



UNITED STATES GENERAL ACCOUNTING OFFICE
 INTERNATIONAL DIVISION
 FAR EAST BRANCH
 1833 KALAKAUA AVENUE
 HONOLULU, HAWAII 96815

FEB 4 1972

Dear Mr. Ambassador:

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The General Accounting Office has recently completed a survey of vehicle operations and maintenance activities of several United States agencies in the Philippines. We found that overall these activities were generally well-managed. However, we did note several problem areas which we believe merit further management consideration. These include: charges for personal transportation which were insufficient to recover operational costs; cost variances between agencies in securing third-party liability insurance; differing vehicle replacement criteria in use among the five agencies involved; several excess vehicles in the Agency for International Development bus fleet; understatement of actual costs in the Annual Motor Vehicle Report; and variance among agencies in securing maintenance and repair services. These matters are discussed in more detail below.

SCOPE OF SURVEY

Our survey, which was conducted during November and December 1971, covered the management of motor vehicles used by the American Embassy, U.S. Agency for International Development, U.S. Information Service, Peace Corps, and the Veterans Administration. Procurement and maintenance functions for the Department of State and related agencies in the Manila area are not consolidated. The five agencies included in our survey had a total of 164 vehicles in the Manila area. The estimated direct and indirect cost to operate and maintain the vehicles during fiscal year 1971 was about \$238,000.

CHARGES FOR TRANSPORTATION SERVICE

Transportation service is provided for Mission personnel and is administered by the U.S. Agency for International Development. We found that the monthly charge of 3 dollars per person for staff pickup is not sufficient to recover estimated operational costs for the buses and station wagons utilized for this purpose. The total charge for transportation service for 1971 was \$2,448 while the estimated cost for providing the service was about \$6,672. The 3-dollar rate was established five or six years ago and present personnel are not aware of the basis for the rate. The Deputy Executive Officer, U.S. Agency for International Development, informed us that the General Services Office will review the cost of providing the staff pickup service.

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INSURANCE COVERAGE

The Embassy has determined that the best interests of the United States Government would be served by having the Mission's vehicle fleet covered by third-party liability insurance. The Veterans Administration motor vehicles are not covered by third-party liability insurance. We were informed that the Veterans Administration does not have statutory authority to purchase insurance and continues to follow the established Government policy that the United States is a self-insurer of its own property and its tort liability to third parties. The Veterans Administration Office in the Philippines is the only overseas post and, therefore, it is not considered practicable to seek special legislation to allow the purchase of insurance. During the past 15 months there has been only one minor accident which presently is being contested in the local courts.

We found that there was a considerable difference in cost of third-party liability insurance obtained from local sources. The fiscal year 1971 cost to insure the 32 Peace Corps vehicles was \$1,225 while insurance for the 33 American Embassy vehicles was \$634. A more advantageous rate might be obtained if third-party liability insurance for all Mission motor vehicles were obtained jointly.

REPLACEMENT CRITERIA

The replacement criteria for motor vehicles varied at the five agencies included in our survey. However, generally replacement criteria did not exceed the General Services Administration replacement criteria of six years or 60,000 miles.

EXCESS VEHICLES

The U.S. Agency for International Development has excess buses. Although only four buses are regularly scheduled, there are 11 buses in the motor pool. The buses are used to transport dependent children to the International School and to transport Mission employees from their homes to work and return. We were informed by the Deputy Executive Officer, U.S. Agency for International Development, that the Mission is planning to dispose of some of the buses.

ANNUAL MOTOR VEHICLE REPORT

We found that the U.S. Agency for International Development, Philippines, reported \$77,131 as total costs in the Annual Motor Vehicle Report, Standard Form 82, for fiscal year 1971. However, we found all costs had not been included in the report. Items not

included in the costs reported were drivers' salaries of \$29,658 and third-party liability insurance of \$1,322. In addition, benefits for both U.S. and Filipino employees such as retirement, social security, bonuses, and other fringe benefits were not included in the indirect costs. Based on actual obligations for fiscal year 1971, benefits for local national employees are 20 percent of the annual salary. It is estimated that benefits to each U.S. employee are about \$5,000 per year.

Trust funds are used by the U.S. Agency for International Development to pay about 70 to 80 percent of the local expenses. Since the major portion of the drivers' salaries and the insurance premiums were paid from the trust funds, these costs were not included in the report. However, we are of the opinion that total costs are needed by management to effectively evaluate motor vehicle operations.

MAINTENANCE AND REPAIR

We found that repair and maintenance work for Department of State and related agencies is being accomplished by various means. Maintenance and repair of Peace Corps and U.S. Information Service vehicles is being performed by local commercial garages. Routine maintenance and repair of American Embassy and U.S. Agency for International Development vehicles is performed at a repair facility located at the Embassy Seafront Compound. This repair facility has Embassy and U.S. Agency for International Development personnel to repair the respective vehicles of each agency. Veterans Administration vehicles are maintained and repaired at a separate facility staffed by Veterans Administration personnel located at the Seafront Compound.

U.S. Information Service vehicles have been maintained and repaired by local commercial garages since July 1971. Prior to that time the vehicles were maintained and repaired at the American Embassy maintenance and repair facility located at the Seafront Compound. However, due to spare part shortages, the Embassy did not repair the vehicles in a timely manner. Therefore, local commercial garages are now used.

We question whether these separate repair and maintenance arrangements are the most economical method of providing services for the various agencies.

We would appreciate receiving your views and advice concerning any actions taken or planned.

A copy of this letter is being sent to the Assistant Secretary
for Administration, Department of State.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "C. Roman".

C. Roman
Director
Far East Branch

The Honorable Henry A. Byroade
American Ambassador
Manila, Republic of the Philippines