
**Audit of
USAID/Panama's Monitoring and
Evaluation of Project Activities**

**Audit Report No. 1-525-95-002
November 30, 1994**





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November 30, 1994

MEMORANDUM

TO: USAID/Panama Director, David Mutchler

FROM: RIG/A/San José, *Conroy N. Gothard*
Conroy N. Gothard

SUBJECT: Audit of USAID/Panama's Monitoring and Evaluation of Project Activities

The Office of the Regional Inspector General for Audit/San Jose has completed its audit of USAID/Panama's monitoring and evaluation of project activities. This final audit report is being transmitted to you for your action.

In preparing this report we reviewed your comments on the draft report and included them as Appendix II. A summation of your comments has been included after the problem areas addressed in the report.

Based upon your written comments, we consider all recommendations resolved upon issuance of this report. Please respond to the report within 30 days indicating any actions taken to implement the recommendations.

I appreciate the cooperation and courtesies that you and your staff extended the auditors during this assignment.

**Regional Inspector General for Audit
San José, Costa Rica**

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EXECUTIVE SUMMARY

The Federal Manager's Financial Integrity Act requires USAID/Panama to have internal accounting and administrative controls over its programs. These controls represent the various management objectives and techniques required to ensure that programs and related functions are effectively managed in conformance with applicable laws and regulations. As of September 30, 1993, USAID/Panama had a portfolio consisting of 16 active projects with obligations and expenditures as of that date of \$69.9 and \$29.7 million, respectively (see page 1).

Our audit focused on USAID/Panama's practices for evaluating projects and monitoring the following project activities: utilization of commodities, participant training programs, and the work of technical assistance contractors and grantees.

Our audit found that USAID/Panama did not fully monitor and evaluate its projects in accordance with USAID policies and procedures. The problems found include the following:

- USAID/Panama did not follow prescribed USAID procedures for conducting end-use reviews to ensure that equipment and commodities were used effectively and in a timely manner. As a result, we found during our inspection of equipment and commodities costing \$1.3 million that equipment and commodities costing \$267,194 were not used effectively (see page 4).
- USAID/Panama has ensured that 473 long-term participants who had received training in the United States under the two projects we reviewed had returned to Panama. However, eight participants had not returned to Panama after completing their training in the United States and USAID/Panama had not been successful in making sure these participants return to Panama or in obtaining refunds from the participants for the training costs. As a result of the eight participants not returning, USAID/Panama had spent \$445,649 for training that will not benefit Panama as intended (see page 8).
- USAID/Panama had not prepared the required evaluation summaries for two of the four evaluations we reviewed and no follow-up action had been taken to respond to the recommendations included in the two evaluation reports. For these two evaluations USAID/Panama

paid \$11,650. As a result of not responding to the recommendations any potential usefulness of the evaluations diminishes (see page 12).

- Statements of work included in four of the six contracts and grants we reviewed lacked specific indicators and benchmarks for measuring progress. Without precise descriptions of what was expected under the contracts and grants and specific targets for measuring progress in accomplishing the contract and grant objectives, USAID/Panama could not objectively measure and assess the performance of the four contractors and grantees for which USAID/Panama had already disbursed \$3.3 million (see page 15).
- Five of the six contractors and grantees we reviewed did not submit the required progress reports or the reports submitted to USAID/Panama did not comply with the reporting requirement and/or were not useful for measuring contractor or grantee performance. Not ensuring that the required progress reports are received inhibits the ability of USAID/Panama and others (e.g., project evaluators) to effectively measure contractor or grantee performance in accomplishing objectives. As of September 30, 1993, USAID/Panama had obligated and expended under the five contracts and grants a total of \$16.4 million and \$2.6 million, respectively (see page 19).

The report includes five recommendations to correct problems found during the audit and discussed in this report.

In responding to the draft audit report, USAID/Panama management generally concurred with the findings and recommendations. They stated that they will work closely with the auditors in the coming months to ensure that all five recommendations are fully implemented. USAID/Panama's comments are summarized after each finding and are included in their entirety as Appendix II.

Office of the Inspector General

Office of the Inspector General
November 30, 1994

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INTRODUCTION

Background

The Federal Manager's Financial Integrity Act of 1982 (FMFIA) requires all Federal agencies to have internal accounting and administrative controls over their programs to ensure U.S. Government funds are spent efficiently and effectively. In line with these requirements, USAID has developed internal policies and procedures for monitoring and evaluating its programs to ensure funds are properly spent (for activities such as technical assistance, utilization of commodities, and participant training) and program objectives are achieved.

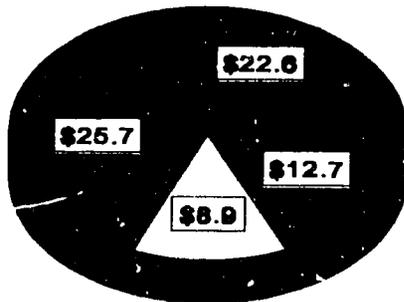
Another audit performed by our office in 1994 showed that USAID/Panama had made significant progress in implementing USAID's fairly new Program Performance System for Strategic Management (PRISM) which measures program results through the accomplishment of strategic objectives and related program outcomes. However, USAID/Panama still had some work to do in measuring program results and had not yet fully established quantifiable indicators (or even objectively verifiable and measurable indicators) and reporting systems for measuring individual project results.¹

As of September 30, 1993, USAID/Panama had 16 active projects with obligations and expenditures totaling \$69.9 million and \$29.7 million, respectively. As illustrated in the chart on page 2, most of these expenditures were for three types of activities: technical assistance, commodities, and participant training.

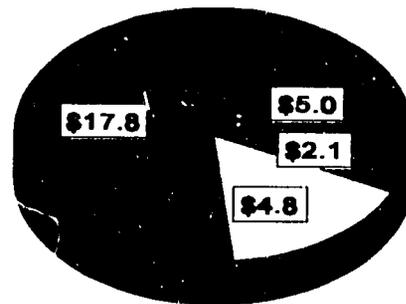
¹ That audit report (Audit Report No. 1-525-95-001; dated November 29, 1994) identifies that under the PRISM, USAID operating units (including USAID/Panama) are to identify individual project(s) which are to contribute toward the accomplishment of strategic program objectives and related program outcomes.

**OBLIGATIONS AND EXPENDITURES
BY COMPONENTS FOR ACTIVE PROJECTS
as of September 30, 1993
(in millions)**

OBLIGATIONS



EXPENDITURES



Audit Objective

As part of a world-wide audit for which it was the lead office, the Office of the Regional Inspector General for Audit/San José audited USAID/Panama's practices for monitoring and evaluating its project activities to answer the following audit objective:

- Did USAID/Panama monitor and evaluate its projects and programs in accordance with USAID policies and procedures?

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

REPORT OF AUDIT FINDINGS

Did USAID/Panama Monitor and Evaluate Its Project Activities in Accordance with USAID Policies and Procedures?

USAID/Panama did not fully monitor and evaluate its project activities in accordance with USAID policies and procedures.

Examples of USAID policies and procedures that were followed include the following:

- In accordance with USAID Handbook 10, USAID/Panama maintains an updated participant training tracking system that included monitoring whether training participants returned to Panama upon completing their training in the United States and ensuring that training agreements were executed for all USAID-sponsored training participants. Under just two of its active projects, USAID/Panama has funded long-term training of 595 students in the United States.
- In accordance with Handbook 3, USAID/Panama issued a Mission Order outlining its project evaluation system and procedures. USAID/Panama had also conducted seven evaluations of its active projects and planned to conduct an additional nine evaluations in the next three years.

However, as discussed below, USAID/Panama needs to improve its monitoring and evaluation systems in the following areas: ensuring commodities and equipment are effectively used for intended purposes, obtaining refunds from training participants that failed to comply with the terms of their training contracts, following up on recommendations resulting from project evaluations, ensuring that technical assistance contracts and grants include specific indicators of progress and benchmarks (targets and time frames), and obtaining the required progress reports from contractors and grantees.

**Control over Commodity
Utilization Needs to be Strengthened**

USAID requires that missions ensure through end-use checks that USAID-funded equipment and commodities are used effectively and in a timely manner. USAID/Panama did not follow prescribed USAID procedures for conducting end-use reviews because responsible officials either were not aware of the requirement to perform such reviews or did not believe such reviews were necessary. As a result of not performing such reviews, of the \$1.3 million inspected, equipment and commodities costing \$267,194 were not used effectively.

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

- 1.1 formally assign responsibilities for performing equipment and commodity end-use reviews along with instructions on how the reviews will be performed and the documentation required;**
- 1.2 develop and initiate a plan for conducting and documenting the required equipment and commodity end-use reviews for equipment and commodities not inspected by the auditors; and**
- 1.3 ensure that the equipment costing \$267,194 identified in this report as not being effectively used is effectively used for purposes intended or properly disposed of.**

The Foreign Assistance Act (Section 101) and the project agreements between USAID/Panama and the Government of Panama require that USAID-funded equipment and commodities be effectively used for the purposes for which the assistance was made available. The agreements also state that after the completion of the project the equipment and commodities will be used so as to further the objectives sought in carrying out the project. To ensure these requirements are met, USAID Handbook 15 (Attachment 10A) states:

To keep the Mission Director and appropriate USAID offices informed of usage of AID-funded equipment and commodities and to assure proper utilization and adherence to AID regulations and project agreements, it is essential that end-use reviews be made.

This Handbook further requires that: (1) end-use review findings should be discussed with other responsible USAID officers and that neat orderly workpapers should be prepared and retained to adequately support all end-

use reviews performed and (2) equipment and commodities that are not being effectively used in the project should be transferred to other projects or otherwise disposed of as approved by USAID.

USAID/Panama has not performed the required end-use reviews and did not have any reports identifying the utilization or operational status of USAID-funded commodities and equipment. USAID/Panama's Project Officers and Controller stated that although there has been no formal delegation of responsibility for performing end-use reviews, the financial analysts in USAID/Panama's Controller Office were responsible for performing equipment and commodity end-use reviews as part of their duties for making site visits to project sites. We reviewed site-visits reports prepared by the financial analysts for four USAID/Panama's projects under which as of September 30, 1993, USAID has spent \$4.1 million for equipment and commodities—or 87 percent of total USAID/Panama disbursements for equipment and commodities (\$4.7 million). Our review showed that none of the reports addressed the utilization of equipment and commodities for the following reasons:

- USAID/Panama's financial analysts responsible for three of the four projects we reviewed (with disbursements for commodities totaling \$1.0 million) said that they were not aware they were suppose to review the utilization of equipment and commodities during their site visits. They stated that their only reviews of equipment and commodities during the site visits are to determine if the equipment and commodities were received and included in the recipient Government of Panama organization's inventory records.
- Regarding the fourth project reviewed (with disbursements for commodities totaling \$3.1 million), USAID/Panama officials stated that they did not believe that equipment and commodity end-use checks were needed under this project because the equipment and commodities were to be delivered in rapid fashion. We do not understand the logic that end-use checks are not needed just because equipment and commodities are to be delivered in a rapid fashion. Furthermore, most of these commodities were received between May 1990 and March 1994.

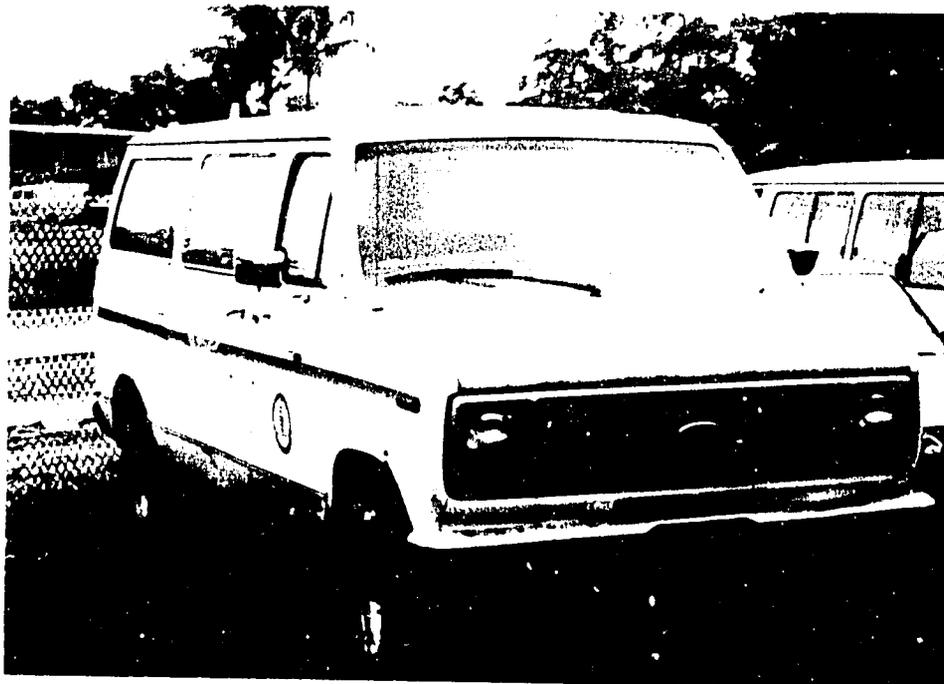
As shown in Appendix III, we found that \$267,194—or 20 percent—of the approximated \$1.3 million of equipment and commodities we inspected were not being used because according to Government of Panama officials there were no funds to repair the vehicles. Examples of some of these cases include the following:

- At the Government of Panama's Metropolitan Department of Sanitation we inspected nine trucks (costing \$339,162) and found that five of these trucks (costing \$174,660) were not operational including three that have not been operational for at least six months. Department employees said that the vehicles needed repairs but so far the Government of Panama had not supplied the estimated \$49,000 to purchase the required parts and perform the repairs. The employees said one of these five trucks was in an accident in November 1991—approximately six months after it was obtained—and had not been repaired but instead was being used to supply parts for other vehicles.



This vehicle costing \$30,803 was provided by USAID/Panama to the Metropolitan Department of Sanitation in April 1991 and has been sitting idle since November of 1991. (June 1994, Carrasquilla, Panama)

- We inspected 5 vehicles that USAID/Panama had donated to the Ministry of Health at a cost of \$92,534. We found that three vehicles costing \$58,058 had been sitting idle for at least one year awaiting repairs. Ministry employees told us that the Government of Panama had not supplied funding to make the needed repairs.



This vehicle costing \$23,582 was provided by USAID/Panama to the Ministry of Health in January 1991 and has been sitting idle for approximately 1.5 years. (June 1994, Panama Viejo, Panama)



This vehicle costing \$17,238 was provided by USAID/Panama to the Ministry of Health in September 1990 and has been sitting idle for approximately 1.5 years. (June 1994, Curundu, Panama)

In conclusion, USAID/Panama needs to ensure that USAID-funded commodities and equipment are effectively used for project purposes by formally assigning responsibilities for performing commodity and equipment end-use reviews and also developing and initiating a plan for conducting the required reviews. In our opinion, very little additional time would be required to perform end-use reviews because USAID/Panama already has a system in place to review the receipt of commodities and equipment as part of their visits to project sites. USAID/Panama should also take action to ensure that equipment costing \$267,194 identified in this report as not being effectively used is effectively used or disposed of.

Management Comments and Our Evaluation

In response to Recommendation No. 1.1, USAID/Panama management stated that they will assign responsibilities and provide comprehensive instructions for commodity receiving and end-use reviews. Regarding Recommendation Nos. 1.2 and 1.3, USAID/Panama stated that it plans to hire a contractor to conduct an inventory of commodities provided under all projects and will follow up on the end-use status of the vehicles identified in the audit report as not being effectively used.

Based on USAID/Panama's response, the three parts of Recommendation No. 1 are considered resolved and can be closed upon our receipt of documentation that the recommended actions have been satisfactorily implemented.

USAID/Panama Should Obtain Refunds from Training Participants That Failed To Comply with the Terms of Their Training Contracts

In accordance with USAID policy, USAID/Panama obtained written contracts from training participants we reviewed prior to the participants' departure to the United States and each contract included the requirement that the participant return to Panama after completing his/her training and attempt to utilize the training for the benefit of the country. However, although eight students (under one project) who had signed the contracts have not returned to Panama after completing their training in the United States, USAID/Panama efforts had not been successful in making sure these participants return to Panama or in obtaining refunds from the participants for the training costs. USAID/Panama officials said that they did not believe the training agreements with the training participants provide a legal basis to seek such a recovery. As a result of the eight students not returning upon completing their studies, USAID/Panama has spent \$445,649 for training that will not benefit Panama as intended.

Recommendation No. 2: We recommend that USAID/Panama in consultation with the Regional Legal Advisor:

- 2.1 locate and notify the eight individuals who have not honored the contract requirements that they must either return to Panama or refund to USAID the cost of their training;**
- 2.2. take whatever action is feasible to recover the costs of the training from the eight participants if they do not honor the contract requirements; and**
- 2.3 determine if the standard contract with participants under the Central American Peace Scholarships Project and other contracts have legal basis for collecting a refund from participants who do not honor the contract provisions and, if not, revise the contracts for all future participants.**

USAID Handbook 10 (Chapter 18) requires that USAID missions ensure that training participants, prior to departing their country for training in the United States, sign an agreement outlining the conditions upon which USAID is providing them training. Such training agreements notify participants of their responsibility to return to their home country for two years and endeavor to utilize for the benefit of their country the training received under the USAID-sponsored program.

USAID/Panama has done a good job in ensuring the required contracts are signed by the participants and monitoring the participants return to Panama after completion of their training. For example, USAID/Panama has ensured that 473 long-term training participants who had received training in the United States under the two projects we reviewed had returned to Panama. From our judgmental sample of 17 of these participants who should have returned, USAID/Panama's records showed that all the participants had returned to Panama and had met the requirements of their contracts. Furthermore, we interviewed six of these students and found that all of them were employed as intended under their respective contracts.

However, we did note from our review of USAID/Panama's reporting system that eight students (out of 481 who should have returned) sent for training in the United States under one of the two projects reviewed (the Central American Peace Scholarships Project) did not return to Panama upon completion of their training as required under their contracts. These participants should have returned between October 1988 and December 1992 and the total cost of their training was \$445,649.

While USAID/Panama did ensure that all of the non-returning eight students had signed a training agreement that required that they return to Panama for two years and endeavor to utilize for the benefit of their country the training acquired under the USAID-sponsored program, it had not been successful in making sure these participants return to Panama or in obtaining refunds from the participants for the training costs. USAID/Panama officials said that they do not believe the training agreements it executed with the training participants provide legal basis to seek such a recovery. Three examples of these cases are as follows:

- One student attended St. John University in New York in its Business Administration program and was due to return to Panama in May 1991. However, at the time of our audit USAID/Panama officials reported that the individual had not returned to Panama and stated that they did not know his current location. USAID/Panama had reported him to USAID's Office of International Training in July 1991 so that the individual could be reported to the U.S. Immigration Office but no additional follow-up by USAID/Panama had been made. USAID/Panama spent more than \$86,000 for this participant's training.
- Another student attended Kansas State University in its Industrial Engineering program and was scheduled to return to Panama in December 1992. At the time of our audit USAID/Panama officials reported that the participant had not returned to Panama and stated that they did not know his current location. USAID/Panama had reported the participant to USAID's Office of International Training in June 1993 so that the participant could be reported to the U.S. Immigration Office but no additional follow-up by USAID/Panama had been made. USAID/Panama spent more than \$68,000 for this participant's training.
- Another student attended Arizona State University in its Chemical Engineering program and was to return to Panama in May 1991. At the time of our audit USAID/Panama officials reported that the individual had not returned to Panama and stated that they did not know her current location. USAID/Panama had reported her to USAID's Office of International Training in July 1991 so that the individual could be reported to the U.S. Immigration Office but no additional follow-up by USAID/Panama had been made. USAID/Panama had spent more than \$65,000 for this participant's training.

As a result of not recovering the funds it has expended for the participants that have not returned to Panama as agreed under their contracts,

USAID/Panama has spent \$445,649 for training that will not benefit Panama as intended under the project. Also, if the contract with participants currently used under the Central American Peace Scholarships Project (and at least under the other project we reviewed) does not provide a legal basis for collecting the cost of the training from participants who do not honor their contracts, USAID/Panama is vulnerable for paying the costs of other current and future participants under this project—which has remaining project funds totaling \$1.2 million for participant training—who do not return to Panama as intended under the project.

In conclusion, USAID/Panama needs to take additional action to ensure the eight participants return to Panama as provided for under their contracts with USAID/Panama as intended under the project agreement (with a U.S. university) or collect from the participants the costs of their training. Furthermore, if USAID/Panama determines in coordination with the Regional Legal Advisor that the contracts signed by the participants are not legally binding, USAID/Panama should revise the standard contract clause used under the Central American Peace Scholarships Project and at least one other project to make them legally binding.

Management Comments and Our Evaluation

In response to the draft report, USAID/Panama management stated that while they appreciate the auditors' recognition that USAID/Panama has a well managed participant training program, they also noted that the finding in the draft report stating that "USAID/Panama has not taken any action to obtain refunds from the participants" was misleading. The Mission noted that they have attempted to contact the participants directly and have directed the institutional contractor and the USAID Office of International Training to take follow-up action. The Mission further stated that these actions have resulted in one student's recent deportation back to Panama.

Regarding the three specific recommended actions, USAID/Panama stated that it will continue to take all practical actions possible to return the eight participants to Panama (for Recommendation Nos. 2.1 and 2.2) and has referred the question on whether the contracts have a legal basis for collecting a refund from participants who do not honor their contracts to the Regional Legal Advisor (for Recommendation No. 2.3).

Based on USAID/Panama's response, the three parts of Recommendation No. 2 are considered resolved and can be closed upon our receipt of documentation that the recommended actions have been satisfactorily implemented. We have also revised the report to say that USAID/Panama's efforts had not been successful in making sure the eight participants

returned to Panama or in obtaining refunds from the participants rather than say no action had been taken to obtain refunds.

**USAID/Panama Should Monitor
Project Evaluation Recommendations**

USAID policy requires that missions prepare an evaluation summary responding to all evaluation recommendations and establish a follow-up system on the decided course of action. Our review of four of the seven evaluations USAID/Panama had performed on its active projects showed that for two of the evaluations the required evaluation summaries were not prepared and no follow-up action had been taken to respond to the recommendation. In the case of one evaluation the USAID/Panama Project Officer was not aware that he was to prepare an evaluation summary or monitor the recommendations and for the second evaluation the Project Officer did not believe any actions were required because it was an end-of-project evaluation. Additionally, the Evaluation Officer did not have a system to monitor the preparation of evaluations summaries and the implementation of evaluation recommendations. Not responding to the evaluation report's recommendations diminishes any potential usefulness of the evaluations for which in these two cases USAID/Panama paid \$11,650.

Recommendation No. 3: We recommend that USAID/Panama instruct the responsible staff:

- 3.1 to ensure that USAID evaluation summaries be prepared for all interim and final project evaluations (and that the recommendations in those summaries are appropriately acted upon); and**
- 3.2 to ensure that the implementation status of specific recommendations from project evaluations are reported as required in USAID/Panama's Semi-Annual Project Status Reports.**

USAID Handbook 3 (Chapter 12) requires that missions prepare an USAID Evaluation Summary on all interim and final project evaluations and that these summaries include: the mission's acceptance or rejection of the recommendations made in the evaluation, a schedule of the actions to be taken to implement the recommendations and when those actions should be completed, identification of who is responsible for implementing the recommended actions. While the USAID officer (usually the project officer) responsible for the evaluation is required to complete the USAID Evaluation

Summary, the Mission Evaluation Officer is responsible for ensuring that the summary is completed.

As required by USAID policy, USAID/Panama issued a Mission Order (No. 402 dated October 30, 1992) in which it established its policies for evaluating projects and programs. The order stated that all corrective actions recommended by the evaluation team and approved by USAID/Panama shall be implemented within the period specified by the evaluation team and be reported in the USAID/Panama's next Semi-Annual Project Status Report (SAR) showing progress in implementing the actions to ensure that they are completed as required and within the specific time period. The order also states that if no actions are taken within the specified time period, the Project Officer shall inform the Mission Evaluation Officer of this in writing, with an explanation of why nothing has been done and how and when the situation will be corrected.

For USAID/Panama's 16 active projects (as of September 30, 1993), it had performed seven evaluations at a cost of \$47,710. We reviewed four of the seven evaluations (costing a total of \$38,160) and found that USAID/Panama had prepared the required USAID Evaluation Summary and appropriately monitored the implementation of the evaluation recommendations for two of the four evaluations. However, for the other two evaluations reviewed, USAID/Panama did not prepare the USAID Evaluation Summary nor was there any documentation showing USAID/Panama's assessment of the recommendations, assigning responsibility for the implementation of the recommendations, or whether the recommendations were implemented. The following are examples of recommendations for which there was inadequate follow-up:

- The mid-term evaluation report (issued in September 1992) for the Tax Administration Improvement Project included 11 recommendations. For example, one recommendation was to: "Continue the development of the pilot program for reducing delinquency [in collecting taxes]. To this end, a group of auditors may be assigned to carry out the required procedures." Another recommendation was to: "... regulate the formulation of Payment Agreements by delegating powers according to amount and deadline." The USAID Project Officer stated that there was no formal system of tracking the implementation of the evaluation's recommendations and he did not have documentation to confirm the current status of the evaluation's recommendations. The Project Officer said he did not know it was his responsibility to prepare the USAID Evaluation Summary and to formally follow up on recommended actions. This evaluation cost USAID \$8,000.

- The final evaluation report (issued September 1993) for the Private Sector Scholarship Project included 39 recommendations. For example one recommendation was: A financial model should be identified that would be most appropriate for conducting the projects without the participation of AID. Another recommendation was: "The organization should be reviewed, the personnel functions and the present manuals should be updated. The procedure manuals should include those forms that are being used and should be incorporated in a text in a manner that assigns management responsibility and the manner in which the forms are to be used." The USAID Project Officer stated that there was no USAID Evaluation Summary prepared on this evaluation nor was there any follow-up on the implementation of the recommendations because this was a final evaluation and she did not believe such actions were required for final evaluations. This evaluation cost USAID \$3,650.

The USAID/Panama Evaluation Officer said that USAID Project Officers should prepare the evaluation summary and implement or monitor the implementation of the evaluation's recommendations and that these requirements apply to both interim and final evaluations. The Evaluation Officer stated that he has not yet implemented a system to ensure that USAID Project Officers fulfill their responsibilities regarding evaluation recommendations but he plans on implementing such a system in the future.

USAID/Panama was also not including evaluation report recommendations in its Semi-Annual Project Status Report (SAR). For the four evaluation reports we reviewed, we reviewed the SARs for the next two reporting periods following the issuance of the evaluation report and found that none of the reports mentioned the status of implementing the recommendations. The USAID/Panama individual responsible for the overseeing the preparations of the SARs said that the SARs did not include follow-up of the project's evaluation recommendations because the SAR format provided by USAID/Washington does not provide a section for mentioning the status of recommendations of specific evaluations.

In conclusion, the result of not implementing USAID's policies and procedures for preparing the required USAID Evaluation Summary and following up on the implementation of evaluation recommendations diminishes the potential usefulness of the evaluations. As noted above, the two evaluations where these requirements were not met cost USAID a total of \$11,650. Therefore, to ensure better use of USAID funds, USAID/Panama should ensure that USAID Evaluation Summaries are prepared and that recommendations are appropriately followed up and the implementation status is discussed in the Semi-Annual Project Status

Report. These actions are especially important since USAID/Panama current evaluation plan for the fiscal years 1994 through 1996 estimates that project and program evaluations during that period will cost \$485,000.

Management Comments and Our Evaluation

In response to Recommendation Nos. 3.1 and 3.2, USAID/Panama management stated that they will instruct project officers to: prepare evaluation summaries for all interim and final project evaluation, follow up on recommendations, and report on open recommendations and the status of actions taken to resolve them in the Semi-Annual Project Status Report (SARS).

Based on USAID/Panama's response, the two parts of Recommendation No. 3 are considered resolved and can be closed upon our receipt of documentation that the recommended actions have been satisfactorily implemented.

Technical Assistance Contracts and Grants Need Well Defined Work Statements

USAID policies require that technical assistance contracts and grants contain well defined scopes of work to enable USAID officials to measure contractor's or grantee's progress in accomplishing the contract or grant objectives. However, the statements of work included in four of the six contracts and grants we reviewed lacked specific indicators and benchmarks (targets and time frames) for measuring progress. According to USAID/Panama officials, this problem occurred because they do not believe it is possible to clearly define specific performance indicators or benchmarks to measure the performance of contractors and grantees. Without precise descriptions of what was expected under the contracts and grants and specific targets for measuring progress in accomplishing the contract and grant objective, USAID/Panama could not objectively measure and assess the progress of the contractors' and grantees' performance for which USAID/Panama has already disbursed \$3.3 million.

Recommendation No. 4: We recommend that USAID/Panama:

- 4.1 review all technical assistance contracts and grants to determine if each contract contains specific indicators (targets and time frames) to enable objective measurement of the contractor's or grantee's progress in accomplishing their objectives; and**

4.2 take appropriate action to incorporate specific progress indicators in all work statements for active contracts and grants that do not contain such indicators.

USAID Handbook 3 (Supplement A) emphasizes the importance of the statement of work in both contracts and grants. For example, the Handbook states the following:

The statement of work or program description is probably the most important single portion of the ... resultant contract/grant/cooperative agreement.... The attachment needed here is a document which clearly spells out AID's requirement. It should be written with enough specificity so that there will be no doubt of what is required. It must provide for clear target dates which must be met, goals, and objectives for a particular project. Vague descriptions should always be avoided.

For contracts, Handbook 3 (Supplement A) also states that to make meaningful monitoring and evaluation possible, the statement of work should include specific indicators of progress (targets and time frames) which will enable USAID and others (e.g., host government officials and project evaluators) to objectively monitor and evaluate the contractors' progress in achieving contract objectives. Even in contracts calling for level-of-effort, the work statement should provide the details of what USAID wants the contractor to do and when USAID wants it done. For example, work might be divided into discrete phases of accomplishments, each of which must be completed and approved before the contractor may proceed to the next phase. The work statement is the essence of the agreement between USAID and the contractor on what is to be done and should bind the contractor to specific obligations. For grants, USAID Handbook 13 (Chapter 4) states that the grant application (which is generally included as the program description in the grant agreement) should provide a clear summary of what is to be accomplished, the resources and steps required to meet the objectives within a specified time, and benchmark measures of progress towards the objectives.

We reviewed six technical assistance contracts and grants (with total obligations and expenditures of \$19.4 million and \$3.8 million, respectively) and found that four of these procurement instruments (with total obligations and expenditures of \$10.0 and \$3.3 million, respectively) did not contain specific indicators or descriptions of progress (targets and time frames) toward accomplishing the contract or grant objective. Examples of the problems found for one contract and one grant are discussed below:

- The objective of one contract under the Economic Policy Development Project was to provide technical assistance to the Government of Panama's Ministry of Planning and Economic Policy "... for analysis and implementation of economic policy reform." However, the contract statement of work did not include specific indicators of progress and benchmarks (targets and time frames) for objectively monitoring and evaluating the contractor's performance. For example, the contract's scope of work included only vague descriptions of what activities were to be performed such as providing technical assistance in such areas as "Privatization (including reform of public enterprise management)" and assisting the Government of Panama in developing and implementing a financial program to restore access to assistance from the international financial institutions. However, the contract did not identify targets and time frames for privatization or obtaining assistance from the international financial institutions. USAID obligations and expenditures for this contract were \$2.0 million and \$1.0 million, respectively.
- The purpose of one cooperative agreement under the Trade and Investment Development Project "... is to adopt policy changes that reorient Panama's economy away from import substitution and towards free trade and to develop exports of selected products in the light industry and agribusiness subsectors with the goal of diversifying and increasing the level of trade by Panama." However, the agreement's statement of work did not include specific indicators of progress and benchmarks (targets and time frames) for objectively monitoring and evaluating the recipient's performance. For example, the agreement contains only vague descriptions of the activities that are to be provided by the recipient such as the Elimination of the bureaucracy and policies that impede the development of the tourist sector. However, the agreement did not identify targets and time frames for the elimination of the bureaucracy and policies nor the likely effect of tourism. USAID's obligations and expenditures under this cooperative agreement were \$2.1 million and \$201,362 respectively.

Four of the six contracts and grants reviewed also required the contractor or grantee to provide workplans but these did not provide specific indicators of progress or benchmarks to objectively monitor and evaluate the contractor's or grantee's progress in accomplishing the contract or grant objectives. For example, the contractor's annual workplan for calendar year 1993 under the first example discussed above identified only the type of activities that were going to be performed, such as in the privatization area the workplan identified that the contractor would provide support to the privatization program and assistance to the privatization process.

Regarding the second example discussed above, the recipient's annual workplan for the period of April 1, 1993 to March 31, 1994, contained 24 indicators but only one of these could be considered a well defined target for measuring the recipient's performance.² The other indicators only identified activities that were to be performed such as: (1) conducting several seminars and presenting the results to the public and (2) preparing a series of market profiles on the industries and chosen industrial and agricultural products based on an analysis of opportunities for exportation.

USAID/Panama officials stated that while they admit that the four contracts do not contain specific performance indicators or benchmarks, they do not believe it is possible to clearly define specific performance indicators or benchmarks to measure the performance of contractors and grantees because their performance is affected to a large extent upon developments that occur during the implementation of the contracts and grants and the priorities of the host country. Additionally, USAID/Panama officials stated they believe that the tasks or indicators in the contracts and grants and the related workplans must be loosely defined so as to permit the technical assistance contractors or grantees to respond to the developing needs of the projects for which their services are contracted.

While we understand USAID/Panama's position that it works in an environment in which the needs of host country and individual projects are constantly changing, nevertheless, specific performance indicators and benchmarks must be established at the beginning of a relationship with a contractor or recipient. Without establishing such indicators or benchmarks, USAID/Panama and others cannot effectively monitor and evaluate the performance of the contractor or recipient in accomplishing the contract or grant objectives. The four contracts reviewed which did not have the required indicators have funds remaining to be spent totaling \$6.7 million. Thus, to better assure the efficient and effective use of these funds and funds remaining under contracts and grants not reviewed, USAID/Panama needs to review and take any necessary actions to ensure that technical assistance contracts and grants include specific indicators for measuring the contractor's or grantee's performance.

Management Comments and Our Evaluation

In response to Recommendation Nos. 4.1 and 4.2, USAID/Panama management stated that they will work closely with the USAID Regional Contracting Officer to implement these recommended actions. They also

² The well defined target is the development of four pilot exportation projects that will be chosen by the ANDE foundation.

stated that they plan to: (1) provide Regional Contracting Officer or USAID/ Washington training on the drafting of scopes of work and the development of work objectives and (2) establish a library of well written scopes of work and work objectives for future reference by Mission staff.

Based on USAID/Panama's response, the two parts of Recommendation No. 4 are considered resolved and can be closed upon our receipt of documentation that the recommended actions have been satisfactorily implemented.

Need for Better Monitoring of Contractors' and Grantees' Progress Reports

USAID policy requires that USAID project officers review the required progress reports prepared by the contractors and grantees and bring any deficiencies in the reports to the contractor's attention and, if appropriate, to the attention of mission management. Five of the contractors and grantees did not submit the required reports or the reports submitted to USAID/Panama did not comply with the reporting requirement and/or were not useful to USAID and others for measuring the contractor's or grantee's performance. USAID/Panama officials said these problems occurred because they never intended to have one contractor submit reports, have not been successful in having two contractors or grantees submit the required report, and thought the remaining two contractors or grantees submitted reports which generally met the reporting requirements and were useful for monitoring the contractors or grantees performance. Not ensuring that the required progress reports are received limits USAID/Panama's and others' (e.g., project evaluators) ability to effectively measure contractors and grantees performance in accomplishing their objectives. As of September 30 1993, USAID/Panama had obligated and expended under the five contracts and grants a total of \$16.4 million and \$2.6 million, respectively.

Recommendation No. 5: We recommend that USAID/Panama instruct its project officers to enforce the reporting requirements of technical assistance and grants and, in coordination with the contracting officer, develop and implement a system to ensure these requirements are met.

USAID 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, USAID Handbook 3 (Supplement A) stipulates that the USAID Project Officer is responsible for monitoring the performance of the contractor or recipient and, as part of this responsibility, to assure that the contractor or grantee submits the

reports required by the contract or grant. The Project Officer is also responsible for assuring that the reports submitted comply with the reporting requirements of the contract or grant and are useful for evaluating the contractor's or grantee's performance. And, if the reports do not meet such requirements, the Project Officer should 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.

...the reports submitted to USAID/Panama did not comply with the reporting requirements and/or were not useful to USAID and others for measuring the contractor's or grantee's performance...

Each of the six contracts and grants we reviewed (with total disbursements of \$3.3 million) included specific requirements for submitting progress reports to USAID/Panama. However, five of the contractors and grantees did not submit the required reports or the reports submitted to USAID/Panama did not comply with the reporting requirements and/or were not useful to USAID and others for measuring the contractor's or grantee's performance. As of September 30 1993, USAID/Panama had obligated and expended under the five contracts and grants a total of \$16.4 million and \$2.6 million, respectively.

USAID/Panama officials said the problems with reporting by the grantees were for the following reasons: they never intended to have one contractor submit progress reports, have not been successful in having two contractors and grantees submit the required reports, and thought the remaining two contractors or grantees submitted reports which met the reporting requirements and were useful for monitoring the contractors or grantees performance. Examples of the reporting problems we found during the audit include the following:

- One contract awarded in June 1992 under the Financial Management Reform Project was to provide technical assistance to the Government of Panama for developing and installing an integrated financial management system and a comprehensive audit system within specified Government of Panama entities. The contract included USAID's standard reports clause which requires that the contractor submit substantive semi-annual progress reports (within 45 days of the end of the reporting period) which discuss the status of the work and progress in accomplishing the contract objectives, the plans for the ensuing period, and recommendations to improve related project.

USAID/Panama officials could only locate one brief report covering activities accomplished during a three month period ending December 1993. Furthermore, this report covers the activities for only one (the public budget) of the five components included under the contract. According to the USAID/Panama Project Officer the contractor has not submitted formal progress reports and the Project Officer never intended that the contractor submit the reports.³ In our opinion, the contract requires the contractor to submit semi-annual reports and USAID/Panama should ensure that the requirement is enforced or appropriately amend the contract with a commensurate reduction of funding. As of September 30, 1993, USAID/Panama had obligated and expended under this contract \$3.0 million and \$1.0 million, respectively.

- One grant awarded in July 1992 under the Natural Resources Management Project was to: (1) capitalize a conservation trust fund through a debt exchange agreement with the Government of Panama, (2) develop the capability of the Government of Panama organization responsible for managing the fund and to administer a grant program with those funds, and (3) to train public and private organizations to formulate and carry out projects for wild lands protection, recuperation of degraded areas, sustainable agriculture, soil conservation, and environmental education that achieve national conservation activities. The grant agreement required the grantee to submit quarterly progress reports "detailing project implementation". The agreement did not specify what was to be addressed in the report regarding progress toward specific indicators or the grant objectives. However, USAID/Panama had not received any quarterly progress reports until it received a report in February 1994 that covered the six-month period from April 1, 1993 to September 1993.⁴ The Project Officer said that USAID/Panama had requested the grantee twice in October 1993 to submit the required reports but a report was not received until February 1994. He also requested the grantee in February 1994 to submit the quarterly report for the period ended December 1993 but this report had not yet been provided at the end

³ According to the Project Officer, USAID/Panama has contracted a personal services contractor and one of his requirements is to prepare a progress achievement report on a quarterly basis which describes all the progress for all the activities financed by the project. As of September 30, 1993, USAID/Panama had disbursed \$163,442 for this Personal Service Contract.

⁴ This report is actually the grantee's work plan and budget for the nine-month period beginning October 1, 1993, which includes "...a review of the status of this grant after six months of operations that began April 1, 1993."

of our field work in June 1994. As of March 31, 1994 USAID/Panama had obligated and expended under this grant \$8.8 and \$182,000 million, respectively.

- One cooperative agreement awarded in March 1992 under the Trade and Investment Development Project was "... to assist the Government of Panama in the reorientation of the Panamanian economy and the diversification and improvement of Panamanian trade." The agreement required the recipient to submit quarterly progress reports that discuss activities by component and measure progress to date against the goals to be accomplished under the cooperative agreement. However, the three reports submitted (for the period April through December 1993) do not identify specific progress made in accomplishing the stated goals of the agreement. For example, the three progress reports do not specifically address the progress in achieving the agreement's goal of encouraging the adoption of policy changes that reorient Panama's economy away from import substitution and towards free trade. Furthermore, these reports specifically addressed only 3 of the 24 activities that the recipient included in its work plan for the period April 1993 to March 1994. For example, although the work plan included market investigations and profiles and the development of non-traditional exports as two activities in the work plan that were suppose to be worked on during the period, the three quarterly progress reports we reviewed did not mention these activities. The USAID Project Officer responsible for this contract stated that he has been dissatisfied with the quality of the quarterly reports submitted by the recipient and has asked the recipient on several occasions to prepare progress reports more in line with the reporting requirement specified in the agreement but he has not been successful and, therefore, the reports are still unsatisfactory. As of September 30, 1993, USAID/Panama had obligated and expended under this agreement \$2.0 million and \$200,000, respectively.

The Project Officers for the five contracts and grants reviewed said that they had not prepared any documentation regarding the contractors and grantees not submitting reports or not complying with the reporting requirements. The ones responsible for three of the five contracts and grants said they were not aware of the requirement to prepare documentation regarding deficiencies in contractor and grantee reporting.

The Project Officers for the remaining two of the five contracts and grants thought that the reports submitted generally complied with the reporting requirements and were useful in evaluating the contractor's or grantee's performance. Both of these Project Officers acknowledged that the reports

did not adequately address the progress of the activities to be accomplished under the contract or grant but stated their involvement in the overall project activities under which these contractors and grantees work provided them with enough information to evaluate the contractor's and grantee's performance and accomplishments.

While these Project Officers may not have needed the required reporting by the contractor and grantee, the required progress reports are not for the sole use by the USAID Project Officer but also for use by others such as project evaluators and any USAID Project Officers who may be assigned responsibility for these contracts and grants. The USAID/Panama's contracting specialist at the time of the audit who was the contracting officer at the time the contracts and agreements reviewed were signed said that she had not been informed by USAID/Panama project personnel that there were any problems with receiving adequate reports from the five contractors and recipients.

In addition to the above problems, the three contracts for technical services that we reviewed included the requirement that progress reports be sent to the Center for Development of Information and Evaluation (CDIE). Mission officials told us that for two of the contracts they did not know whether reports had been sent to CDIE and for the other contract the Project Officer said that the reports had been sent. However, CDIE officials confirmed to us that they did not have reports related to any of these three contracts. As a result of the USAID/Panama's Project Officers not ensuring that the contractors submitted the reports to USAID/CDIE as required in the contracts USAID's attempt to ensure that the institutional knowledge of USAID's activities is preserved is severely diminished.

The lack of adequate and timely reports by the technical assistance contractors and grantees precluded USAID/Panama from effectively monitoring the contractor's/grantees' performance and hinders USAID's Center for Development Information and Evaluation (CDIE) attempt to ensure that the institutional knowledge of USAID's activities is preserved. Therefore USAID/Panama needs to ensure that its Project Officers enforce the reporting requirements of its technical assistance contracts and grants (including cooperative agreements) related to projects over which they are responsible.

Management Comments and Our Evaluation

In response to Recommendation No. 5, USAID/Panama management stated that, in coordination with the USAID Regional Contracting Officer, they will issue a local notice requesting all project officers to discuss the type of problems noted in this audit report with any contractors/grantees that are

delinquent in submitting reports. Also, a standard letter will be developed which requests contractors to submit their reports on time. Management further stated: "If the contractor [or grantee] remains unresponsive, payment will be withheld."

Based on USAID/Panama's response, Recommendation No. 5 is considered resolved and can be closed upon our receipt of documentation that the recommended actions have been satisfactorily implemented.

SCOPE AND METHODOLOGY

Scope

We audited USAID/Panama's controls over its monitoring and evaluation of projects and programs in accordance with generally accepted government auditing standards. The audit was conducted from December 13, 1993 through June 21, 1994. We did field work at the Panama City offices of USAID/Panama and at five Government of Panama offices in Panama. Our audit was confined to a review of USAID/Panama's evaluations of its projects and monitoring the following project activities funded by USAID: monitoring technical assistance contractors and grantees, utilization of commodities, and long-term training of students in the United States.

Methodology

We interviewed USAID/Panama's officials to determine the policies and procedures followed by them to perform evaluations of project activities and to monitor the work of technical assistance contractors and grantees, the utilization of equipment and commodities, and its participant training program. In order to assess fairly the implementation of USAID/Panama's procedures for the four areas covered by our objective our methodology also included the following:

Participant Training

For its active projects as of September 30, 1993, USAID/Panama has disbursed \$16.6 million for Participant Training programs. We reviewed the adequacy of USAID/Panama's system for tracking students receiving long-term training in the United States under its projects, which account for \$11.2 million of the total disbursed. Of the total of 481 students who had received training under USAID/Panama's two active projects that included long-term training in the United States and should have returned to Panama, for a judgementally selected sample of 17 students, we reviewed whether USAID/Panama had executed a training agreement, documented

the return of the student to Panama following completion of his training, reported to USAID's Office of International Training (USAID/OIT) the status of the students, and tracked the employment status of the student. To verify the employment status of the returned students, we personally interviewed six participants out of our sample of 17 returned students who have received long-term training in the United States and, according to the Mission's information, were currently working in the Panama City area. Additionally, we examined whether USAID/Panama reported to USAID/OIT the participants that had not returned to Panama after completing their training.

Technical Assistance

We identified USAID/Panama's commitments for technical assistance as of September 30, 1993 and judgementally selected a sample of six technical assistance contracts, cooperative agreements and grants, that accounted for 79 percent of the total commitments. For our sample we reviewed the committing documents to determine: if they included quantifiable indicators of progress and a requirement that progress reports be submitted to USAID/Panama and USAID's Center for Development Information and Evaluations. Additionally, for our sample we determined whether the recipients were complying with the reporting requirements in their committing documents. USAID/Panama had obligated and expended under this sample a total of \$16.4 million and \$2.6 million, respectively.

Commodities

We identified the commodities that USAID/Panama had acquired under its active projects as of September 30, 1993 at a total disbursement of \$4.7 million and determined for four active projects, which had disbursed 87 percent of the total projects' disbursements for commodities, if USAID/Panama had documentation to support that it was making site visits to ensure proper utilization of those commodities. Additionally we made twelve site visits to determine the utilization of a judgementally selected sample of commodities acquired under two USAID/Panama's projects at a cost of \$1.3 million of the total amount that USAID/Panama had disbursed for commodities under its active projects as of September 30, 1993.

Evaluations

We determined whether USAID/Panama had a Mission Order describing its evaluation system. We reviewed USAID/Panama's current evaluation plan and determined whether the evaluations had been performed as planned. For a sample of 4 of the 7 evaluations that USAID/Panama had performed for the active projects as of September 30, 1993, we determined if a Project Evaluation Summary had been prepared and whether the implementation of the evaluation's recommendations were being monitored by USAID/Panama.

AGENCY FOR INTERNATIONAL DEVELOPMENT
PANAMA CITY, PANAMA

UNITED STATES GOVERNMENT
MEMORANDUM

DATE: November 2, 1994
TO: Coinage Gothard, RIG/A/San Jose
FROM: David E. *Don* Mutchler, Mission Director, USAID/Panama
SUBJECT: Audit of USAID/Panama's Monitoring and Evaluation of Project Activities

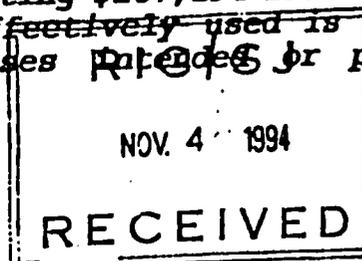
After discussion and careful review, the Mission's response to subject draft audit report is presented below. The Mission generally agrees with the conclusions and recommendations. We will work closely with you in the coming months to ensure that all five recommendations are fully implemented. We appreciate the auditors' recognition that USAID/Panama has a well managed participant training program which has funded long-term training of 595 students in the United States.

Audit Objective

Did USAID/Panama monitor and evaluate its project activities in accordance with USAID policies and procedures?

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

- 1.1 formally assign responsibilities for performing equipment and commodity end-use reviews along with instructions on how the reviews will be performed and the documentation required,**
- 1.2 develop and initiate a plan for conducting and documenting the required equipment and commodity end-use reviews for equipment and commodities not inspected by the auditors; and**
- 1.3 ensure that the equipment costing \$267,194 identified in this report as not being effectively used is in fact effectively used for purposes intended or properly disposed of.**



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To implement recommendation 1.1, we will assign responsibilities among the Executive Office, Project Offices, and the Controller's Office and provide comprehensive instructions for commodity receiving and end-use reviews. Financial analysts will be required to prepare an annual site visit plan. Part of the work program for each site visit will include commodity end-use reviews.

In response to recommendations 1.2 and 1.3, the Mission plans to hire a PSC, perhaps a dependent spouse, for a period of three to six months to conduct an inventory of commodities provided under all projects.

Financial analysts in coordination with the project officers, will be asked to follow-up on the end-use status of the 8 vehicles costing \$267,194, identified as not being effectively used.

Recommendation No.2: *We recommend that USAID/Panama in consultation with the Regional Legal Advisor:*

- 2.1 locate and notify the eight individuals who have not honored the contract requirements that they must either return to Panama or refund to USAID the cost of their training;*
- 2.2 take whatever action is feasible to recover the costs of the training from the eight participants if they do not honor the contract requirements; and*
- 2.3 determine if the standard contract with participants under the Central American Peace Scholarships Project and other contracts have legal basis for collecting a refund from participants who do not honor the contract provisions and, if not, revise the contracts for all future participants.*

The Mission will continue to take all practical actions possible to return the eight participants to Panama. We must state that eight students out of four hundred seventy three is a good average. That is a failure rate of 1.6%.

The statement that "USAID/Panama has not taken any action to obtain refunds from the participants" is misleading. The Mission has attempted to get the missing participants to return to Panama for their agreed upon two-year service periods. We did this by trying to contact them directly and/or by contacting their families in Panama. We also directed the institutional contractor and the

Office of International Training (OIT) to take follow-up actions. Follow-up resulted in one student's recent deportation back to Panama. These actions were taken in spite of the fact that the eight students were due to return during the period October 1988 to December 1992. Please note that during over one third of that period the USAID Mission was closed and that it was an extremely difficult time in Panama both economically and politically.

Under recommendation 2.3, the contract with participants that the Mission uses is a standard format developed by USAID/W. The Mission referred this question to our Regional Legal Advisor and we will continue to work with the Office of International Training in their efforts to revise the policies and procedures of the Agency's training program. Non-returnees is obviously an issue that needs to be addressed on an Agencywide basis.

Recommendation No.3: *We recommend that USAID/Panama instruct the responsible staff:*

- 3.1 to ensure that USAID evaluation summaries be prepared for all interim and final project evaluations (and that the recommendations in those summaries are appropriately acted upon); and*
- 3.2 to ensure that the implementation status of specific recommendations from project evaluations are reported as required in USAID/Panama's Semi-Annual Project Status Reports.*

We will remind project officers that all evaluations must be in compliance with Handbook 3 and our current mission order. They will be further instructed to prepare evaluation summaries for all interim and final project evaluations, to follow-up on recommendations, and to report on open recommendations and the status of actions taken to resolve them in the Semi-Annual Project Status Report (SARS).

I plan to direct my staff to prepare a comprehensive matrix showing all unresolved evaluation recommendations by project and the current status of actions taken to implement the recommendations. On balance, this Mission has had an aggressive program of project evaluations.

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

- 4.1 review all technical assistance contracts and grants to determine if each contract contains specific indicators (targets and timeframes) to enable objective measurement of the contractor's or grantee's progress in accomplishing their objectives; and*
- 4.2 take appropriate action to incorporate specific progress indicators in all work statements for active contracts and grants that do not contain such indicators.*

The Mission will need to work closely with RCO/Guatemala to implement this recommendation. We will schedule RCO TDY assistance to specifically address recommendations 4 and 5. We also plan to: (a) provide RCO or USAID/W conducted training on the drafting of scopes of work and the development of work objectives, and (b) establish a library of well written scopes of work and work objectives for future reference by Mission staff.

Recommendation No.5:

We recommend that USAID/Panama instruct its project officers to enforce the reporting requirements of technical assistance and grants and, in coordination with the contracting officer, develop and implement a system to ensure these requirements are met.

In coordination with RCO/Guatemala, the Mission will issue a local notice requesting all project officers to discuss this problem with any contractors/grantees that are delinquent in submitting reports. A standard letter will also be developed which requests contractors to submit their reports on time. The letter would be provided to all project officers for their use whenever their contractors are late in submitting their reports. If the contractor remains unresponsive, payment will be withheld.

APPENDIX III

ANALYSIS OF COMMODITIES FOR WHICH AUDITORS CONDUCTED
END-USE CHECKS

Project Description	Amount Disbursed	Status of Commodities	Amount Not Being Used Effectively
Project # 525-0302			
11 fork-lifts	\$ 299,000	In active use	
3 Cherokee vehicles	\$ 57,726	In active use	
3 Ford 1991 F800 trucks	\$ 154,344	1 truck has been inactive for 1 month waiting for parts	\$ 51,448
6 Ford 1991 F350 trucks	\$ 184,818	1 truck is being cannibalized and parked since Nov. '91, 2 trucks have been inactive 6 months waiting for parts and 1 truck has been inactive 1 month waiting to be repaired (unit price of trucks \$30,803)	\$ 123,212
1 Peerless 36 HXB water pump	\$ 68,404	In active use	
Pumping equipment and accessories	\$ 390,592	In active use	
1 Ford Van E250	\$ 23,582	The van has been inactive 1.5 years because of transmission problems	\$ 23,582
4 Jeep Comanche 1990	\$ 68,952	2 jeeps have been inactive for 1 month waiting for parts, 1 jeep is being cannibalized for 1 year and the other jeep has been parked for 1.5 years waiting for parts to be repaired (unit price of trucks \$17,238)	\$ 68,952
Project #525-0317			
1 Computer tape-drive	\$ 14,703	In active use	
5 ID cameras	\$ 14,221	In active use	
3 386 SX computers	\$ 2,988	In active use	
TOTAL	\$1,279,331		\$ 267,194

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IG/RM	12
AIG/I&S	1
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IG/A/FA	1
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