

Area Auditor General - Latin America (North)

Santo Domingo Residency

REPORT OF AUDIT
OF
PUBLIC SAFETY
USAID/DOMINICAN REPUBLIC

Audit Report No. 1-517-72-71

March 15, 1972

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I. SCOPE OF AUDIT

The Office of the Area Auditor General-LA(N), Santo Domingo Residency, has performed an audit of Project Agreement (ProAg) No. 517-11-710-021, Public Safety; Investment Agreement (IA) No. 25, Construction and Repair of Police Training and Educational Facilities; Investment Budget Agreement (IBA) No. 4, National Police Construction/Renovation Project CY 1968; and IBA No. 45, National Police Equipment Procurement. These agreements were entered into between the Government of the Dominican Republic (GODR), represented by the Secretary of State for Interior and Police (SSIP), and the United States A.I.D. Mission to the Dominican Republic (USAID/DR). The agreements were implemented by the National Police (NP), a department under the SSIP.

The purpose of the examination was to determine whether (1) major objectives of the project were being achieved, (2) sound practices were being followed by the NP in its administration of project funds and commodities, (3) expenditures were proper, and (4) monitorship by USAID/DR was adequate. We did not attempt to evaluate the policies and doctrine of the NP in its relationship to the people of the country; rather we evaluated the effectiveness of the administration of certain portions of the NP operation that were A.I.D.-financed.

Current audit coverage of ProAg No. 517-11-710-021 dated from the cut-off of the prior audit, March 1, 1969, and continued through September 30, 1971. The period of audit for the other agreements commenced with their inception dates, the earliest of which was November 18, 1966, and also continued through September 30, 1971. Financial transactions completed during the period covered by audit were as follows:

<u>Agreement</u>	<u>Period Covered by Audit</u>		<u>Amount Audited (US\$ and RD\$)</u>	
	<u>Starting Date</u>	<u>Ending Date</u>	<u>Obligated or Authorized</u>	<u>Disbursed</u>
ProAg No. 517-11-710-021	03-01-69	9-30-71	\$333,027*	\$551,035*
IA No. 25	11-18-66	9-30-71	150,000	150,000
IBA No. 4	06-18-68	9-30-71	80,000	80,000
IBA No. 45	06-01-71	9-30-71	<u>207,000</u>	<u>1,364</u>
		Total	<u>\$770,027</u>	<u>\$782,399</u>

*Funds related to commodities and participant training only.
(US\$1 = RD\$1).

The audit was conducted at various NP locations in or near Santo Domingo, including the NP Palace; NP Basic Training School at Borinquen; Headquarters of the Department of Special Operations (DSO) at Manoguayabo; and the site of a proposed temporary cadet and officer training school at Jainamosa. We did not visit the NP Communications Relay Station at Alto Bandera in the northcentral section of the country, where a RD\$5,000 rehabilitation sub-project was completed under IBA No. 4; nor did we visit San José de las Matas in the northwestern region, the site of a NP field training facility where a RD\$30,000 sub-project was authorized under the same agreement. At the various locations that we did visit, we made selective test checks of financial transactions, reviewed facility and commodity utilization and maintenance, and interviewed NP officials concerning operating procedures and program objectives, with special emphasis on training. The audit work was accomplished between August 17, 1971 and November 11, 1971.

II. BACKGROUND INFORMATION

The USAID Public Safety Program was initiated in the Dominican Republic in 1962 with the signing of ProAg 517-11-710-021, which has provided technical services, training and commodities designed to assist the NP in becoming an effective and modern law enforcement agency with the popular support of the people. The total amount expended under this ProAg from inception through September 30, 1971 was \$3,503,000, broken down as follows:

	<u>(\$000)</u>
Technical Services (U.S. Personnel)	1,841
Commodities	1,259
Participant Training	308
Other	<u>95</u>
Total	<u><u>3,503</u></u>

Financing for activity under this ProAg came from various funds, as follows:

<u>Name of Fund</u>	<u>Amount (000)</u>	<u>Ratio</u>
Alliance Grant	\$ 2,436	69%
Contingency	699	20
Supporting Assistance	339	10
Act of Bogota	<u>29</u>	<u>1</u>
Total	<u><u>\$ 3,503</u></u>	<u><u>100%</u></u>

The nomenclature and approximate costs of commodities furnished since July 1, 1965, representing about 90% of the total commodities furnished to date, are shown in the table below. Similar data for commodities furnished prior to fiscal year 1966 were not available:

<u>Description</u>	<u>Amount (000)</u>	<u>Percent of Total</u>
Vehicles	\$ 530	46%
Vehicle spare parts, tires, repair equipment	64	6
Communication equipment, radios, spare parts	152	13
Audio surveillance equipment	-0-	-0-
Weapons, ammunition, shell-loading equipment, supplies	187	16
Riot control equipment, helmets, tear gas, masks	85	7
Photo and printing equipment	33	3
Other	101	9
Total	<u>\$1,152</u>	<u>100%</u>

Under the participant training program, 203 National Police-men (191 officers and 12 enlisted personnel) received special training outside the Dominican Republic, at a cost of \$308,000 from inception through September 30, 1971. This cost did not include trainees' salaries and international travel expenses between Santo Domingo and the training locations which were paid by the GODR through the NP. This program is described in more detail in Section V.A. of this report.

During the audit period, additional funds were made available for NP projects complementing those financed under the ProAg. The agreements providing these additional funds are described briefly in the following paragraphs:

IA No. 25, signed November 18, 1966, provided RD\$150,000 from pesos generated under Supporting Assistance Loans 517-K-011/012 for the rehabilitation of a farm located at Borinquen into a training complex for 500 men. Final date for disbursement of funds was June 30, 1968.

IBA No. 4, signed June 19, 1968, authorized RD\$80,000 generated under Supporting Assistance Loan No. 517-K-019 for the following sub-projects:

Rehabilitation and equipping of a temporary NP Cadet and Officer Training Facility at Jainamosa	\$15,000
Development of a Regional Field Training Center at San José de las Matas	30,000
Purchase of equipment for the NP Enlisted Basic Training School at Borinquen	25,000
Rehabilitation of the NP Communications Relay Facility at Alto Bandera	5,000
Construction of a Communications Control Center in the NP Palace	<u>5,000</u>
Total	<u><u>RD\$80,000</u></u>

December 31, 1969 was the date established for final disbursement of funds under IBA No. 4.

IBA No. 45, signed June 1, 1971, authorized US\$200,000 and RD\$7,000 pursuant to Loan Agreement 517-K-019 for equipment, as follows:

	<u>US\$</u>	<u>RD\$</u>
Vehicles, consisting of 38 sedans, 8 trucks, 1 bus; and spare parts	147,350	7,000
Communication equipment, consisting of 38 two-way radios, 6 antennas; and spare parts	48,140	
Base equipment, consisting of 4 air conditioners, 1 freezer, and 1 stove	1,650	
Contingencies	<u>2,860</u>	
Total	<u><u>200,000</u></u>	<u><u>7,000</u></u>

The date set for final disbursement of funds was December 31, 1971.

Since March 1969, average number of NP personnel was 8,532 men, of whom 652 were officers and 7,880 enlisted. The police department is directed by a Chief, appointed by the President of the GODR. There were five different NP Chiefs in office during the 31 month period March 1, 1969 through September 30, 1971. Funds budgeted by the GODR for NP operations in 1971 amounted to RD\$14,780,855.

USAID/DR involvement in the NP operation began in 1962 with one Public Safety Adviser (PSA), reached its peak of 15 PSA's late in 1967, continued approximately at this level until early 1969, and as of February 29, 1972 was functioning with three PSA's, all of whom were professionally competent, and proficient in the Spanish language, having attained a Foreign Service Institute rating of 3+, or better. Subject to availability of funds, the present program for the procurement of commodities is scheduled for phase-out in July 1973. Most of these commodities are to be used in support of the DSO; an elite group of the NP consisting of 241 officers and men. This department is a highly mobile unit which maintains its own logistical support and communications network. Their primary mission is reconnaissance, carried out by selective foot patrols in the rural areas. The objectives of these patrol operations are to develop confidence among the rural populace through civic action assistance programs and other outward manifestations of concern for the peasants' well being, and extend an attitude of cooperation and coordination with civil authorities and police/military forces. They also strive to maintain internal security and tranquility and improve the image of the government.

III. SUMMARY

Progress was made in attaining public safety objectives, particularly in the area of NP manpower development where it was badly needed. A modern basic training center that could accommodate up to 500 enlisted men and junior officers had been established, and a cadet college for training future senior officers had become a reality. However, if the NP is to successfully reach its manpower objectives, it will need to make more complete use of its basic training center, which was not operating at its optimum capacity (page 6).

NP administration was inconsistent -- apparently good in the construction, repair, and operation of the basic training center, but deficient in other areas, caused in large part by poor record-keeping and reporting practices which did not provide necessary information for effective management guidance (page 11).

NP administration was particularly weak in the area of maintaining vehicles and communication equipment (page 13), and unbusinesslike procedures were followed in the disposal of vehicles no longer serviceable (page 17).

Funds provided by USAID/DR and expended by the NP, for the most part, appeared to be for approved project purposes but not always within the boundaries established by the covering agreement, the most notable of which was the RD\$30,000 authorized for development of a regional training center that was used instead for purchase of communications equipment, (page 20).

We believe that USAID/DR was effective in rendering technical assistance to the NP, but should provide additional support to help the NP improve its administrative capabilities (page 22).

IV. FOLLOW-UP ON PRIOR AUDIT

Audit Report No. 69-12 dated May 12, 1969, covering activity under the ProAg during the period July 1, 1965 to March 1, 1969, contained nine recommendations which were subsequently closed based on memoranda from USAID/DR describing the corrective actions taken. We reviewed the documentation in support of USAID/DR's statements and took exception to one concerning the NP monthly contribution for spare parts to maintain the NP motor vehicle fleet. USAID/DR had intended to include a spare parts requirement in the 1969-1970 ProAg, but did not do so. However, this oversight was subsequently corrected by including a spare parts requirement in IBA No. 45.

V. AUDIT FINDINGS AND RECOMMENDATIONS

A. Training

1. General

The NP training program, established under USAID/DR guidance was designed to improve all levels of activity. The program included special instruction in the United States and third countries, largely financed under the ProAg; and comprehensive in-country training, which, although financed substantially by the GODR, received large measures of technical and commodity support from USAID/DR. Local training included basic instruction

for enlisted personnel, introductory and intermediate classes for junior officers, and regularly-scheduled seminars for senior officers. In our opinion, the training program was functioning reasonably well, and had achieved many of its objectives. However, the Basic Training School, in our opinion, was not fully utilized, and the Cadet College did not open until January 26, 1972, which was considerably later than originally planned. These subjects are discussed further in following paragraphs of this section.

2. USA and Third Country

Of the 203 National Policemen trained outside the Dominican Republic, all but 10 were schooled at one of two International Police Academy (IPA) facilities in Washington, D. C. or Panama. These 10 were trained in El Salvador and Venezuela. Most of the trainees (164) successfully completed the IPA General Course, which covered police administration, organization and operations; investigations; scientific and technical aids; border and customs control; crime prevention; public relations; internal security; counter-insurgency and counter-subversion; defense tactics; fire arms; riot control; and instructor training. The other trainees (39) received specialized instruction in subjects such as police executive training, technical investigations, automotive maintenance, criminalistics, and traffic management. The average period of training was 17 weeks.

Opinions expressed to us by NP officials who had received this training were favorable in that all felt course selection and subject coverage was good. Of the total so trained, 167, or 82% were still active in GODR law enforcement, with most serving as instructors or in other key positions. Five of the six general staff positions under the Chief of Police were occupied by IPA graduates.

3. Local

a. Basic Training School

Inauguration of the NP Basic Training School at Borinquen in July 1968 was a significant step forward in reaching the program's objective of developing capable enlisted and junior officer manpower. Funds allocated under IA No. 25 and IBA No. 4 provided the means for establishing this modern and apparently well-administered educational facility where, through September 30, 1971, 1,878 NP enlisted personnel had successfully completed a 12-week basic training course, 429 junior officers had received a two-week introductory course, and 246 junior officers had graduated

from an eight-week intermediate course. In our opinion, the accomplishments to date were commendable. However, as of November 30, 1971, the school had been used at only about 60% of its capacity, as it was built to accommodate 500 trainees, and the average enrollment was approximately 300. At the time of our audit visit, 297 students (22 junior officers and 275 enlisted men) were enrolled. The School Commander, when questioned about the matter, stated that police force capabilities would be weakened if 200 more policemen were taken from their regular duties at one time and enrolled in training classes. However, soon after, the Chief of Police told us that the NP was working on a plan to fully utilize the school. According to him, the opening of the cadet college, discussed in succeeding paragraphs, would automatically improve the condition by increasing occupancy at this location (Borinquen) by 50 officer candidates, but leave the facility still operating considerably under capacity. We construe these explanations as advocating fuller utilization of the facility while excusing the NP from not having done so sooner.

USAID/DR comments on this interim finding were as follows:

"Page 3 to Annex A of Revision 2 to ProAg No. 90069, dated June 30, 1969, stated that at the Borinquen School, 'the student body should be increased to 300 by July 1969. At full capacity the school will accommodate 500 students in residence simultaneously.' However, the ProAg did not propose nor target a date for realizing such maximum capacity (500). The facility was constructed so that utilization could be expanded up to this maximum if and when needed and appropriate.

"Due to the efforts of the USAID/DR's Public Safety Division (PSD) during the past year, the NP have given an increasingly high priority to training programs, and with commencement of the Cadet College scheduled for January 1972, the training facility at Borinquen will be at full capacity with about 380 students at various categories. (Although, as previously stated, the projected 'maximum capacity' is 500, one classroom has been needed to house the library, one classroom for a mess hall, and additional space was reserved to provide dormitory and other facilities for the Cadet College pending completion of the permanent buildings therefor during the remainder of 1972).

"The maintenance by the NP of appropriate levels of recruit training; junior and senior officer training; special training, including DSO operations; IPA participant training; and the Cadet College training scheduled, indicates that the present Chief of Police, with USAID guidance, is assigning adequate priorities to training projects and is thus utilizing the facility appropriately. This matter will continue to receive close attention and monitoring by PSD."

We appreciate USAID/DR's comments on the future plans for the Basic Training School. Inasmuch as it appears that the facility will be operating closer to optimum capacity soon after the Cadet College opens and the permanent buildings have been completed, no recommendation is made.

b. Cadet College

The RD\$15,000 provided under IBA No. 4 for rehabilitation and equipping of the NP facility at Jainamosa, to be used temporarily as a cadet college for 50 full-time students pending completion of the related facility at Borinquen, was fully expended, but as of February 29, 1972, the facility was not utilized for any purpose. Consequently the program plan for temporarily training future NP officers at this location had not materialized. Several reasons were given by NP Officials for delay in opening the temporary school, originally planned for mid-1969, but the main cause was lack of operating funds. We were told by a Colonel on the staff of the newly-appointed Chief of Police that funds for a cadet college at Jainamosa had been requested each year since 1968, but had not been approved by the National Budget Office. During an October 29, 1971 interview, the Chief of Police stated that he would do his utmost to obtain the necessary funds for operating a cadet college, either at Jainamosa or Borinquen. In subsequent discussions with USAID/DR PSA's, we learned that the college was inaugurated on January 26, 1972 at Borinquen, mentioned in IBA No. 4 as the intended site for permanent location of the college, but the cadets were living and being trained at a military base in San Isidro, about 25 miles northeast of Borinquen, until June 30, 1972, when permanent quarters are expected to be completed at Borinquen.

Available records indicate that RD\$9,842 of RD\$15,000 authorized under IBA No. 4 for the cadet college were spent for materials to improve the land and buildings at Jainamosa, an expenditure that will have served little purpose until this property is utilized. As of February 29, 1972, NP plans for this property were unknown. The remainder of RD\$5,158 was used to purchase equipment.

In response to this interim finding, USAID/DR made the following comment:

"For economic and administrative reasons, the location of the planned Cadet College was transferred from Jainamosa to the Borinquen site. Equipment in the amount of RD\$5,158 has already been transferred from Jainamosa to Borinquen, and the NP are in the process of expending considerably in excess of \$9,842 to prepare the facilities at Borinquen for the use of the Cadet College; thus, the purpose of the funding under IBA No. 4 is being met. The USAID will follow developments in this area."

We were subsequently advised by PSD that equipment necessary for the support of the cadets temporarily in training at San Isidro was transferred to that facility from Borinquen.

We agree that the expenditures to prepare the facilities at Borinquen for use of the Cadet College, when made, will ultimately accomplish the purpose of the funding, but this, in our opinion, would not excuse the non-use of the Jainamosa property, especially since the expenditures at Borinquen were contemplated in IBA No. 4 which states, "this school complex (Jainamosa) will be used for the next two years as the temporary (underscoring is ours) site for these two educational activities (Cadet and Junior Officer) while permanent facilities are being built at Borinquen. Subsequent use for the facility (at Jainamosa) is under study. Under consideration is using it for a Regional Police Headquarters or for the National Highway Patrol Headquarters."

USAID/DR explained further that its response, in essence, validates the expenditures incurred at Jainamosa on the principle that the pesos provided under the IBA, and those to be used by the present college are fungible, or, alternatively, that had a refund been obtained from the Jainamosa site, it could (meaning it would) have been reprogrammed to the Borinquen site. With this understanding, we see no point in pursuing the refund/programming process. Coincidentally, shortly before publishing this report we were told that material from the water system (pumps, tank, piping, etc.) installed at Jainamosa and financed with IBA No. 4 funds was being moved to Borinquen for use at the Cadet College. Accordingly, the expenditures at Jainamosa which were questioned above may be reduced as the result of such movement.

c. Senior Officer Seminars

As of September 30, 1971, 248 NP senior officers had been given seminar training in the Dominican Republic as a supplement to subjects taught in IPA schools. Major topics included police planning and administration, public relations, budget and finance, and study of the NP role in civil disturbances and subversive activities. Each seminar devoted approximately 50 hours to class lectures, conferences and practical exercises.

B. NP Records

With minor exceptions, accountability records for A.I.D.-furnished commodities, as well as for such items supplied by the GODR, were inadequate, a condition which contributed to ineffective administration and made audit fact-finding unusually difficult. No single department or section had overall responsibility for maintaining accountability records. Control was weak because this function, performed by various sections in the NP, resulted in overlapping and omission of records for accountable items provided by USAID/DR. In many cases where an accountability record was prepared for an asset, the location was omitted or incorrect. The NP was able to ultimately locate all items selected for physical verification, but required an unusually long time in doing so because of deficient records.

Other examples of record inadequacy were found in the Transportation Department where individual folders containing repair and maintenance data were kept for each vehicle. The files in many cases were voluminous, but most lacked cost information. None summarized all the costs expended in maintaining and repairing the vehicles, data that could give NP authorities added visibility in making the decision to retain or dispose of a vehicle when a major repair was imminent. With small changes, we believe that these files could be used as the basis for a meaningful report to assist NP management in its decision-making role.

The Transportation Department maintained a substantial inventory of replacement parts, including engines and transmissions removed from obsolete or wrecked vehicles prior to their disposal, but did not keep a record of any kind for such parts. Each time such a part was needed by a mechanic, an extensive physical search was required. Furthermore, due to the lack of control, the opportunity for diverting these assets to non-official use was enhanced.

There was also a lack of suitable accountability records in the Communications Department. A card file set up for control purposes was not maintained, and no other individual record for each piece of major gear was kept, a notable weakness especially with regard to two-way radios because these units were frequently reassigned to different vehicles. It was common practice in the repair shop to remove an inoperative radio unit from a vehicle and immediately install a different radio that had been repaired after removal from another vehicle. To locate a specific unit, it was necessary to leaf through a daily log maintained in the repair shop. This log contained description and serial number of the item repaired, work performed, date and identification number of the vehicle in which installed after repair, but was deficient in not providing the date received in the repair shop or identifying the vehicle or department from which received. Not only was it difficult to locate an item, but NP management was not appropriately informed about its status of communication equipment to be repaired. We believe that these deficiencies could be satisfactorily corrected by updating the card file originally set up for this purpose. As a minimum, the format of the daily log should be expanded to include the date received and identity of the vehicle or department from which received.

Another example, concerning vehicle disposal, where inadequate records contributed to a management control deficiency, is described at length in Section V.D. of this report.

USAID/DR made the following comments concerning this matter:

"The lack of records detailed to the extent desired by the auditors may lead to a subjective conclusion that accountability records are 'inadequate', but such lack in itself does not support the conclusion that it was 'a condition which contributed to ineffective administration'. The effectiveness or ineffectiveness of NP administration is not established in the report. We consider it to be sufficiently effective. In any case, ineffectiveness should first be established, and then the lack of records shown as contributing thereto, to warrant use of the above-quoted phrase."

We cannot agree that the ineffectiveness of NP administration is not established in the report. In our opinion, the lack of sufficient records that would enable management to readily locate assets in its possession, or help it decide which assets are worthy of additional expenditures, or which should be disposed of, is an obvious indication that it is not functioning effectively; especially in an organization of this size with the large labor

turnover that it has. Secondly, we have not stated or implied that the administration in all departments of the NP is ineffective. However, we believe that the findings as described throughout this report, especially those concerning vehicle disposal actions (Section V.D.) and asset maintenance (Section V.C.), contain sufficient additional examples of poor business practices due in large part to deficient records to support use of the phrase "a condition which contributed to ineffective administration."

In presenting our interim finding we suggested that USAID/DR consider the advisability of adding a Supply Management Specialist to its Public Safety staff so long as needed to assist the NP in modernizing its record and reporting system. USAID/DR responded that it could not provide the NP with the technical assistance required to develop and implement maintenance and procurement procedures to the extent recommended because of limited staff resources. USAID/DR stated further that the crucial issues in the development of the police institution are concerned with policy and doctrine, rather than with logistics. We do not disagree with USAID/DR's Public Safety priorities, but consider the NP's record and reporting system problems to be important also, and are of the opinion that many of these problems could be alleviated at a reasonable cost with the services of a Public Safety Logistics and Supply Advisor on TDY.

Recommendation No. 1

USAID/DR should consider requesting the services of a Public Safety Logistics and Supply Advisor on a TDY basis to advise the NP how it can modernize its record and reporting system.

C. Asset Maintenance

1. Vehicles

a. As of September 29, 1971, 52 of approximately 300 automobiles, trucks, and Jeeps assigned to the NP were deadlined (inoperative) because of needed repairs. Thirty-four of these were A.I.D.-financed vehicles supplied between 1966 and 1970, 14 of which had been in the NP repair shop from two to four months. An additional A.I.D.-financed vehicle had been deadlined more than one year. These vehicles were all needed for patrol duty and other operations related to public safety. We were told by NP officials that this large backlog of repairs was due primarily to failure of the GODR to provide adequate funds for spare parts.

Historically, and in accordance with the terms of the ProAg, USAID/DR has relied on GODR financial contributions for operational support. But this contribution, which except for occasional shortfalls has approximated RD\$10,00 per month, has not been sufficient to maintain the entire fleet in operable condition. NP officials informed us that the 52 deadlined vehicles mentioned above were economically repairable, and they estimated that additional material and spare parts necessary to accomplish this would cost approximately RD\$21,500. An additional 19 vehicles deemed not repairable were on hand, awaiting disposal action. Using hindsight, it might have been better if USAID/DR had set aside a portion of the PIO/C for the procurement of necessary spare parts, rather than to rely on the GODR to furnish them.

Recommendation No. 2

USAID/DR, in consultation with the NP, should find ways and means of providing the additional funds required to place all of the repairable vehicles in operable condition, or take disposal action.

b. By instituting more prudent buying practices, the NP could get more mileage from the funds that it is providing. For example, for recapped tires used on many of its vehicles, the NP paid prices 68% to 131% higher than those quoted to the auditors by two NP suppliers for the same sizes and quality of tires. For all sizes quoted, the average over-charge to the NP was 95%, and projected over a one-year period amounted to approximately RD\$10,000. When questioned about this matter, the NP Controller stated that the higher charges were in lieu of interest or carrying charges, because the NP was delinquent in paying the recapping companies. His statement was refuted, however, by accounts payable schedules attached to NP financial statements which showed only nominal, current amounts owed to these companies, a condition that would not justify a carrying charge.

In response to the draft report of this finding, USAID/DR stated, "We do not consider this a reasonable recommendation to implement based on only one example of excessive procurement costs (i.e., recapped tires). We suggest that you provide more supporting examples, or eliminate this part entirely."

At the time we made the field review of this matter, we recognized the desirability of obtaining more supporting examples, but were hampered from doing so by the inadequacy of records previously reported. Nevertheless, we believe

that the finding points out a significant problem area that needs attention.

Recommendation No. 3

USAID/DR should inform the NP of the advantages of instituting better procurement practices, and supply technical assistance to accomplish this if requested by the NP.

2. Communication Equipment

On September 28, 1971, the day of our visit to the communications repair shop, the following used but inoperative items of A.I.D.-financed equipment were observed:

<u>Description</u>	<u>Number of Units</u>
Motorola Motrac 2-way vehicle radios	31
Motorola Handie Talkie FM radios	6
Base Unit for Handie Talkies	1
Hallicrafters Model OPS FM radios	6

Except for the Hallicrafters radios, this equipment was purchased prior to March 1, 1969. As reported previously, there were no records to indicate how long any of these items were deadlined, but according to the technician in charge, most of the Motracs, 13 of which were deemed economically unrepairable, had been in the shop since late 1970 and the Handie Talkies since early 1971. The technician estimated that the Hallicrafters radios had been in the repair backlog two months or more. The reason given by the technician for delay in repair of the above-mentioned equipment was lack of spare parts. The Communications Department Commander stated that lack of spare parts was due to shortage of funds. He confirmed that the NP authorized RD\$600 per month for spare parts for communications equipment (in accordance with the ProAg and IBA No. 45), but stated that this amount was inadequate for proper maintenance of communications equipment. After repeated requests for recent data concerning actual expenditures for spare parts, we learned that the Commander had used only one month's allotment of RD\$600 for spare parts during the three and one-half month period between June 18, 1971 and September 30, 1971. We concluded, therefore, that lack of spare parts for communications equipment was due in large measure to poor management.

USAID/DR responded to the interim findings concerning interrelated problems of logistics and supply in the NP as follows:

"Weaknesses have undoubtedly developed in NP procurement and vehicle and communications equipment maintenance and disposal during the approximately 20 months that have elapsed since PSD's transportation and communications positions were abolished. The internal management problems of the NP noted in the audit findings relating to inadequate records, equipment disposal, and funding of spare parts leading to a number of deadlined vehicles and transceivers should be understood in the context of a police transportation fleet and communications system which started from nothing following the 1965 revolution, and has rendered continual service during the intervening period. The PSD transportation and communications advisors, during the time (approximately 1966-1970) they were assigned here, served a valuable function in developing an operational vehicle fleet and communications system and building a maintenance capability. In early 1970, the USAID weighed the costs of continuing such technical assistance against the additional refinements and benefits of continued training and monitorship in these areas, and decided against a continuation and abolished these positions.

"In spite of the weaknesses which may have developed in the absence of detailed USAID monitoring, police logistics have been of a sufficiently high level that the crucial issues in the development of the police institution are no longer concerned with logistics, but with policy and doctrine. These considerations, combined with the reduced presence of PSD personnel, have led to a determination to concentrate remaining PSD technical assistance on correct training and orientation of police personnel and upon a special police project, the Department of Special Operations... However, we are taking or have taken the following steps, which are within our present monitorship capabilities:

"1. We will advise the Chief of Police of these audit findings, and will request that appropriate corrective action be taken.

"2. We have obtained approval by the Chief of Police of a plan for systematic and competitive disposal of old vehicles and their replacement through competitive bids from U.S. suppliers, and we will request detailed reports on these transactions.

"3. We have consulted with the Motorola dealer, who advised that the deterioration in the maintenance of police transceivers is due to the fact that Motorola hired away from the police two of their best radio technicians. Motorola therefore advised that they (a) will offer to the NP a plan for contract repair of the deadlined transceivers, and (b) have offered to conduct, without charge, a training course for NP technicians in the proper maintenance of their existing equipment and the new equipment which is being purchased."

In view of the corrective action initiated, no recommendation is necessary.

D. Vehicle Disposal

Some of the actions taken by the NP in disposing of A.I.D.-financed as well as GODR-procured vehicles were contrary to good business practices and in conflict with terms of the ProAg. In endeavoring to reconstruct and evaluate these actions, the auditors were hampered by lack of cooperation on the part of NP officials in furnishing records and information. Some of the NP records were conflicting and caused confusion as to the actual number and identification of vehicles involved. The NP was unable to identify or account for four vehicles that may have been sold between February 1970 and February 1971. We are reasonably sure, however, that the NP disposed of 121 vehicles, not including motorcycles, and that 49 were A.I.D.-financed. One was purchased in the current audit period; and 48 in the period prior thereto. A summary of disposal action follows:

<u>Date Credited from NP Records</u>	<u>Number of Vehicles (Excludes Motorcycles)</u>		<u>Proceeds Deposited in Bank</u>
	<u>Total</u>	<u>USAID/DR</u>	
Sept. 17, 1970	51	24	RD\$4,250
May 6, 1971	37	15	3,550
May 11, 1971	<u>33</u>	<u>10</u>	<u>2,050</u>
Total	<u>121</u>	<u>49</u>	<u>RD\$9,850</u>

Prior to disposal, the vehicles were surveyed by a board of NP Officers (in accordance with the ProAg), which declared them economically unrepairable and recommended their dismantling for spare parts, either to be used in servicing other vehicles, or to be sold as junk, if unusable. However,

the NP did not obtain written permission from USAID/DR to sell the A.I.D.-procured property, as required by the ProAg, as we found no evidence that such permission was requested by the NP or granted by USAID/DR.

Although dismantling apparently was authorized by NP officials, we could not determine to what extent it was accomplished prior to disposal, because vehicle condition was not noted and accounting was not made for parts retained by the NP. It was not possible, therefore, to ascertain the reasonableness of sale proceeds, which averaged RD\$81 per vehicle.

There was an indication that bidding procedures were used in each of the three transactions, but in the first one, the bidding was not competitive. The facts are as follows. An inspection committee memorandum to the Chief of Police, dated February 19, 1970, referencing a missing list of 63 vehicles including an uncertain but probable quantity of 12 motorcycles, stated that the vehicles were unserviceable and in process of being dismantled, and recommended that they be sold as junk to the highest bidder. This memorandum also referenced bids from three dealers, one of which, (from the ultimate buyer) was missing. The two bids attached to the memorandum were dated February 14, 1970, obviously typed on the same typewriter, phrased in precisely the same terms, and covered a total of 46 vehicles, including 11 motorcycles. Bid amounts were RD\$3,425 and RD\$3,400, respectively. The sale, however, did not take place until about six months later, and covered a different quantity of vehicles, 59, including 11 motorcycles. There was only one offer, dated July 23, 1970 in the amount of RD\$4,250, in support of the sale, proceeds of which were deposited in cash on August 12, 1970 in the NP Emergency Fund, an account maintained at the Reserve Bank in Santo Domingo. NP officials could not account for four vehicles, the difference between 63 units referenced in the inspection committee memorandum and 59 ultimately sold.

There was a similar irregularity in the third transaction in that the unsuccessful bidders (4) quoted two less vehicles than were apparently sold to the successful bidder, whose offer was missing from the NP file.

Proceeds from all sales were deposited in the NP Emergency Fund administered entirely by the NP. Such handling was in conflict with terms of the ProAg, which required that proceeds from sales of A.I.D.-procured equipment be deposited in a special

account to be administered jointly by the NP and USAID/DR and to be used for maintaining other A.I.D.-procured equipment.

In reporting this matter we suggested that USAID/DR require the NP to provide a full report of all transactions involving disposition of A.I.D.-procured equipment and that USAID/DR engage more actively in future disposal actions. In its response to us, USAID/DR indicated that such corrective action had since been taken, inasmuch as PSD is currently engaged with the NP in the disposal of A.I.D.-procured and other NP vehicles, and the NP has recently been requested to furnish full reports of vehicle disposal actions to USAID/DR. Therefore, no recommendation is necessary.

We also suggested that USAID/DR consider retaining title to any future vehicle acquisitions rather than passing such title to the NP at time of acquisition. In its response to the interim finding, USAID/DR stated that "M.O. 1406.1 provides that title to A.I.D.-grant-financed commodities obtained pursuant to a ProAg be vested in the cooperating country. The only exceptions noted relate to commodities procured with Technical Support funds or to project commodities used in direct support of A.I.D.-financed technicians." Our interpretation of this manual order is that placement of title is a matter of administrative judgement because the guidelines state that such title shall "normally" vest in the cooperating country. In its response to the draft report, USAID/DR stated, "The exceptions to 'normally' vesting title in the cooperating country are explicitly spelled out in M.O. 1406.1; therefore, the USAID is not in a position to exercise 'administrative judgement' so as to retain title." Inasmuch as (1) we believe that USAID/DR should have the flexibility of retaining title to future vehicles acquired for use by the NP, if such decision is deemed appropriate by USAID/DR, and (2) there are different interpretations as to whether it now has such authority, we are requesting clarification.

Recommendation No. 4

AID/W/PPC should inform USAID/DR and AG/DR of the intent of M.O. 1406.1, and revise the manual order, if necessary, to provide clarification.

E. Propriety of Expenditures

1. ProAg

The ProAg authorized RD\$15,000 for DSO expenses, which included patrol per diem and related civic action functions, vehicle maintenance, gasoline and oil, and miscellaneous base expenses. From July 22, 1971 through September 30, 1971, the USAID/DR Controller had released RD\$10,000 to PSD of which RD\$8,900 had been turned over to the DSO. The DSO had spent RD\$7,147 of these funds for the purposes described above. We believe that the amounts on hand, (RD\$1,100 in a checking account controlled by the PSD, and RD\$1,753 in cash at DSO Headquarters) were reasonable reserves for anticipated expenses. Our test check of the transactions indicated that expenditures were properly within the limits of the agreement, and that financial control exercised by PSD was reasonably tight. A weekly accounting with a review of all receipts was conducted by PSD, and a budget for each category of expense was being adhered to.

2. IA No. 25

IA No. 25 is explicit on charges allowable for construction and repair of facilities at Borinquen, stating that the RD\$150,000 provided would be used for building material and certain contract costs that were listed; and that all labor, transportation and miscellaneous costs would be financed by the NP.

However, by careful management and not adhering strictly to the terms of the agreement, the NP, under surveillance of a PSA (who was a required co-signer of all checks issued for the project), was able to satisfactorily accomplish all items on the work statement and construct a faculty office and auditorium not contemplated in the agreement. For example, instead of contracting for land clearing and excavating authorized by the agreement, the NP borrowed necessary equipment, rent-free, from Public Works (PW) and provided the manpower to operate it. Under the arrangement with PW, the NP was required to furnish gasoline, oil, and maintenance at a cost of RD\$2,911 for the equipment, not allowable under the agreement, but was able to save contractor labor cost and profit, which would have amounted to substantially more than that expended. We believe that the PSA exercised good judgement in authorizing this change, but suggest for the future that such changes be reflected by amendment to the covering agreement.

A substantial portion of IA No. 25 funds (RD\$26,039) was expended subsequent to the final disbursement date set by the agreement (June 30, 1968). All funds were disbursed as of November 10, 1969. Since this local currency agreement has been concluded and is now dormant, no amendatory action is suggested.

3. IBA No. 4

a. San José de las Matas

Funds in the amount of RD\$30,000 were provided under IBA No. 4 in June 1968 for improvement of a training center in the northwest region of the country near San José de las Matas. However, because the NP was unable to obtain clear title to the land from the GODR, the plan was not implemented. Instead, in June 1970, without requesting or otherwise receiving USAID/DR approval, the NP placed a purchase order obligating the entire RD\$30,000 for communications equipment. Shortly after learning of this deviation, USAID/DR, on November 10, 1970, requested a refund from the GODR. This refund had not been made as of February 29, 1972, despite numerous follow-up letters by USAID/DR. No recommendation on our part is necessary in view of the actions being taken.

b. Alto Bandera

IBA No. 4 was vague in identifying the type of charges allowable under the agreement in rehabilitation of the communications relay center at Alto Bandera, for which RD\$5,000 was authorized. It was apparent that charges for building materials, supplies, and transportation were acceptable, but no mention was made of any other categories of expense. Charges for items which we believe were outside the scope of the agreement were as follows:

Per diem for construction workers	RD\$422
TV set (for personnel entertainment)	250
15 wool coats (purpose not explained)	<u>150</u>
Total	<u>RD\$822</u>

At the time of reporting this matter, we suggested that USAID/DR determine whether the above charges were eligible for financing under the agreement and that appropriate refund action be initiated for any charge deemed ineligible. USAID/DR replied that the items listed were probably needed under difficult climatic conditions in a remote location, but

that USAID/DR was requesting the GODR to refund RD\$822, since they were not included in IBA No. 4. In view of the action taken, no recommendation is necessary.

c. Final Disbursement Date

As in the case of IA No. 25, a substantial portion (RD\$36,948) of funds authorized by IBA No. 4 (RD\$80,000) was expended after the final disbursement date (December 31, 1969). The procurement of communications equipment, for which USAID/DR requested a refund, accounted for RD\$30,000 expended after December 31, 1969; the remaining RD\$6,948 was disbursed by November 16, 1970. Since the bulk of the expenditures after December 31, 1969 are subject to refund action and the agreement has been concluded and is now dormant, we suggest that the final disbursement date per agreement not be amended.

F. USAID/DR Monitorship

We believe that USAID/DR monitorship of the public safety program was effective in the rendering of technical assistance to the NP and particularly notable in the areas of training, as evidenced by accomplishments described in Section V.A. of this report. On the other hand, illogical practices employed by the NP in (1) accounting for A.I.D.-furnished commodities, (2) maintaining its vehicles and communication equipment, and (3) disposing of its vehicles, as described in this report, reflected adversely on NP administration, which, in turn indicated that more attention could have been provided in this area by USAID/DR.

In our opinion, the USAID/DR/PSD staff at February 29, 1972 was undermanned for the many areas requiring monitorship attention. Two of three PSA's were fully occupied with high priority assignments, namely the training program and DSO activities, leaving the third to cover administration and all other areas. Inasmuch as we observed these professionals spending extra, financially-unrewarded hours in carrying out their assignments, we conclude that the PSD staff has made full and proper use of its available manpower.

In its response to this matter, USAID/DR quoted excerpts from its FY 1973 Program Submission sent to AID/W in the summer of 1971, which indicates that USAID/DR has followed approved policy and planning in implementing the Public Safety Program, and that this policy and planning did not envision monitorship and staff to the extent considered desirable by the auditors.

In our opinion, regardless of stated policy, USAID/DR will need to provide additional expertise if it desires to overcome pre-mentioned administrative shortcomings of the NP.

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LISTING OF RECOMMENDATIONS

Recommendation No. 1

USAID/DR should consider requesting the services of a Public Safety Logistics and Supply Advisor on a TDY basis to advise the NP how it can modernize its record and reporting system.

Recommendation No. 2

USAID/DR, in consultation with the NP, should find ways and means of providing the additional funds required to place all of the repairable vehicles in operable condition, or take disposal action.

Recommendation No. 3

USAID/DR should inform the NP of the advantages of instituting better procurement practices, and supply technical assistance to accomplish this if requested by the NP.

Recommendation No. 4

AID/W/PPC should inform USAID/DR and AG/DR of the intent of M.O. 1406.1, and revise the manual order, if necessary, to provide clarification.

EXHIBIT B

DISTRIBUTION OF AUDIT REPORT

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