation be closed.

Comments: Before TIPAN virtually all research conducted on campus was a part of graduate degree thesis programs. The only field type practical research was conducted at research stations. Research

was routine and of very low quality. One of TIPAN's objectives is to improve the quality of research, make it problem solving, and give it a farmer-responsive approach. As a first step in that direction USAID suggested to the NWFPAU to projectize its research. According to the new system researchers, both on campus and off campus, would submit project proposals to a peer group for review and approval. During 1989/90 160 proposals were submitted for review from which 53 were approved and funded. Others not funded were rejected because of the quality of the proposals was not adequate.

Thus additional funds (above those promised and provided by the GOP) were provided from TIPAN to improve the quality of research in an innovative program. Funds did not substitute for GOP funds which indeed were provided to carry on more traditional programs. The USAID feels funds were appropriately used to foster better research in a developmental context and that they are fully in line with accomplishing the project goal and purpose.

RESPONSE: 6.3 USAID has reviewed the agreement and its funding levels and finds that planned funding levels are adequate to meet project objectives and to conform to legislative requirements. Therefore USAID has determined that there is no need to amend the agreement with the GOP at this point in time to increase its contribution. However, the USAID will monitor on a continuous basis to make sure that the GOP honors its commitment.

**AUDIT OBJECTIVES: DID USAID/PAKISTAN ENSURE PAYMENTS MADE FOR GENERAL BUDGET SUPPORT WERE FOR ALLOWABLE COSTS AND THAT REQUIRED AUDITS WERE MADE OF PROJECT ACTIVITIES?**

**RECOMMENDATION NO. 7.** We recommend that USAID/Pakistan:

- 7.1 conduct a detailed examination of supporting documents for the \$421,520 claimed by the Northwest Frontier Provincial Agricultural University for general budget support to ensure AID payments were for only allowable costs; and
- 7.2 recover any amounts from the Northwest Frontier Provincial Agricultural University that are determined to have been paid for unallowable costs.

**RECOMMENDATION NO.8.** - We recommend that USAID/Pakistan take action to ensure that the Government of Pakistan complies with the project agreement's requirements for maintaining adequate records.

**RESPONSE:** See comments below:

**Comments:**

We believe that Recommendations 7 and 8 should be combined into one recommendation which essentially recommends the USAID conduct financial reviews of local cost financing under commitment PILs in order to ensure (1) that expenditures are allowable, (2) there is adequate supporting documentation to support requests for reimbursement, and (3) there are adequate financial systems and internal controls.

We agree that the USAID Controller, Financial Analysis Branch (FIN/FA) should have conducted a financial review of this activity. FIN/FA will schedule such a review soon. The draft report is incorrect to say that financial reviews were not conducted due to time and travel constraints. The reviews were not conducted because FIN/FA has traditionally concentrated on reviewing the local cost records of AID-direct institutional contractors, and (2) the lack of USDH time to supervise and be involved in more complex financial monitoring. FIN/FA has now become more involved in reviewing GOP implemented local cost financing, and financial reviews have been recently completed for the Tribal Areas, NWFP and Balad Area Development Projects.

A third USDH position was recently approved for the Controller's Office, thus in the future there will be more USDH emphasis on financial monitoring of projects.

We disagree with the implication that AID regulations require Project Officers to conduct a detailed examination of reimbursement vouchers which are to contain detailed supporting documents. In fact, we are not aware of any place where AID has specified the payment standard, other than for AID-direct contracts for services. By payment standard, we mean the level of supporting detail required to support vouchers. AID direct contracts for services with U.S. entities essentially require a summary invoice. AID Handbook 11 specifies an itemized invoice, alongwith Form AID-1440-3, and the host country certificate of performance. AID Handbook 3, Chapter 8 on the use of PILs, doesn't even contemplate the use of a PIL as a commitment document for local cost financing. Due to a lack of guidance, many local cost commitments do not even indicate what is an allowable cost. The criteria for Project Officer administrative approval, in fact includes a variety of disqualifications for various types of costs and in many cases specifies that a detailed examination is not required.

We do not agree that detailed supporting documents and receipts should be submitted routinely as a part of payment documentation. Modern business essentially operates on a post audit basis. There needs to be adequate audits and financial reviews in order to give one reasonable assurance. We envision financial coverage to include (1) RIG/A audits, (2) NFAs, and (3) reviews by the FIN/FA. We agree that there needs to be more and better FIN/FA reviews.

It should also be noted that the Mission has a copy of the GOP Auditor General audit of the University's 1989-90 accounts. Although there are some findings, the audit generally concludes the accounts are well managed.

**AUDIT OBJECTIVE: DID USAID/PAKISTAN FOLLOW A.I.D. PROCEDURES IN MONITORING, EVALUATING, AND REPORTING ON PROJECT PROGRESS?**

**RECOMMENDATION NO.9 - We recommend that USAID/Pakistan:**

- 9.1 establish quantifiable indicators (targets and timeframes) to measure progress towards accomplishing project objectives, and
- 9.2 ensure that periodic reports to mission management identify the progress in achieving each established indicator.

**RESPONSE: Mission accepts the recommendations and requests closure based on the PLM development process contained below:**

**Comments:**

To add a little perspective the USAID have included in the comments the development that was done in Phase-I (FY 90) which more or less coincided with the time the auditors were in Pakistan.

**PLM Indicators:**

**FY90:** Quantifiable purpose level indicators were developed beginning in January 1990. By the following April we had a set of indicators that were agreed upon by PDM, ARD and the TA team. At that time the TA team was charged with identifying the process by which the data was to be collected and collecting at least the data needed for the current reporting year. The collecting was done; the "process" still fails somewhere in the grey area.

**FY91:** As with all projects, the PLM report for TIPAN will undergo an annual review process. Two important elements to this year's review will be the inclusion of the GOP, in particular the Vice Chancellor of the AU/NWFP, and a concentrated effort on tightening up the precise definition of the indicators and the elements included in them. Specific items that we know we must address (some of which will also address particular recommendations in the Audit report) include:

1. **Organizational Strength Index - Review to ensure that it conforms to Mission guidelines for such indexes;**
2. **Budget - Agree on definitions;**
3. **Farmer Utilization - Establish a definition and approach to identifying the utilization by farmers of university-developed technology;**
4. **Participant Training - Currently included in the form of an output indicator; expand to include the utilization, i.e., how many returned participants are placed in the position for which they were trained and/or that allows them to utilize the training received;**
5. **Construction - Currently included as an output indicator; establish with O/ENG the definition, criteria and process (CPM based) to use in tracking the progress of construction.**

The monitoring of commodity use is an element that has heretofore not received much attention, but in view of the audit recommendation it could be incorporated into the PLM reporting.

#### **Targets and Timeframes**

**FY90:** Development of targets for TIPAN had just begun prior to the annual review in October. With few exceptions there are no targets included in the October 1990 report.

**FY91:** 1. **Life of Project Targets - Development will begin by identifying quantifiable targets to be achieved by the PACD. Target definition is based on four sources:**

- a) **Project Paper. Some targets are defined in the Project Paper or the Amendment, i.e., the percent of graduates employed broken down by public and private sector employment).**
- b) **Mission Guidelines. To help establish uniformity across the Mission's portfolio, guidelines are being developed for indicators that reflect cross-cutting areas. Examples of such areas are institutional development as reflected in the Organizational Strength Index,**

training, and infrastructure development.

- c) Professional Standards. Some targets will be defined by using comparisons to similar institutions or functions. For instance, the number of research publications targeted will most likely be based on a ratio of publications to professors that could reasonably be found at a comparable institution.
  - d) Best Guesstimate. When none of the first three methods is appropriate, the best guess methodology takes over - what can we reasonably expect to achieve within the given level of effort. An indicator where this most likely will be used is the percent of joint outreach functions.
2. Interim Targets and Timeframe - Once the life of project targets have been established a reasonable timeframe for looking at interim targets will be established. The setting of annual targets will probably not enhance the PLM system. It is more likely that mid-term targets will be set. In the case of TIPAN with a PACD of 1994, we can expect to set interim targets for 1992.
3. During the annual review of the project's PLM report, adjustments may be made to the targets. Adjustments may be warranted due to changes in focus or scope of the project, PACD or life of project funding. Original targets should not be dropped in this process, but will serve to highlight the change made.

**Data Collection:**

- FY90: For the 1990 PLM report data was collected and reported by the TA team in September 1990. This ad hoc reporting resulted in data that was probably valid for the particular point in time, but it would be extremely unlikely that this approach would hold up over time and produce a comparable data set.
- FY91: Major efforts will be undertaken this year to establish a well-defined, functional and verifiable data collection system. The major components involved in this effort will address and establish to WHO, WHEN, WHAT & HOW of the monitoring system.

1. WHO: Establish responsibility for all areas in the collection and monitoring process. Most importantly this will include agreement on the tasks to be shared by the Vice Chancellor or his designee and the TA team.
2. WHEN: Establish the time sequence for collecting the data for the various indicators. The timing will vary from indicator to indicator.
3. WHAT: Establish/institutionalize the indexes, surveys, etc. needed to complete the indicators. For instance, various survey and questionnaire instruments are needed to provide the data for the Graduate Exit Evaluation and the Percent of Graduates Employed. We must assure that the all parties agree on the instrument used.
4. HOW: Establish the manner in which the data will be collected. In the case of the surveys, we must reach agreement on how they will be administered, to whom and how many, etc.

Once these major questions are answered the monitoring process will be fairly well defined. Further work can then be done on how the TA Team will store and report the data.

### PLM Reporting

FY90: The 1990 PLM report was prepared by the TA team, reviewed by ARD and submitted to PDM in September.

FY91: Although the PLM report is designed to be updated on an annual basis and used in the Mission's annual review process, all projects will be strongly encouraged to incorporate the indicators into the project's periodic reporting requirements. Even though all the data won't change monthly or quarterly, assimilation of the PLM indicators will help the project personnel increase familiarity with the indicators and the data; help ensure compliance of the monitoring and collection process; and, more importantly, allow significant issues to surface in a timely manner, not only in September when the PLM report is officially due.

Periodic monitoring by the Mission will be needed to ensure that the monitoring, collection and reporting of the data is continuing in the agreed upon manner. This

monitoring task can be included in the scope of work of Evaluation teams or can be done within the Mission.

Other Comments

Furthermore, it has been decided that future PLM development must include the Vice Chancellor. This is in part because we wanted to include the GOP in the PLM process this year. More importantly in the case of TIPAN, it was felt that a standard and systematized data monitoring process/system would probably not be in place without the VC's cooperation. This requirement still holds.

However, there is some work that can be started at this time. USAID has composed a list of issues/concerns/areas of development and sent it to the TA team. Each issue will include specific questions to be addressed and a timeframe to be used. We will see how much we can get started using this methodology. This should provide a preliminary agenda so that when contractor staff get back to Pakistan work with the Vice Chancellor and his staff can begin promptly. Since most of the TA team members are relatively new and were not involved in the previous PLM development, this should not be a wasted effort. We need the ideas and cooperation of the entire team. We hope this will give them an opportunity to get familiar with the PLM concept and at the same time make some substantial progress towards further development. The Audit substantiates the argument that work is needed on the project's monitoring system.

**RECOMMENDATION NO.10 - We recommend that USAID/Pakistan ensure that all recommendations in the 1987 project evaluation report are appropriately resolved and implemented in a timely manner.**

**RESPONSE: Mission accepts the recommendation. Mission has already completed implementation actions on 22 of the 30 recommendations, and is working on the completion of the remaining eight.**

**Comments:**

The audit report on page 24 stated that although the project's technical assistance contractor prepared a report in May 1990, on the status of implementing these 28 recommendations.....  
....this was the only such report. Such was not the case. The first status report on implementation of the recommendations of

the evaluation was prepared and submitted to Mission Evaluation Officer on September 21, 1989. The May, 1990 report referred to in the audit report was in fact the second follow-up report.

The audit report also indicated on page 24 examples of the recommendations not completed and tracked. These examples concerned 1) student body enrollment, 2) organizational structure and 3) financial management. The first recommendation has the following four parts:

- a) employment status of graduates
- b) employment opportunities of graduates
- c) the contribution to national and provincial agricultural development
- c) provincial human resource needs in agriculture

The first two parts (a) and (b) of this recommendation have been completed while the work on (c) and (d) has not yet started. Thus that evaluation recommendation is 50% complete. Regarding recommendation concerning organizational structure, 11 informational meetings and administrative meetings were held in June and July 1988. Two training workshops for senior university officials were held in December 1989 and November 1990. Additional in-service training workshops for senior university officials are being scheduled with the Pakistan Institute of Management. Thus that recommendation is 90% complete.

Regarding the recommendation concerning financial management; a contract with a local financial management consulting firm (Peat Marwick) has been signed and the firm has started its work at Peshawar. Within a period of five months the consulting firm will make its recommendations for implementation by NWFPAU.

However out of a total of 30 recommendations, 22 have been completed. Out of the remaining eight recommendations, 4 have been partially completed (50% - 90%), the implementation of two recommendations has just started and the implementation of remaining two recommendations has yet to be started. Thus, the status of implementation of the remaining eight recommendations is being monitored by the Project Officer through his weekly meetings with the TAT and NWFPAU staff. We therefore feel that the recommendation No.10 be withdrawn from final audit report.

**Mission Response to  
Report on Internal Controls**

Mission responses to reportable conditions for internal controls relating to various Audit Objectives have been provided in the related sections dealing with Audit Recommendations. Mission believes that Internal Control issues will be resolved upon Mission's actions on the closure of final Audit Recommendations.

**Mission Response to  
Report on Compliance**

Mission Response

Mission believes compliance to Audit Objectives 2, Audit Objective 6 and Audit Objective 7 will be achieved and adhered to once required Mission actions on various Audit Recommendations are completed.

Note: The documents attached to USAID/Pakistan's comments are not included in this report.