

**Regional Inspector General for Audit
Singapore**

**AUDIT OF USAID/PAKISTAN'S CONTROLS
OVER EQUIPMENT UTILIZATION**

**Audit Report No. 5-391-92-07
July 8, 1992**

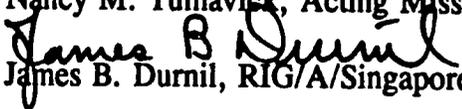




U.S. AGENCY FOR
INTERNATIONAL
DEVELOPMENT

July 8, 1992

MEMORANDUM

TO: Nancy M. Tumavick, Acting Mission Director, USAID/Pakistan
FROM: 
James B. Durnil, RIG/A/Singapore
SUBJECT: Audit of USAID/Pakistan's Controls over Equipment Utilization
(Audit Report No. 5-391-92-07)

Enclosed are five copies of the subject report. In finalizing the report we carefully considered your comments to our draft report and also included your comments in total as Appendix II to this report.

Based on our audit work and the written representations provided by USAID/Pakistan's management, we can positively report that USAID/Pakistan established a system to ensure that A.I.D.-funded equipment is used for allowable project purposes. While the audit found that the Mission made considerable progress towards implementing this system, some improvements are still needed.

This report contains three recommendations. Based on your comments to our draft report, Recommendation Nos. 1 and 3 are resolved and can be closed when planned actions are completed. Recommendation No. 2 is unresolved pending an agreement on necessary corrective action.

Please respond to this report within 30 days, indicating any actions planned or already taken to implement the recommendations. I appreciate the cooperation and courtesies extended to my staff during the audit.

Attachment: a/s

EXECUTIVE SUMMARY

Background

As of September 30, 1991, USAID/Pakistan expended an estimated \$242 million for equipment under 25 active programs/projects. Problems with equipment utilization have been the subject of several Office of Inspector General audit reports since 1985. In a July 1988 report, for example, we stated that equipment problems "... are likely to continue until USAID/Pakistan establishes a process to remedy significant equipment utilization problems as they become known." (See page 2).

Audit Objective

We audited USAID/Pakistan's controls over equipment utilization to answer the following objective:

- Did USAID/Pakistan follow A.I.D. procedures in establishing and implementing a system for ensuring that A.I.D.-funded equipment is used for allowable project purposes?

Summary of Audit

We found that USAID/Pakistan established and partially implemented a system to ensure that A.I.D.-funded equipment is used for allowable project purposes. For example:

- In 1989, USAID/Pakistan developed a commodity tracking system to (1) ensure that all commodities are received and properly used, (2) ensure that the procurement process is timely and efficient, and (3) facilitate project management by making current data on project commodities more readily available in a more usable form.

- In January 1990, USAID/Pakistan issued a Mission Order describing the Tracking System and establishing specific responsibilities and procedures for, among other things, end-use monitoring of A.I.D.-funded commodities.
- In March 1991, the Mission Director reemphasized the importance of end-use checks in a memorandum to staff, stating that all project officers were expected to verify that project-funded equipment is being used properly.
- Project officers were planning and carrying out end-use checks and preparing end-use reports.

While USAID/Pakistan has made considerable progress towards implementing a system to ensure that A.I.D.-funded equipment is properly used, improvements are still needed. Specifically, we found that:

- Problems disclosed by end-use checks were not being formally reported, as required, to Mission management for corrective actions. As a result, Mission management was not aware of some equipment problems or had incorrectly assumed problems had been corrected. We identified equipment valued at \$5.3 million that had been idle for years because the problems in most cases were not formally brought to management's attention or no plan had been developed to correct the utilization problems. (See pages 7 to 14).
- Not all of the A.I.D.-funded equipment provided to the Government of Pakistan was included in the Mission's Commodity Tracking System (Tracking System), thereby impairing USAID/Pakistan's ability to track the end-use of the equipment. (See pages 14 to 17).
- The Tracking System reports contained a large number of items that should not be tracked and did not include dollar values to facilitate tracking high value items, thereby limiting the usefulness of the system for end-use tracking purposes. (See pages 17 to 19).

Summary of Recommendations

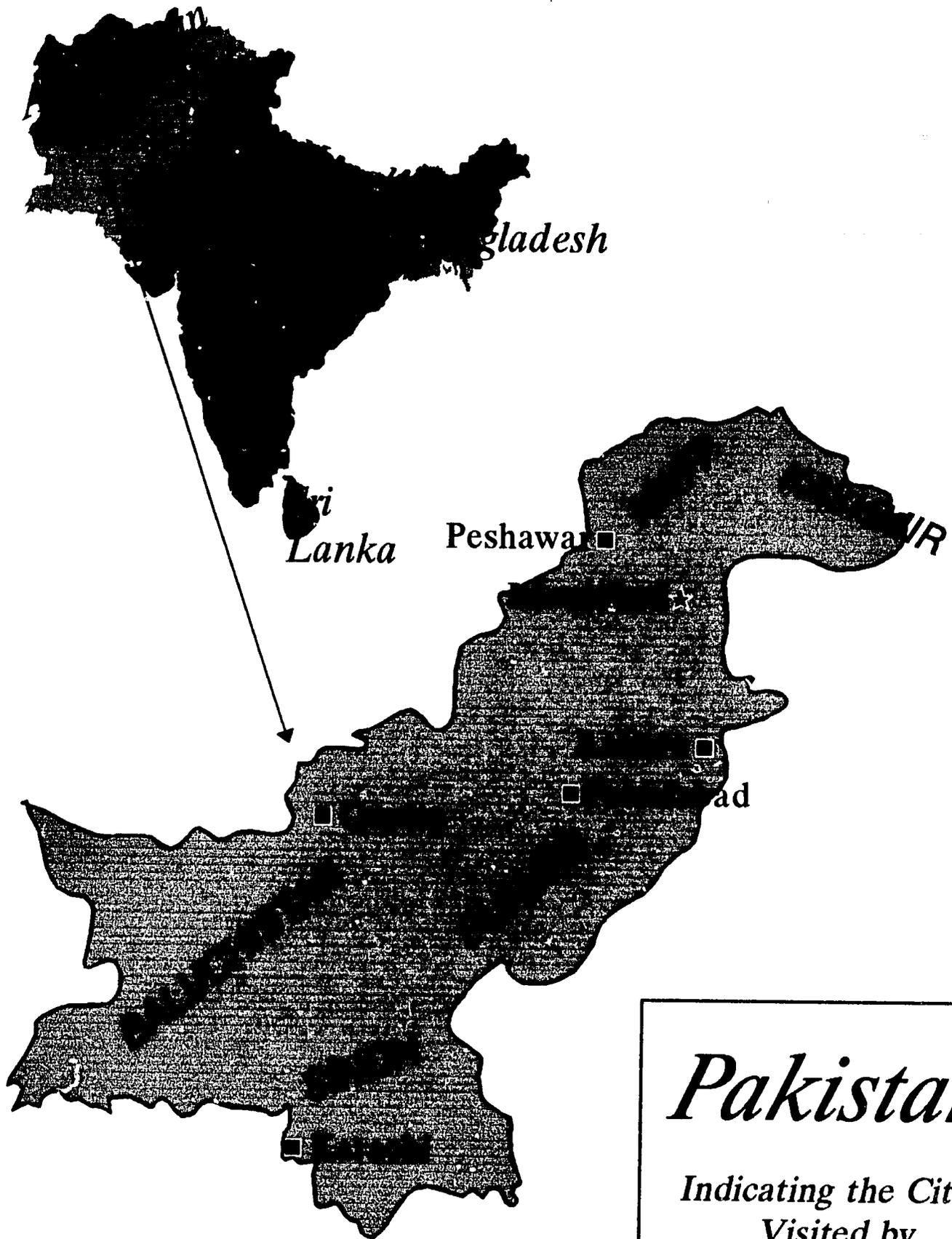
We recommend that USAID/Pakistan:

- Establish and implement procedures requiring the results of end-use checks to be formally reported, at least quarterly, to the Mission Director identifying major usage problems, actions planned to correct the problems, and target dates for correcting the problems (see page 7);
- Request technical assistance contractors to provide an annual listing of A.I.D.-funded equipment they have purchased and ensure that information on this equipment is included in the Tracking System (see page 14); and
- Establish and implement procedures to ensure that the Tracking System reports provided to project officers for end-use checks contain information relevant to project officers' needs (see page 17).

Management Comments and Our Evaluation

USAID/Pakistan generally agreed with the report findings and recommendations and was taking action to implement most recommendations. The Mission's comments on our draft report were carefully considered in preparing this final report. Appendix II is a complete text of USAID/Pakistan's comments to a draft of this report.

Office of Inspector General
Office of Inspector General
July 8, 1992



Pakistan

*Indicating the Cities
Visited by
the Audit Team*

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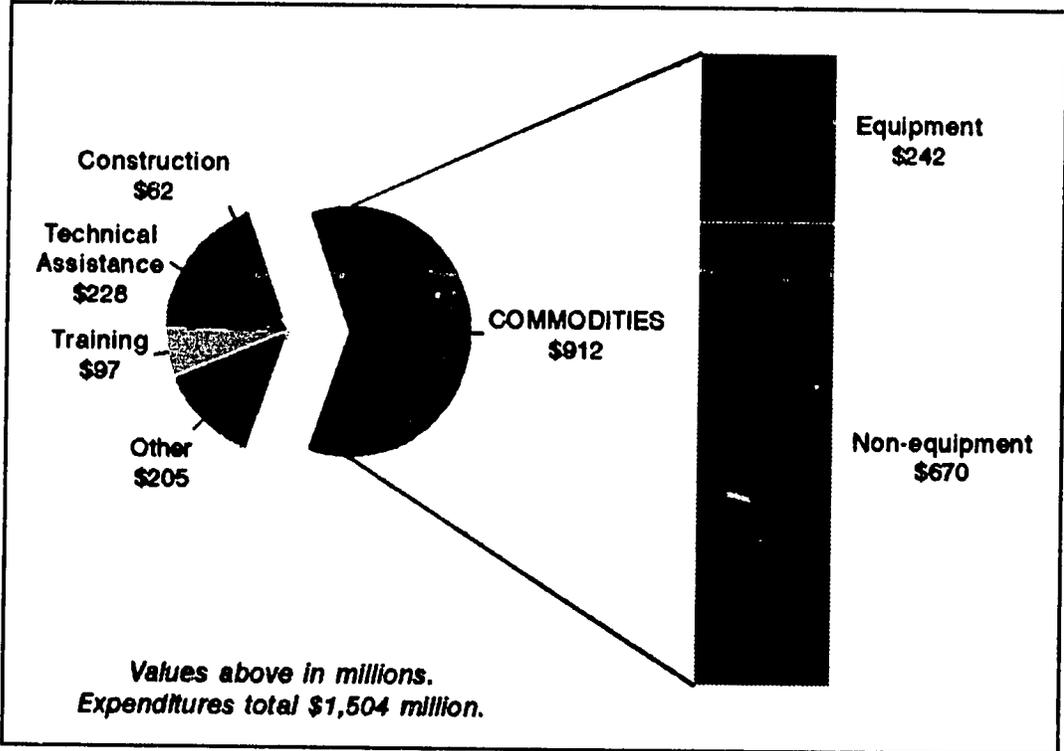
REPORT DISTRIBUTION

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INTRODUCTION

Background

As of September 30, 1991, USAID/Pakistan had 25 active programs/projects with obligations and expenditures amounting to \$1,968 million and \$1,504 million, respectively. Major assistance categories include commodities, technical assistance, training, construction, and other assistance. The chart below shows the amounts expended by category and further divides commodities into equipment and non-equipment items, such as agricultural products, insecticides, and prophylactics.



The amount shown above as being expended for equipment is based on our analysis of USAID/Pakistan's Mission Accounting and Control System reports showing unaudited cumulative obligations and expenditures for active projects/programs, as of September 30, 1991. (See page 2 of Appendix I for a discussion of how we estimated the amount expended for A.I.D.-financed equipment.) As is discussed in this report,

USAID/Pakistan did not have complete information on all A.I.D.-financed equipment provided to the Government of Pakistan. Thus, the exact inventory and value of equipment provided to the Government of Pakistan was not known at the time of our audit.

Equipment provided to Pakistan included computers, vehicles, machinery, laboratory equipment, and specialized equipment supporting the irrigation and energy sectors of the Government of Pakistan. Equipment can be procured and provided to Pakistan through the commodity import program, by technical assistance contractors, and by USAID/Pakistan-direct purchases. Commodity import programs, for example, provide foreign currency for importing specified categories of commodities under grants or loan agreements. Technical assistance contractors can purchase equipment for the Government of Pakistan through their contracts with USAID/Pakistan. USAID/Pakistan also purchases equipment directly for the Government of Pakistan. As of September 30, 1991, USAID/Pakistan expended an estimated \$242 million for equipment under the 25 active programs/projects.

Problems with equipment utilization have been the subject of several Office of Inspector General audit reports. Since 1985, RIG/A/Singapore conducted six audits covering various aspects of equipment use at USAID/Pakistan and found that USAID/Pakistan did not effectively monitor equipment use. In a July 1986 report, for example, we stated that the equipment problems "... are likely to continue until USAID/Pakistan establishes a process to remedy significant equipment utilization problems as they become known." Appendix III summarizes problems with equipment utilization found in the previous audits.

In 1989, USAID/Pakistan took action and developed a commodity tracking system to (1) ensure that all commodities are received and properly used, (2) ensure that the procurement process is timely and efficient, and (3) facilitate project management by making current data on project commodities more readily available in a more usable form. In 1990, USAID/Pakistan issued Mission Order PAK-15-1, A.I.D.-Financed Commodities Arrival Accounting and End-Use Monitoring, to describe the Tracking System and establish specific responsibilities and procedures for commodity arrival control and end-use monitoring of A.I.D.-financed commodities. This Mission Order incorporates the requirements contained in A.I.D. Handbook 15, Chapter 10, to ensure the effective utilization of A.I.D.-funded commodities.

Section 620E(e) (the Pressler Amendment) of the Foreign Assistance Act requires the President of the United States to certify, in writing, that Pakistan does not possess nuclear explosives and that proposed assistance will reduce significantly the risk that Pakistan will possess nuclear explosives. The President did not make that certification and new economic assistance to Pakistan has been suspended since October 1, 1990. Therefore, A.I.D. is winding down the Pakistan program because of the Pressler Amendment and plans to bring the program to an orderly termination by January 1995.

Audit Objective

The Office of the Regional Inspector General for Audit/Singapore audited USAID/Pakistan's controls over equipment utilization to answer the following audit objective:

- **Did USAID/Pakistan follow A.I.D. procedures in establishing and implementing a system for ensuring that A.I.D.-funded equipment is used for allowable project purposes?**

We audited equipment use at USAID/Pakistan because of the large amount of equipment provided and because past audits disclosed that USAID/Pakistan did not have an effective system to monitor equipment use.

In answering the audit objective, we tested if USAID/Pakistan followed applicable internal control procedures. Our tests were sufficient to provide reasonable assurance that our answer to the above audit objective is valid. We also included steps to detect abuse or illegal acts that could affect the audit objective. When we found problem areas, we performed additional work

- to conclusively determine that USAID/Pakistan was not following a procedure,
- 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.

REPORT OF AUDIT FINDINGS

Did USAID/Pakistan follow A.I.D. procedures in establishing and implementing a system for ensuring that A.I.D.-funded equipment is used for allowable project purposes?

We found that USAID/Pakistan established and partially implemented a system to ensure that A.I.D.-funded equipment is used for allowable project purposes.

In June 1989, USAID/Pakistan established and implemented the Commodity Tracking System (Tracking System) to ensure, in part, that A.I.D.-funded commodities purchased by USAID/Pakistan, contractors, and the Government of Pakistan were properly used. In January 1990, USAID/Pakistan issued Mission Order PAK-15-1 which describes the Tracking System and establishes specific responsibilities and procedures for commodity arrival control and end-use monitoring of A.I.D.-funded commodities, as required by A.I.D. Handbook 15 (A.I.D.-Financed Commodities). In March 1991, the Mission Director reemphasized the importance of end-use checks in a memorandum to Mission staff, stating that all project officers are expected to verify that project-funded equipment is being used properly and requesting that project officers prepare a work plan to verify the use of the higher value items over the next six months.

Project officers were planning and carrying out end-use checks and preparing end-use reports. For example, for two of the four projects/programs reviewed, the project officers responded to the Mission Director's memorandum by planning, conducting, and reporting on the results of their end-use checks. Project officers for the remaining two projects/programs reviewed were in process of doing so.

We inspected the use of 91 items of equipment which cost approximately \$19.5 million. (See Appendix I for a description of how we selected the 91 pieces of equipment to inspect). Of the 91 items, 32 items totalling approximately \$6.3 million were identified as having utilization problems and will be discussed later in this report. The remaining 59 items valued at approximately \$13.1 million were being used for allowable project purposes, with these noteworthy examples of usage.

- Minicomputers costing approximately \$3.4 million purchased for the Federal Bureau of Statistics and the Water and Power Development Authority were mostly installed and commissioned to process statistical data and bill millions of water and electricity users in accordance with the project agreement.
- Equipment valued at approximately \$561,000 for a Compressed Natural Gas station in Islamabad was well used. In 1989, the station was not being used and was noted in a RIG/A/Singapore audit report. In October 1991, we visited this station and found the station operational. Government of Pakistan officials estimate that, in the Islamabad area, about 300 vehicles have been converted to natural gas. The Government of Pakistan plans to increase the use of natural gas as an alternative fuel in Pakistan. (See photograph taken of the station in October 1991 on page 6).
- Laboratory equipment costing approximately \$353,000 for the Molecular Biology Center at the University of Punjab in Lahore was also well used. The equipment was installed and used in specially designed and constructed laboratories for research and teaching purposes in accordance with the project agreement. (See photograph taken of selected laboratory equipment in November 1991 on page 6).

Despite USAID/Pakistan's efforts in establishing a system to provide assurance that A.I.D.-funded equipment is used for allowable project purposes, improvements are needed to ensure that the system is fully implemented. Specifically, we found the following problems:

- **Problems disclosed by end-use checks were not being formally brought to management's attention for corrective action;**
- **The Tracking System's listing of A.I.D.-funded equipment was not complete; and**
- **The Tracking System included much information not needed for tracking purposes and did not include dollar values to facilitate tracking high dollar value equipment.**

These areas for improvement are discussed in the following sections.



Compressed natural gas station in Islamabad



Laboratory equipment at
the University of Punjab

**Problems Disclosed by End-Use
Checks Need to Be Formally Reported
to Management for Corrective Action**

Problems disclosed by end-use checks were not being formally reported, as required, to Mission management for corrective action. A.I.D. Handbook 15 and the Mission Order require end-use reports to be issued to the Director, Deputy Director, and other Mission officials responsible for taking corrective action on utilization problems. However, end-use reports were rarely sent to Mission management and Mission management was not aware of some equipment problems or had incorrectly assumed that problems had been corrected. This occurred because Mission management relied more on an informal system to be made aware of equipment use problems and, as a result, did not require formal reporting on problems identified by end-use checks. We identified equipment valued at approximately \$5.3 million out of equipment totalling \$19.5 million we inspected that had been idle for years because the problems in most cases were not formally brought to management's attention or no plan had been developed to correct the utilization problems. In addition, we also identified approximately \$1.1 million in equipment which, although within the time limit for utilization, was idle or not operational.

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

- 1.1 Establish and implement procedures requiring the results of all end-use checks to be formally reported, at least semi-annually, to the Mission Director identifying major usage problems, actions planned to correct the problems, and target dates for correcting the problems; and**
- 1.2 Ensure that equipment problems highlighted in Appendices IV and V, totalling approximately \$6.3 million, are corrected.**

A.I.D. Handbook 15, Chapter 10, states that project officers have the ultimate responsibility for ensuring that A.I.D.-financed commodities are being effectively used and that it is essential that end-use reviews be made. The Handbook's procedures for conducting end-use reviews state that written end-use reports should be distributed to the Director and to those Mission officials who are responsible for taking corrective action on findings and recommendations.

Mission Order PAK-15-1, which incorporates the A.I.D. Handbook 15 procedures, assigns responsibility for ensuring effective use of USAID-funded equipment to the project officer. The order states that end-use reviews are essential to keep the Mission Director and appropriate Mission offices informed about equipment usage and to assure proper usage and adherence to A.I.D. regulations and project agreements. At the completion of an end-use review, the order requires end-use reports to be sent to the

Mission Director, Deputy Director, and to those USAID officials who are responsible for taking corrective action on utilization problems.

Although end-use checks were being done, reports on the results of the end-use checks were not always being forwarded to Mission management. Of 37 end-use reports completed at the time of our audit, only one had been submitted to the Mission Director, as required by Handbook 15 and the Mission Order.

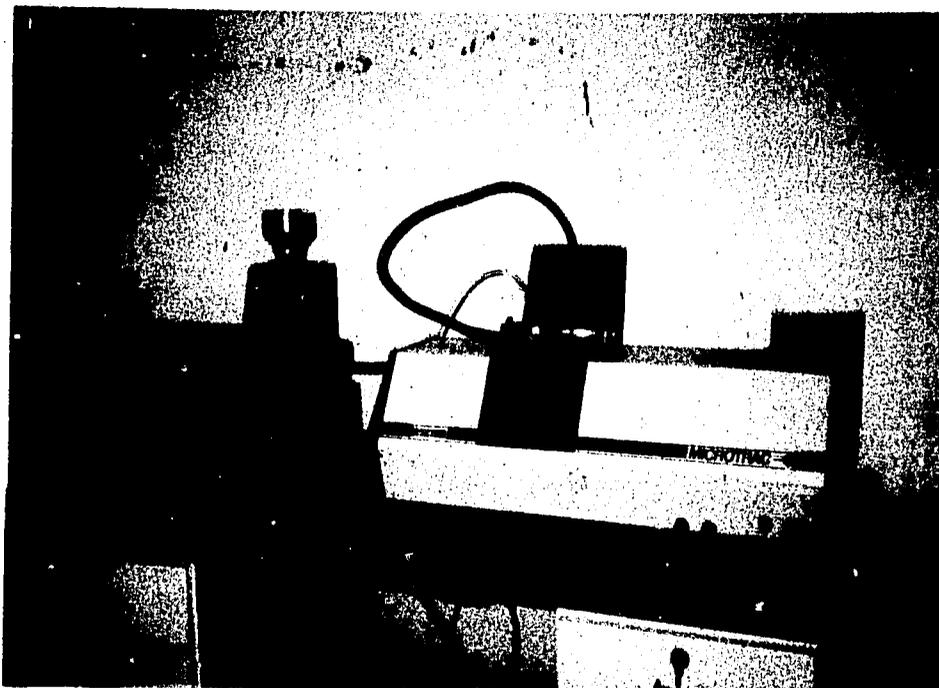
Discussions with the Mission Director and the Deputy Mission Director revealed that they did not routinely receive copies of the end-use reports as required, and, in fact, had not implemented a formal system for notification of equipment utilization problems found during the end-use checks. The officials indicated that they were informally made aware of problems through Division staff meetings when such problems were discussed, and that they thought they were generally aware of most problems. However, for most of the equipment identified in Appendix IV, we found no evidence, such as quarterly and semiannual project status reports, memoranda or minutes of meetings, indicating these problems had been formally reported to mission management.

Our inspections revealed a number of long-standing equipment utilization problems, problems which either Mission management had not been formally made aware of or had incorrectly assumed were corrected. The following are some examples.

- Workshop equipment valued at approximately \$600,000 was supplied to an Irrigation Workshop in Quetta. The Mission Director had visited the workshop in 1988, found it unused, and ordered that steps be taken to put the equipment into operation. In a Purpose Level Monitoring System report in September 1991, the Mission stated that, "Much previously unused workshop equipment and some abandoned equipment were put into service (except in Multan)." When we visited the site in November 1991, however, we found that approximately \$353,000 of the equipment had never been used and that the workshop was in virtually the same condition as when visited by the Mission Director in 1988. The Mission Director thought the usage problems had been solved and that the workshop was operational. (See photograph taken at the workshop in November 1991 on page 9).
- Two units of laboratory equipment in Karachi totalling approximately \$210,000 have not been used since they were received in 1988, due to a lack of operating manuals, parts, and user training. While Government of Pakistan officials and the program officer believed the supplier should provide training, the Commodity Management Officer and the Regional Legal Advisor stated that the contract did not require the supplier to provide training. Regardless of who is correct, the units had been idle for more than three years. In October 1989, we reported that these units



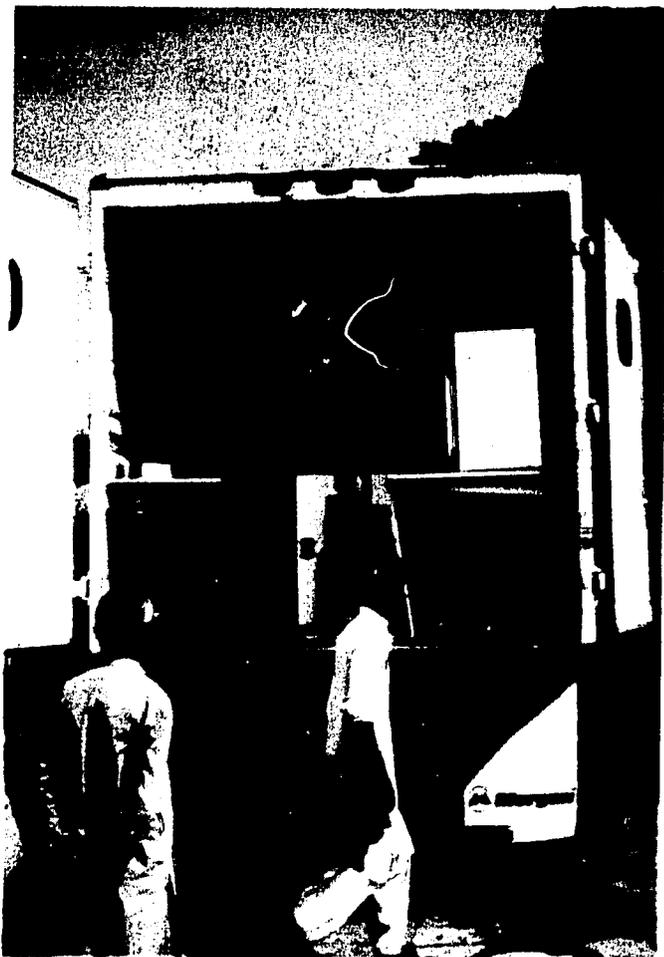
Underutilized irrigation workshop in Quetta



One of the two unused units of laboratory equipment

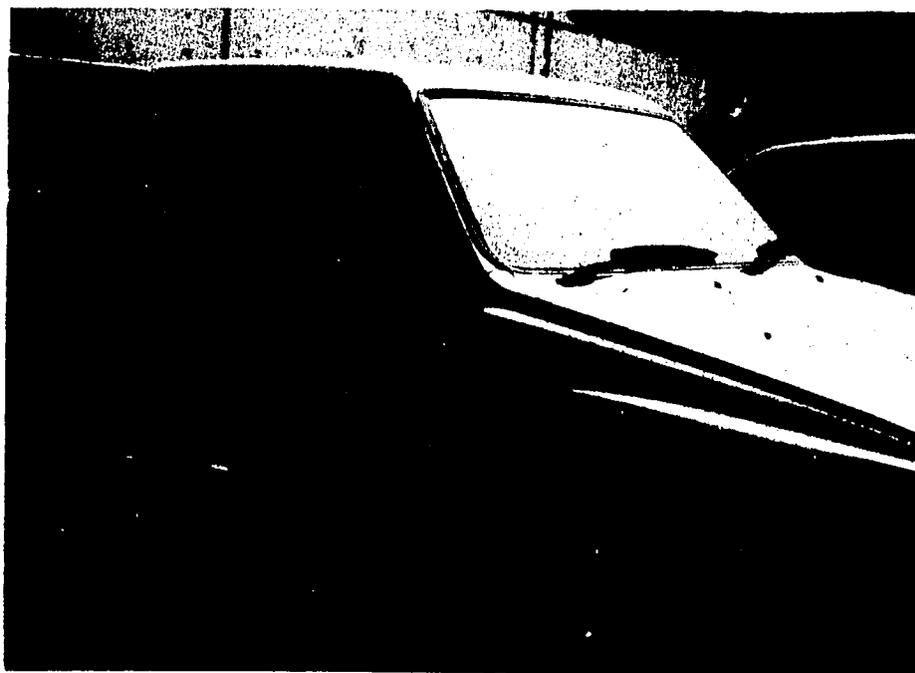
were not used. In November 1989 and November 1991, the Mission reported that the units were not used. The Mission Director incorrectly thought the program officer and the Government of Pakistan officials had amended the contract to add the necessary training required to make the units operational. (See photograph taken of one of the two unused units of laboratory equipment in November 1991 on page 9).

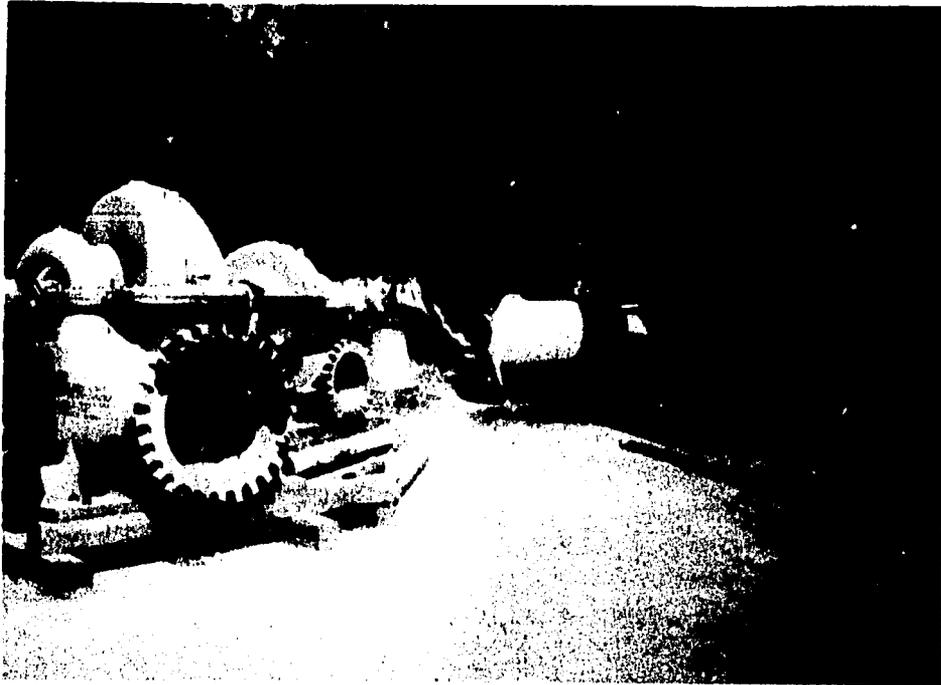
- We inspected approximately \$897,000 of field and laboratory equipment supplied in 1987 to the Government of Pakistan in Faisalabad and Quetta. We found that equipment valued at approximately \$300,000 was not used for various reasons such as missing or incorrect attachments, wrong sizes or type of equipment, or equipment needing repair. The project officer was aware of the situation and was taking steps to correct the problems. However, no formal plan to fix the problems had been sent to Mission management and the project officer, a foreign service national, planned to leave USAID/Pakistan in March 1992 to begin work with another country's foreign aid program. Thus, in this case, unless these equipment use problems are highlighted for management's attention and an action plan intended to correct the problems is formalized, the problems could remain unresolved once the project officer leaves the mission.
- Mobile laboratory equipment in Lahore valued at approximately \$145,000 has been unused or under-used for more than five years. The trucks containing the equipment were excess U.S. government property and the Government of Pakistan had not registered the two vehicles. Therefore, the trucks were immobilized and the equipment was used only in Lahore, not in the field, as intended. Although project officials were well aware of this situation, there was no evidence that the situation was brought to the attention of top Mission management. (See photograph of one of the vehicles taken in November 1991 on page 11).
- Two vehicles, valued at approximately \$18,000, were received at the USAID/Pakistan warehouse in March 1988 and were transferred to the Government of Pakistan in May 1988. Both vehicles were still at the warehouse in September 1991 and neither had been used. One vehicle showed 42 kilometers on the odometer and the other showed 43 kilometers. Project officials maintained they were aware of this situation. The Mission Director visited the warehouse in September 1991 and ordered the situation to be resolved. As of November 1991, however, the situation had not changed. Again, the Mission Director thought the situation had been resolved. (See photograph of one of these vehicles taken in September 1991 on page 11).



Unregistered vehicle containing mobile laboratory equipment in Lahore; A.I.D. license plate on vehicle was not authorized by USAID/Pakistan.

Below, one of the two vehicles at the USAID/Pakistan warehouse.





Three of the four pumps not installed in Peshawar



Installed pump leaking water in Peshawar

In one case we found Mission management was aware of an equipment utilization problem but we found that no plan had been developed to ensure that the problem would be corrected.

- Five pumps worth approximately \$1.4 million were provided to the Warsak Pump Station in Peshawar in November 1989. Project officials expressed concerns about use of the pumps in memoranda issued in March 1990, September 1991, and November 1991. None of the memoranda were distributed to Mission management. In November 1991, when we visited this site, four pumps were not installed and the fifth pump was installed but not operating satisfactorily according to the pump engineer. The motors to operate the pumps needed replacing. Mission officials estimated that new motors and accessories for the pumps would cost approximately \$3 million. The officials claimed that there were no funds in the program to purchase the motors and they were trying to get the World Bank to provide funds for the motors. The Mission Director and Deputy Mission Director indicated they were aware of this problem through meetings with Mission personnel, although there was no documentation, such as minutes or memoranda of meetings to support this. Mission officials did not know when the pumps will be operational and, in the November 1991 memorandum, stated "... there is every possibility that, at some time in the next year, none of the pumps will be functioning. One large important area of the Warsak Canal system will then not be receiving any water and will go out of production." (See photographs taken of the pumps in November 1991 on page 12).

Appendix IV contains a list of all equipment we identified during our inspection visits that was not being used and has passed the one or two year utilization requirement.

Appendix V lists equipment we identified during our visits that was not being used but is still within the time requirement for utilization.

USAID/Pakistan has implemented a system for much needed end-use checks. However, while project officials were aware of many equipment problems from their end-use checks, top Mission management was not formally being advised of these problems nor of the status of actions taken to correct the problems. As a result, some equipment utilization problems tended to linger for years without being corrected. Mission management either was not aware of problems or incorrectly assumed that appropriate corrective actions had been taken. A system is needed to ensure that top Mission management is formally made aware of the results of end-use checks and the status of actions undertaken to correct problems disclosed by these checks. Significant equipment utilization problems must continue to be highlighted for management attention until such problems are corrected.

Management Comments and Our Evaluation

USAID/Pakistan accepted Recommendation No. 1 and indicated actions were underway to implement the Recommendation. Concerning Recommendation No. 1.1, Mission officials suggested we modify our original recommendation for quarterly reporting and instead require semi-annual reporting because most project officers do not obtain sufficient information about usage to make a quarterly report informative. Mission officials indicated most equipment items listed in Appendix IV and all items in Appendix V were now operational and, for the remaining equipment items, actions were being planned and/or in process to attempt to correct the utilization problems.

Based on USAID/Pakistan's response Recommendation No. 1 is resolved. We have revised Recommendation No. 1.1 to require semi-annual reporting instead of quarterly reporting, as suggested by Mission officials. Recommendation No. 1.1 can be closed when USAID/Pakistan provides copies of semi-annual reports submitted by Mission project officers on the results of their end-use checks. Recommendation No. 1.2 can be closed when the Mission provides evidence that all the equipment problems identified in Appendix IV have been corrected.

Information in the Tracking System Is Not Complete

All A.I.D.-funded equipment provided to the Government of Pakistan had not been included in the Tracking System as required by A.I.D. Handbook 15. This occurred because (1) A.I.D. contractors were not required to report equipment purchased for and transferred to the Government of Pakistan and (2) the Tracking System did not contain information on most equipment acquired by the USAID/Pakistan before 1989. Since the Tracking System did not have information on all A.I.D.-financed equipment, USAID/Pakistan's ability to track the end-use of the equipment was impaired.

Recommendation No. 2: We recommend that USAID/Pakistan:

- 2.1 Request technical assistance contractors to provide an annual listing of (1) A.I.D.-funded equipment purchased during the preceding 12 months and valued over a certain dollar threshold (e.g. \$1,000), showing the description, location, arrival date, purchase price, and condition and (2) the location, condition, and use of equipment acquired in previous years; and**
- 2.2 Develop and implement procedures to ensure that information provided in recommendation 2.1 is included in the Tracking System.**

A.I.D. Handbook 15, Chapter 10, states that if the host country has not developed adequate commodity records, the Mission should maintain commodity records for all A.I.D.-funded equipment. Mission Order PAK-15-1, which incorporates A.I.D. Handbook 15 requirements, describes the Tracking System and establishes specific responsibilities and procedures for commodity arrival control and end-use monitoring of A.I.D.-funded commodities. The Mission Order states that the Tracking System will provide management reports for "... tracking the procurement, shipment, receipt, and end-use of USAID-funded commodities for all projects and programs in Pakistan." The Mission Order states further that USAID/Pakistan:

"... will maintain arrival accounting records for all A.I.D.-financed commodities for Pakistan including those commodities purchased by technical assistance contractors, purchased by host country agencies, and purchased directly by A.I.D."

Our review of equipment purchased by USAID/Pakistan and contractors showed that the Tracking System was missing information on equipment for three of the four projects reviewed. Generally, the Tracking System did not contain information on A.I.D.-funded equipment purchased by contractors. Sometimes, the Tracking System did not contain information on equipment purchased directly by USAID/Pakistan. For example, the Tracking System did not have information about:

- laboratory and field equipment totalling approximately \$1.6 million ordered and transferred in 1987 to Government of Pakistan institutes in Faisalabad by a technical assistance contractor under the Agricultural Commodities and Equipment Program.
- computers and laboratory equipment costing approximately \$724,000 purchased by a technical assistance contractor and transferred to the Government of Pakistan under the Irrigation Systems Management Project.
- field equipment totalling approximately \$1.3 million purchased in June 1986 by USAID/Pakistan under the Agricultural Commodities and Equipment Program for the Forestry Planning and Development Project.

The Mission was taking steps to include the information in the above examples in its Tracking System.

There are two reasons why the Tracking System does not contain information on all A.I.D.-funded equipment. First, contractors are not required by the Agency for International Development Acquisition Regulation to report equipment purchased for and transferred to the Government of Pakistan. Second, the Tracking System did not contain information on most projects/programs that began before 1989 because the Tracking System was implemented in 1989 and did not initially contain information on project

equipment purchased before 1989. The Commodity Management Officer told us that because of the large numbers of A.I.D.-financed equipment provided to the Government of Pakistan over the years they decided to initially concentrate on inputting information on equipment provided since 1989. After information was included on this equipment, then the Mission would begin entering data for equipment provided prior to 1989.

By not having complete information on all A.I.D.-financed equipment, USAID/Pakistan's ability to track the end-use of the equipment is impaired. For example, if Mission project officers are not aware of all A.I.D.-financed equipment at project locations they can easily overlook such equipment during end-use checks and thereby not ensure that such equipment is being used in accordance with program/project agreements.

USAID/Pakistan has taken steps to capture missing information in the Tracking System. In March 1991, the Mission Director instructed all project officers to conduct end-use reviews and, if possible, to provide lists of items not in the Tracking System. The Mission has also asked technical assistance contractors to provide lists of equipment purchased by the contractors and turned over to the Government of Pakistan. According to the Commodity Management Officer, some project or program officers have provided lists of contractor-purchased equipment while other officers have not provided those lists. The Commodity Management Office is also incorporating into the Tracking System information on equipment purchased before the system was installed in 1989.

While USAID/Pakistan has taken steps to better ensure that the Tracking System is complete, it needs to develop and implement procedures to ensure that information is periodically obtained (at least annually) on equipment purchased by technical assistance contractors and that this information is included in the Tracking System.

Management Comments and Our Evaluation

USAID/Pakistan accepted Recommendation No. 2. However, Mission officials maintain that technical assistance contractors have been required, in accordance with standard contractual requirements, to submit an annual listing of commodities purchased since 1989. Mission officials indicated the information provided by technical assistance contractors is now being entered into the Tracking System, which is a recent innovation to their Tracking System.

While USAID/Pakistan accepted the Recommendation, Mission officials are not correct in their assertion that technical assistance contractors are required by standard contractual requirements to submit annual listings of all commodities they purchase. There are two standard contract clauses that apply to non-expendable property acquired by technical assistance contractors but neither clause requires contractors to submit an annual report such as that referred to by Recommendation No. 2.1.

The first clause (AIDAR 752.245-70) does require an annual report by contractors but only for U.S. Government-furnished property. The second clause (AIDAR 752.245-71) applies to all non-expendable property purchased with contract funds by the contractor and used in the cooperating country but does not require the contractor to submit an annual report of such property. The contractor is only required to prepare and establish a program, to be approved by the Mission, for the receipt, use, maintenance, protection, custody, and care of non-expendable property for which the contractor has custodial responsibility. Thus, there is no standard contractual requirement for technical assistance contractors to report annually to USAID/Pakistan equipment purchased for and transferred to the Government of Pakistan.

Although USAID/Pakistan officials accepted the Recommendation, it is unclear from their comments how the recommendation will be implemented. Accordingly, the Recommendation is considered unresolved until USAID/Pakistan provides a plan as to how the Recommendation will be implemented.

**Dollar Values and Essential Information
Should Be Included in Tracking System
Reports Provided to Project Officers**

A.I.D. Handbook 15 states that Mission records on A.I.D.-funded equipment should include the dollar values of the equipment. Sound management practices dictate that reports provided for end-use tracking purposes should include information considered essential for such purposes and that the reports facilitate end-use tracking. Tracking System reports intended to be used for end-use tracking purposes, however, contained a large number of items that should not be tracked and did not include dollar values which would facilitate the tracking of high value items. This occurred because (1) the Mission Order did not specify a minimum value for items that should be contained in Tracking System reports provided to project officers; (2) the Tracking System did not include the dollar value of equipment listed; and (3) project officers did not delete nonessential information from reports provided to them as requested. Therefore, many project officers did not use the Tracking System to help them monitor end-use thus defeating the intended purpose of the Tracking System.

Recommendation No. 3: We recommend that USAID/Pakistan establish and implement procedures to ensure that Tracking System reports provided to project officers for end-use checks contain information relevant to project officers' needs.

A.I.D. Handbook 15, Chapter 10, states that if the Mission assumes responsibility for maintaining records on A.I.D.-funded commodities, such records should record the flow of commodities, including information on dates, quantity, and dollar values of each transaction. Mission Order PAK 15-1, which incorporates Handbook 15 requirements, states that USAID/Pakistan will keep records for all A.I.D.-funded commodities. Sound

management practices also dictate that reports intended to be used for end-use tracking purposes should provide project officers with the information considered essential for end-use tracking purposes (such as the location of the equipment, value of the equipment, date received, etc.) and that the reports serve to facilitate end-use tracking.

Although the Mission Director instructed project officers to concentrate on verifying the use of high value items, the Tracking System reports could not be used for this purpose since the reports did not contain dollar value information. The Commodity Management Officer told us that the Tracking System report did not include a field for entering the dollar value of the equipment and thus the reports did not include any information on dollar values.

The Tracking System reports, intended to be used for inspection purposes, also contained information on equipment or items that should not be tracked. For example, the September 15, 1991 Tracking System report for the Agricultural Commodities and Equipment Program (one of the four programs/projects we reviewed) contained 222 pages and over 2,400 line items. We randomly sampled 255 line items from the report and determined that 54 items (21 percent) should be excluded for end-use checking purposes because they were: books or manuals (24 items), spare parts or low value items (24 items), or freight or insurance charges (6 items).

According to the Commodity Management Officer, project officers have been instructed to notify the Commodity Management Office if items should be deleted from the Tracking System inspection reports but very few project officers have been doing so.

Because the Tracking System inspection reports did not include dollar value of equipment and included a large number of items that should not be tracked for end-use purposes, the reports were of limited usefulness to project officers. For example, we spoke to 11 project officers, who represented six of the 25 active Mission projects/programs, to determine the use made of the Tracking System reports in conducting their end-use checks. Nine of the 11 officers did not use the reports at all in conducting their end-use checks and most found the Tracking System reports incomplete and too cumbersome to use. Many project officers maintained their own database of equipment within their division and used those databases when they conducted end-use checks.

If the Tracking System reports are to serve their intended purpose, the reports must be made more useful for project officers by deleting nonessential information and adding dollar values to facilitate tracking high dollar value items.

Management Comments and Our Evaluation

USAID/Pakistan accepted the Recommendation and indicated that a system is already in place to provide project officers with relevant information. Mission officials further noted that our recommendation was based upon a skewed, small sample which was taken

from part of one program, the Agricultural Commodities and Equipment Program, which had never been reviewed by the project officer for unnecessary items, such as inland transportation charges. Mission officials maintain other project officers have done this and deleted irrelevant data.

USAID/Pakistan also suggested that instead of including the dollar value of each item in the inspection data base, which is not practical, all equipment be categorized as worth more than \$50,000, between \$15,000 and \$50,000, and less than \$15,000. Mission officials indicated that the Tracking System reports intended to be used for inspection purposes would reflect these categorizations.

We do not agree that our Recommendation is based solely upon a skewed, small sample. To begin with, the program in question, the Agricultural Commodities and Equipment Program, was one of the four programs/projects selected for review. The sample was a random sample of approximately 10 percent of the items listed on the September 15, 1991 Tracking System report which we used to project for the entire report. In addition, project officers we interviewed, as stated in the report, told us they did not use Tracking System reports to conduct their end-use checks and most found the reports incomplete and too cumbersome to use. Many project officers were therefore maintaining their own database of equipment, thereby defeating the intended purpose of the Mission's Commodity Tracking System.

USAID/Pakistan's acknowledgement that the project officer for the program we sampled had never reviewed the Tracking System reports in order to delete unnecessary items illustrates that the Mission needs to implement procedures to ensure that project officers do so. As stated in the report, although project officers had been instructed to notify the Commodity Management Office if items should be deleted, very few project officers had.

Based on USAID/Pakistan's comments, the Recommendation is considered resolved. It can be closed when USAID/Pakistan provides evidence that (1) project officers have reviewed and deleted information not considered essential for tracking purposes and (2) dollar value categories have been added to Tracking System reports to facilitate tracking high value items.

REPORT ON INTERNAL CONTROLS

This section provides a summary of our assessment of internal controls for the audit objective.

Scope of 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 objective; 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 objective 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 the audit objective by categories. For each category, we obtained an understanding of the design of relevant policies and procedures and determined whether the policies and procedures had been placed in operation--and we assessed control risk. We have reported these categories as well as any significant weaknesses under the applicable section heading for the objective.

General Background on Internal Controls

Under the Federal Managers' Financial Integrity Act of 1982 and the Office of Management and Budget's implementing policies, A.I.D. management is responsible for establishing and maintaining adequate internal controls. The General Accounting Office has issued "Standards for Internal Controls in the Federal Government" to be used by agencies in establishing and maintaining internal controls.

The objectives of internal controls 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 internal controls 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.

Conclusion for Audit Objective

The audit objective was to determine whether USAID/Pakistan followed A.I.D. procedures in establishing and implementing a system for ensuring that A.I.D.-funded equipment is used for allowable project purposes. In planning and performing our audit of these controls, we considered the applicable internal control policies and procedures cited in A.I.D. Handbook 15. For the purposes of this report, we have classified the relevant policies and procedures into the following categories: maintaining an inventory record of A.I.D.-funded equipment and establishing procedures for planning, performing, and reporting on end-use checks.

Our tests showed that USAID/Pakistan's controls were consistently applied except:

- USAID/Pakistan did not implement a formal system for reporting on the results of end-use checks to mission management.
- USAID/Pakistan did not ensure that its inventory records of A.I.D.-funded equipment were complete.

Reporting Under Federal Managers' Financial Integrity Act

USAID/Pakistan did not report any of the internal control weaknesses identified in this report in its internal control assessments. Recommendations to correct the internal control weaknesses are contained in the findings section of this report.

SCOPE AND METHODOLOGY

Scope

We audited USAID/Pakistan's controls over equipment utilization in accordance with generally accepted auditing standards. We conducted the audit from August 19 through November 26, 1991, and covered the systems and procedures related to equipment acquired under 25 A.I.D.-funded projects and programs, active as of September 30, 1991, amounting to approximately \$242 million. We did not conduct any audit tests for compliance since we did not identify any applicable laws or regulations.

The focus of our audit work was to determine if USAID/Pakistan had developed and implemented a system for monitoring equipment use through end-use checks. We did not cover such areas related to equipment utilization as procurement, planning, and receipt of A.I.D.-financed equipment since these areas were being considered for a separate audit. Our audit also did not cover office equipment and household effects and the private sector Commodity Import Program, under which \$17.5 million in equipment was acquired.

Our audit work was conducted in the offices of USAID/Pakistan and at project locations in Islamabad, Karachi, Lahore, Peshawar, Quetta, and Faisalabad. At the locations visited we physically inspected the condition and use of selected equipment from four of the 25 active programs/projects. We estimate that these four projects/programs accounted for equipment purchases totalling \$216 million out of the estimated \$242 million for the 25 active projects and programs. We interviewed appropriate USAID/Pakistan and Government of Pakistan officials and reviewed available documentation related to the project/programs and equipment selected for testing.

We limited our assessment of internal controls to those controls applicable to the audit's objective (see report on internal controls on pages 20 to 21). We considered the equipment utilization findings contained in previous Office of Inspector General audit reports summarized in Appendix III as to whether USAID/Pakistan's Commodity Tracking System was addressing the equipment utilization problems disclosed by these audits. However, we did not evaluate the corrective actions taken by USAID/Pakistan in response to the recommendations contained in the prior audit reports.

Methodology

To accomplish the audit objective, we obtained information on the Commodity Tracking System (Tracking System) developed by USAID/Pakistan to track equipment acquired with A.I.D. funds. We interviewed the USAID/Pakistan Commodity Management Officer and reviewed various documents, such as USAID/Pakistan Mission Order PAK-15-1, A.I.D.-Financed Commodities Arrival Accounting and End-Use Monitoring, to determine if the Tracking System conformed to the requirements contained in A.I.D. Handbook 15, A.I.D. Financed Commodities.

To obtain a preliminary understanding as to how the Tracking System worked and whether the System was being implemented as required by Mission Order PAK-15-1 and A.I.D. Handbook 15, we interviewed 11 project officers from six projects as to how they used reports generated by the Tracking System and how they planned, conducted, and reported on end-use checks.

To test implementation of the Tracking System, we judgmentally selected four active projects/programs: Agricultural Commodities and Equipment Program, Energy Commodities and Equipment Program, Rural Electrification Project, and Irrigation Systems Management Project. Since the Tracking System did not contain dollar value information, we selected these four projects/programs by analyzing Mission Accounting and Control System reports showing obligations and expenditures, as of September 30, 1991, by project and project element (technical assistance, participant training, and commodities) and estimating the amount of equipment purchased by project. Our analysis showed that the four projects accounted for equipment purchases totalling \$216 million out of an estimated \$242 million for the 25 active projects/programs as of September 30, 1991, or approximately 89 percent. These four projects/programs were also selected because previous audits (see Appendix III) had disclosed equipment utilization problems.

To determine if the Tracking System contained information on all A.I.D.-financed equipment purchased under the four projects/programs selected for review, as required by A.I.D. Handbook 15 and Mission Order PAK-15-1, we obtained a listing of information included in the Tracking System for each of the four projects. Using information maintained by the respective project officers, we analyzed the Tracking System reports to determine if the reports contained information about all A.I.D.-financed equipment for each project.

To determine if end-use checks were being conducted in accordance with the requirements of A.I.D. Handbook 15 and Mission Order PAK-15-1, we interviewed the respective division head, project officers and project staff for the four projects/programs selected for review to determine how end-use checks were being conducted, what use was made of the Tracking System reports for this purpose, and what was done with the results of end-use checks. We reviewed any available plans developed by the respective project officials for conducting end-use checks and reports generated on the results of any end-use checks.

Because many project officers we interviewed told us that they found that the Tracking System reports were incomplete and cumbersome to use and that they did not use the reports in conducting their end-use checks, we tested the utility of the Tracking System report for one of the four projects/programs selected for review. We did this by selecting a random sample of items from a September 15, 1991 listing of equipment for the Agricultural Commodities and Equipment program. We reviewed each item to determine if the item should be included for end-use tracking purposes. We then discussed the results of our review with program officials, the Commodity Management officer, and the Mission Director and considered their comments in completing our review.

To determine if USAID/Pakistan's end-use checks were detecting and reporting equipment use problems as required by A.I.D. Handbook 15 and Mission Order PAK-15-1, we judgmentally selected 91 pieces of equipment to inspect at Islamabad, Karachi, Peshawar, Lahore, Quetta, and Faisalabad. These cities were selected because they were identified by the respective project officers as having substantial numbers of equipment procured. We selected the individual pieces of equipment to inspect by analyzing Tracking System reports and information maintained by the project officers showing what equipment was at these cities. We concentrated on selecting equipment that was of high dollar value, such as field and laboratory equipment, machinery, computers, and motor vehicles. Due to deficiencies in USAID/Pakistan's Tracking System, the exact numbers and dollar amount of A.I.D.-financed equipment at the locations visited was not known.

We also inspected equipment in storage or in transit at the USAID warehouse complex in Karachi. As a result of this work, we included in our selection of equipment to review two vehicles from a fifth project, the Road Resources Management project. The vehicles had been in storage from May 1988 through our visit in November 1991.

At each project location visited, we reviewed the equipment selected for inspection to determine its condition and whether it was being used in accordance with project/program agreements, checked logbooks where applicable, and discussed with Government officials of Pakistan problems they encountered in equipment use or problems that we had identified.

For those equipment items identified with utilization problems, we determined whether USAID/Pakistan project officials were aware of the problems, whether actions were being taken to correct the utilization problems, and whether project officials had reported the problems to Mission management, as required by A.I.D. Handbook 15 and Mission Order PAK-15-1. We reviewed quarterly and semiannual project status reports to determine if the equipment problems were disclosed and discussed in these reports. We also held discussions with the Mission and Deputy Mission Director to determine how they were made aware of equipment utilization problems and the extent of their knowledge concerning problems identified during our visits.



UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT
MISSION TO PAKISTAN

Cable: USAIDPAK

HEADQUARTERS OFFICE
ISLAMABAD

Office of the Director

June 29, 1992

Mr. James B. Durnil
Regional Inspector General/Audits
Singapore

Subject: Audit of USAID/Pakistan's Controls Over Equipment
Utilization

Dear Jim:

We have completed the review of the RIG/A/S draft audit report on the subject audit and are providing our response per attachments. It will be noted that out of 32 items valued at \$6.4 Million which were identified in the report as having utilization problems, 21 items valued at \$3.1 Million have been found to be operational. On the remaining items, the Mission is taking appropriate actions to resolve the utilization problems and expects the actions to be completed by September 30, 1992.

Based upon our response we request RIG/A/S to consider closure of Recommendations 1.1, 2.1, 2.2 and 3. The closure of Recommendation 1.2 will be requested when actions on the remaining 11 items have been completed.

Sincerely


Nancy Tumavick
Acting Director

Enc: As stated

USAID/PAKISTAN
Mission Response to Draft Audit Report on
Audit of USAID/Pakistan's Controls Over Equipment Utilization

AUDIT OBJECTIVE: DID USAID/PAKISTAN FOLLOW A.I.D. PROCEDURES IN ESTABLISHING AND IMPLEMENTING A SYSTEM FOR ENSURING THAT A.I.D.-FUNDED EQUIPMENT IS USED FOR ALLOWABLE PROJECT PURPOSES.

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

1.1 Establish procedures requiring the results of all end-use checks to be formally reported, at least quarterly, to the Mission Director identifying major usage problems, actions planned to correct the problems, and target dates for correcting the problems; and

1.2 Ensure that equipment problems highlighted in Appendices IV and V, totalling approximately \$6.4 million, are corrected.

MISSION RESPONSE: Mission accepts recommendation 1.1, subject to the suggestion noted below in Mission Comments. A revised work plan for conducting end-use checks of ECE commodities has been prepared, and is being implemented. Formal end-use reports identifying major usage problems, actions planned to correct the problems and expected target dates for correcting the problems are being sent to the concerned Mission officials including Mission Director and Deputy Mission Director.

Mission accepts recommendation 1.2 and has taken actions and/or is planning appropriate actions to correct equipment problems highlighted in Appendices IV and V.

MISSION COMMENTS: Based upon the Mission comments on the status of equipment utilization provided in Appendices IV and V, it should be noted that (1) the total amount of Appendix IV should read \$5,265,875 due to adjustment in the value of the Sulphur Detector; the correct value of the item is \$27,182 instead of \$88,470; and (2) twelve items of equipment per Appendix IV totalling \$1,995,517, and all the nine items of equipment per Appendix V totalling \$1,067,493 are operational. For the remaining items, actions are being planned, and/or, are in process to attempt to correct the problems as stated therein. Mission will request closure of the recommendation when remaining actions have been completed.

Regarding the establishment of a system to report to the Mission Director on usage problems, we believe such reporting should be on a semi-annual basis instead of quarterly. The reason for this is that most project officers do not obtain sufficient information about usage to make a quarterly report informative. The Mission also believes that spot checks by an objective office, i.e. CMO, would be beneficial.

RECOMMENDATION NO. 2: We recommend that USAID/Pakistan:

2.1 Request technical assistance contractors to provide an annual listing of (1) A.I.D.-funded equipment purchased during the preceding 12 months and valued over a certain dollar threshold (e.g. \$1,000), showing the description, location, arrival date, purchase price, and condition and (2) the location, condition, and use of equipment acquired in previous years; and

2.2 Develop and implement procedures to ensure that information provided in recommendation 2.1 is included in the Tracking System.

MISSION RESPONSE: The Mission accepts the recommendations and notes that TA contractors have been required to submit an annual listing of commodities they have purchased since 1989. It is a standard contractual requirement. The auditors are aware of this, as they have copies of many of the contractors' responses. Moreover, it is our opinion that while the purchase price should be reflected in the CTS, the cost for each item is not needed to conduct effective end-use reviews. The information provided by TA contractors is now being entered into the CTS, which is a recent innovation to our system.

MISSION COMMENTS: Under the ECE program all procurement activities are performed by GOP agencies with USAID guidance. There are no technical assistance teams for this purpose under ECE. In other programs and projects, the TA teams are, however, involved in the procurement process.

Mission requests that based upon above response and comments, RIG/A/S consider closure of the recommendation at the time of final report issuance.

RECOMMENDATION NO. 3: We recommend that USAID/Pakistan establish and implement procedures to ensure that Tracking System reports provided to project officers for end-use checks contain information relevant to project officers' needs.

MISSION RESPONSE: Mission accepts the recommendation and states that a system is already in place to provide project officers relevant information. All "irrelevant" information will be removed by the Commodity Management Office upon the project officers' requests.

MISSION COMMENTS: It is our opinion that the recommendation is based upon a skewed, small sample which was taken from part of one program, ACE. Data for the ACE program was never reviewed by the project officer to remove unnecessary items such as inland transportation charges. Other project officers have done this.

An important misconception included in the audit report is that the CTS does not include dollar values. Dollar values for each earmarking document and each contract or other AID commitment are included in the CTS. Each invoice approved for payment is included in the CTS with the date it was approved for payment and the dollar value. The financial data in the CTS is regularly checked against that in MACS. The CTS can provide 21 different reports to meet particular needs. As the CTS was being designed, project officers and others were interviewed to determine what kind of reports would be useful and what kind of information each should contain. These reports were approved by the technical office chiefs. The report that contains the financial information is called the "Earmarking Financial Status Report." Since mid-1991 this report has been sent to each project officer semi annually.

Including dollar value of each item in the inspection data base is not practical. For example, some items are purchased FOB, and others on a CIF basis. We believe that in a contract for vehicles purchased on a CIF basis, allocating the appropriate freight value to each vehicle would require more effort than would accrue as a benefit. Instead, the Mission suggests that all equipment be categorized as worth more than \$50,000; between \$15,000 and \$50,000, and less than \$15,000. The Project Officers Inspection Reports reflect these categorizations.

Mission requests that based upon the above response and comments, RIG/A/S consider closure of the recommendation at the time of final report issuance.

REPORT ON
INTERNAL CONTROL

RECOMMENDATION NO 4: We recommend that USAID/Pakistan perform an assessment of the internal control weaknesses identified in this report for use in preparing the next report under the Federal Managers' Financial Integrity Act.

The recommendation has been deleted per RIG/A/S Fax dated June 19, 1992.

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**REPORT ON
COMPLIANCE**

CONCLUSION ON COMPLIANCE:

USAID/Pakistan complied with provisions of the Federal Managers' Financial Integrity Act and the respective project/program agreements except that:

USAID/Pakistan did not ensure that the Government of Pakistan used A.I.D.-funded equipment within one year of receipt for the Energy Commodities and Equipment Program or two years for the Agricultural Commodities and Equipment Program as required by the respective program agreements.

MISSION COMMENTS:

The ACE and ECE program agreements, like all A.I.D. CIP agreements, recognize that many factors can affect utilization. Contrary to the statement in the draft audit report, utilization is not "required" within a certain period of time; instead, both agreements say that the host government will use its "best efforts" to assure utilization within the periods noted in the draft report. If the agreement will accept "best efforts", the Mission cannot be expected to "ensure" utilization. In our view, the Mission's responsibility is to work with the host government to solve utilization problems when we find them and we think we are ably carrying out that responsibility. Thus, Mission management is currently addressing all utilization problems noted in the draft report and hopes to have resolution on all of them by the end of the fiscal year.

*RIG/A/Singapore Note: The Report on Compliance referred to above has been deleted from the final report.

SCOPE AND METHODOLOGY

MISSION COMMENTS: Appendix I, page 1, Para 2 should read, "The audit objective did not cover office equipment and household effects and the Private Sector CIP under which \$110.5 had been financed as of May 10, 1992."

*RIG/A/Singapore Note: The \$110.5 million amount cited above for the Private Sector Commodity Import Program includes non-equipment items. Thus, we did not change the amount cited in our final report in Appendix I, which represents the approximate value of equipment acquired under the Commodity Import Program at the time of our audit.

**PREVIOUS AUDIT FINDINGS
ON EQUIPMENT USE**

Since 1985, the Office of the Inspector General has issued six audit reports with recommendations concerning equipment use at USAID/Pakistan. The findings on equipment utilization from each report are summarized below.

<u>Report No/Date</u>	<u>Program Audited</u>	<u>Problem Identified</u>
5-391-86-01 (10/25/85)	Agricultural Commodities and Equipment Program	Most equipment was not being used. Reasons for the poor usage of equipment included lack of trained equipment operators, lack of security over certain equipment, and equipment not considered useful by the organization to which it was assigned. Unused items included about \$4.4 million of heavy equipment.
5-391-88-01 (10/16/87)	Rural Electrification Project	USAID/Pakistan did not effectively perform its equipment monitoring responsibilities. As a result, USAID/Pakistan did not know if \$2.5 million of equipment was effectively used.
5-391-88-08 (07/11/88)	Utilization and Maintenance of Selected Equipment in Pakistan	About \$5.1 million of A.I.D.-funded equipment was not effectively utilized. This occurred because USAID/Pakistan had not taken necessary action to coordinate with Government of Pakistan organizations to determine the effective use of the equipment.

<u>Report No/Date</u>	<u>Program Audited</u>	<u>Problem Identified</u>
5-391-89-04 (05/05/89)	Food Security Management Project	Equipment valued at \$341,000 was not utilized because there were maintenance/installation problems or the equipment was not needed. USAID/Pakistan did not establish a system to obtain information on equipment utilization as required in the A.I.D. Handbooks.
5-391-90-03 (10/26/89)	Commodity Import Program	About \$4.8 million of \$10.8 million of equipment reviewed was not effectively utilized. This occurred because necessary information was not available to monitor equipment utilization and actions taken to resolve identified problems were not successful.
5-391-91-03 (05/24/91)	Transformation and Integration of the Provincial Agricultural Network (TIPAN) Project	Project officers responsible for the TIPAN project had not conducted any end-use reviews since the project's inception. The cognizant project officer was not aware of the requirement to perform end-use reviews. The equipment inspected for this audit totalled \$255,000.

EQUIPMENT NOT BEING USED WITHIN REQUIRED TIME PERIODS ¹

<u>CITY</u>	<u>PROJECT</u>	<u>DESCRIPTION</u>	<u>APPROXIMATE VALUE</u>	<u>DATE RECEIVED</u>	<u>PROBLEM NOTED</u>
Lahore	391-0467	Mobile Laboratory Equipment	\$146,800	11/90	Trucks not registered, equipment immobilized
Peshawar	391-0467	Pumps at Warsak Lift Canal	1,400,000	11/89	Not operational, need new motors costing approx. \$3 million
Quetta	391-0467	Workshop Machinery	353,300	07/87	Components missing
35 Faisalabad	391-0468	MART Laboratory and Field Equipment	103,000	07/87	Components missing
Faisalabad	391-0468	MART Laboratory Equipment	90,000	07/87	Not suitable for research use
Quetta	391-0468	MART Laboratory and Field Equipment	79,000	01/87	Not suitable for research use
Karachi	391-0480	Toyota Hilux	9,000	05/88	Unused at USAID Warehouse
Karachi	391-0480	Toyota Hilux	9,000	05/88	Unused at USAID Warehouse
Karachi	391-0486	Sulphur Detector	27,182	07/88	Not installed
Karachi	391-0486	Universal Materials Tester	67,844	11/87	Not operational
Karachi	391-0486	CFR Engine - Octane Rating	152,866	06/90	Not installed
Karachi	391-0486	Resolution GC MC System	305,508	06/90	Under repair by local engineer
Karachi	391-0486	Cutler Hammer Calorimeter	58,682	07/88	Not installed
Karachi	391-0486	Gas Chromatograph	92,887	06/90	Not installed

<u>CITY</u>	<u>PROJECT</u>	<u>DESCRIPTION</u>	<u>APPROXIMATE VALUE</u>	<u>DATE RECEIVED</u>	<u>PROBLEM NOTED</u>
Karachi	391-0486	ICP Machine	129,209	03/88	Idle, will transfer to Hyderabad's Solar Center in 1992
Karachi	391-0486	Automatic Analyzer	200,346	11/87	Awaiting repair
Karachi	391-0486	Microtrac Particle Analyzer	55,605	08/88	Idle
Karachi	391-0486	Engine (5D)	448,705	08/90	Computer not working
Karachi	391-0486	Infrared Spectrophotometer	59,054	03/88	Idle, will transfer to Hyderabad's Solar Center in 1992
Karachi	391-0486	Atomic Absorption Spectrophotometer ²	664,478	05/88	Needs liquid helium to operate
Karachi	391-0486	Truck Mounted Elbow	475,505	06/88	Used since 1988, under repair since June 1991
Karachi	391-0486	Pollution Monitoring Equipment	153,656	03/88	Idle
Karachi	391-0486	CNG Compressor for Lahore	<u>184,248</u>	10/90	Not installed
	Total		<u>\$5,265,875</u>		

¹ The program agreements for Program Nos. 391-0486 (Energy Commodities and Equipment Program) and 391-0468 (Agricultural Commodities and Equipment Program) required that equipment be used not later than one and two years, respectively, after the equipment cleared customs in Pakistan. The project/program agreements for the other projects reviewed contained no time requirement for using equipment. However, A.I.D. Handbook 15, Chapter 10 states that A.I.D.-funded equipment should be used for purpose intended within a prescribed time period, usually one year.

² There was evidence that the Mission Director was formally advised of this equipment utilization problem. For the other equipment listed, we found no evidence that the problems were formally reported to top Mission management (Mission Director or Deputy Mission Director).

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**EQUIPMENT NOT BEING USED BUT STILL
WITHIN ALLOWABLE UTILIZATION TIME PERIODS**

<u>CITY</u>	<u>PROJECT</u>	<u>DESCRIPTION</u>	<u>APPROXIMATE VALUE</u>	<u>DATE RECEIVED</u>	<u>PROBLEM NOTED</u>
Peshawar	391-0473	DEC 3800 Computer System	\$218,000	02/91	Idle
Quetta	391-0473	DEC 3600 Computer System	180,000	02/91	Idle, staff not yet assigned
Islamabad	391-0486	Microvax 3800 Computer System	316,000	06/91	Not installed
Islamabad	391-0486	Petroleum Exploration and Mapping	245,493	04/91	Not installed
Karachi	391-0486	Toyota Landcruiser	23,000	08/91	Idle, will be used for hauling liquid helium
Karachi	391-0486	Toyota Landcruiser	23,000	08/91	Idle, will be used for hauling liquid helium
Karachi	391-0486	Nissan Pathfinder	23,000	08/91	Idle
Karachi	391-0486	Nissan Pathfinder	23,000	08/91	Idle
Karachi	391-0486	Mitsubishi Pajero	<u>16,000</u>	09/91	Idle
		Total	<u>\$1,067,493</u>		

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APPENDIX VI**REPORT DISTRIBUTION**

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Inspector General (IG)	1
Assistant Inspector General/Audit (AIG/A)	1
Deputy Assistant Inspector General/Audit (D/AIG/A)	1
Office of Policy, Plans and Oversight (IG/A/PPO)	3
Office of Legal Counsel (IG/LC)	1
Office of Resource Management (IG/RM)	12
Assistant Inspector General for Investigations (AIG/I)	1
Regional Inspector General for Investigations/Singapore (RIG/I/S)	1
RIG/A/Cairo	1
RIG/A/Dakar	1
RAO/Manila	1
RIG/A/Nairobi	1
RIG/A/Tegucigalpa	1
RIG/A/Vienna	1
USAID/Bangladesh	1
USAID/India	1
USAID/Indonesia	1
USAID/Nepal	1
USAID/Philippines	1
USAID/Sri Lanka	1
USAID/Thailand	1

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