AGENCY FOR INTERNATIONAL DEVELOPMENT
Washington, D.C. 20523

OFFICE OF THE AUDITOR GENERAL

AUDIT REPORT

OPPORTUNITIES INDUSTRIALIZATION CENTER INTERNATIONAL, INC.

BASIC AGREEMENT T.O. NOS.	PROJECT NOS.	PERIOD AUDITED	CONTRACT CEILING	EXPIRATION DATE
AID/afr-653				
T.O. # 1 (Regional)	698-11-610-153	7/1/71-12/31/72 (Interim)	$ 929,077	6/30/73
T.O. # 2 (Ghana)	641-13-610-063	7/1/71-12/31/72 (Interim)	1,054,451	4/30/73
T.O. # 3 (Nigeria)	620-11-610-802	7/1/71-12/31/72 (Interim)	1,003,258	3/31/73
T.O. #4 (Kenya & Ethiopia)	698-11-610-155	7/1/71-12/31/72 (Interim)	183,256	3/31/73

BEST AVAILABLE

Audit Report No. 74-159
Date: September 17, 1973

OPPORTUNITIES INDUSTRIALIZATION CENTER INTERNATIONAL, INC.

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AGENCY FOR INTERNATIONAL DEVELOPMENT
Washington, D.C. 20523

OPPORTUNITIES INDUSTRIALIZATION CENTER INTERNATIONAL, INC.
Task Order Nos. 1 (Regional), 2 (Ghana), 3 (Nigeria),
and 4 (Ethiopia and Kenya) under Contract AID/afr-653

I. PURPOSE AND SCOPE

An interim audit has been performed of the task orders issued under Contract AID/afr-653 between the Agency for International Development (A.I.D.) and the Opportunities Industrialization Center International, Inc. (OICI).

The examination was made in order to (1) identify and report to management on significant problem areas that require corrective action, (2) ascertain OICI's compliance with the terms of the contract and task orders, and (3) determine the accuracy and allowability of costs claimed and reimbursed to OICI by A.I.D. We have also included some analysis of the program's progress against planned objectives.

We examined the contract, task orders and other applicable records and documents available in the cognizant offices of AID/W, and on a selective basis, OICI's payroll records, personnel files, travel vouchers, vendor invoices and other documents as deemed necessary. In our evaluation of the OICI program in Ghana and Nigeria, we reviewed USAID contractor evaluation reports, Area Auditor General audit reports, the 1971 and 1972 evaluation reports prepared on the OICI program by the Community Services, Inc., and various pieces of correspondence and internal memoranda. We did not attempt to evaluate OICI's program in Ethiopia and Kenya because the program in these countries is just beginning.

The audit covers the period July 1, 1971 through December 31, 1972 and was performed at A.I.D.'s offices in Washington, D.C. and OICI's headquarters office in Philadelphia, Pennsylvania. We did not observe OICI's operations overseas.

II. BACKGROUND

The contract between A.I.D. and OICI resulted from a 1969 study made by OICI to determine the feasibility of establishing a vocational training program in Ghana, Nigeria, Kenya and Ethiopia. In a sense, the program represents a dual experiment by A.I.D. The first part of the experiment

contemplates testing new approaches to development and gaining additional experience with respect to non-formal approaches to education and training. The second part of the experiment deals with obtaining involvement of the traditionally non-participating business and industrial sectors of less developed communities in meeting skill training requirements of the development process. The program itself is patterned after the kind which OICI conducts throughout the United States to provide training for so called hard core unemployed individuals and placing them in jobs. A.I.D.'s fundamental objective is to foster appreciation and understanding of this new concept, and OICI has the primary responsibility for program design, content, implementation and evaluation.

Within A.I.D., the program is funded through a variety of task orders issued under the basic contract, and is managed by a number of offices both in Washington and overseas.

-- Task Order Number 1 funds the costs of OICI's home office staff in the United States and is managed by the Office of North African and African Regional Affairs (AFR/NAR).

-- Task Order Number 2 funds the OICI technical assistance team in Ghana and is managed in Washington by the Office of Central and West African Bilateral Affairs (AFR/CWA) and in Ghana by the USAID's Assistant Program Officer, Office of Population and Technical Services.

-- Task Order Number 3 funds the OICI technical assistance team in Nigeria and is also managed in Washington by the Office of Central and West African Bilateral Affairs and in Nigeria by USAID's Assistant Program Officer, Office of Education.

-- Task Order Number 4 funds the cost of feasibility studies performed by OICI in Kenya and Ethiopia and is managed by the Office of Eastern and Southern African Affairs (AFR/ESA). Task Orders 5 and 6 were issued in March 1973 to provide funds to assist OICI in establishing an entrepreneural training program in Kenya and a technical skill training program in Ethiopia. These task orders are also managed by AFR/ESA.

III. SUMMARY OF FINDINGS

We recognize the OICI program in Ghana and Nigeria is a dual experiment in institution building and that one of A.I.D.'s main objectives has been to foster appreciation and understanding of a new concept. We have examined certain tangible factors in both countries, such as training of

individuals, local support and cost effectiveness, that we believe can assist management in evaluating project progress. Based upon these factors, and considering that as of December 31, 1972 the OICI Ghana and Nigeria programs have been in existence for almost three years at a cost to A.I.D. of about $2.2 million, we have found there has been little progress toward the development of viable, self-supporting training instutions. Few individuals have been trained and placed in jobs, there has been no great manifestation of local support, the cost of the training has proved expensive, and there is no assurance that the program in either country will make a significant contribution toward the reduction of unemployment or under-employment.

OICI did not anticipate and plan equipment requirements sufficiently in advance of training needs, and as a result students who were ready to enter some vocational classes were prevented from doing so because of lack of equipment.

We have disallowed costs totaling $131,923 because they are not permissable under the terms of the contract. An additional $543,573 has been suspended pending a determination by A.I.D. as to whether they should be allowed.

In conjunction with our examination of costs claimed, we made a review of OICI's accounting system, internal control and property records system and found them to be inadequate. These deficiencies were pointed out in a previous interim audit report issued in September 1971, but to date no corrective action has been taken.

We found several instances where OICI has not completely complied with the provisions of the contract or task orders and A.I.D. has taken no action to assure compliance with all provisions. We also noted two instances regarding salaries and reporting requirements that require contract amendments on which no action has been taken.

IV. STATEMENT OF FINDINGS AND RECOMMENDATIONS

A. Contractor Performance

1. Training

One of the primary purposes of OICI's program is to develop institutions capable of training unemployed and underemployed Africans in skills for which there is a demand in the labor market and placing them in positions upon completion of training. As a measure of institutional capability, certain initial projections were made about the training and placement of individuals in both Ghana and Nigeria. These projections are shown below:

	Individuals to be Trained and Placed	
	Ghana	Nigeria
First Year	75	75
Second Year	150	150
Third Year	200	225
Fourth Year & Every Year Thereafter	200	300

Translating these projections into accomplishments from inception of the project in the Spring of 1970 means that about 325 Ghanians and about 375 Nigerians should have been trained and placed in jobs by the end of calendar year 1972. For Ghana we found that by that time only 30 persons had been trained and subsequently employed, and that only an additional 139 trainees were enrolled in vocational and prevocational classes. For Nigeria, as of December 31, 1972, only 5 individuals had been trained and placed in jobs, and only 155 trainees were enrolled in classes.

The number of placed trainees in both countries represents a major deviation from the original projections and presentations to Congress. There were, we believe, a number of factors that contributed to this low level of performance versus expectations.

-- OICI's initial overall plans were too optimistic because knowledge gained on a simular type program conducted in the United States could not be easily applied in the less developed countries of Africa.

-- During the first two years of the program OICI did not establish adequate and logical plans of operations including measurable targets and goals.

-- The situation in both countries was aggravated by a heavy turnover of employees, early departure from post of certain team members and delays in filling staff positions. For example, in Ghana, between June 1, 1970 and December 31, 1972, OICI provided only 186 man months of overseas service compared to a projected estimate of 240 man months. In Nigeria the counseling specialist position, which is considered to be a central component of the OICI concept, had been vacant for most of the time, since the training program started.

-- Part of these personnel problems resulted from a lack of pre-service orientation and adequate living accommodations which, in turn, affected the performance of some members of the technical assistance team.

-- Adequate surveys were not made to determine job availability. OICI found it difficult to learn whether jobs would be available for trainees once they graduated, and prospective employers were unwilling to made definite commitments to hire graduates.

2. Local Support

Local support contributions have not been forthcoming as anticipated. In Ghana OICI originally estimated that $74,600 would be contributed to its program locally between June 1, 1969 and June 30, 1971, and that this money would be used to pay local staff salaries of OICI employees in Accra. In fact, as of September 30, 1972, (the latest date for which information is available) total cumulative cash and in-kind contributions only amounted to the equivalent of about $17,000 and OICI has been authorized to pay its local employees from A.I.D. funds.

A.I.D. and OICI are now estimating that local support contributions will not equal the original $74,600 estimate until calendar year 1976. It is further estimated that by calendar year 1977 local support contributions will amount to $130,000 at which time the program in Ghana should be self-supporting.

Despite these projections, there are indications in the files that cast doubt upon OICI's ability to become self-supporting in Ghana by calendar year 1977. There are also indications to the effect that OICI/Ghana does not keep adequate records on local contributions received.

For Nigeria, OICI's original proposal stated that there was strong Nigerian support for its program and estimated that during the period June 1, 1969 through June 30, 1971, local support contributions would amount to $78,900. We found, however, that in the three-year period from July 1969 to June 1972, OICI/Nigeria's local support collections amounted to a total of only $40,000, and that A.I.D. has paid most of the local salary costs of the program from inception. The AID Mission in Lagos has reported that OICI's original proposal was misleading and too optimistic on local support contributions.

Current estimates project that local support contributions will amount to about $90,000 by June 30, 1976. This sum is expected to be sufficient to support an annual training program for 300 individuals. We find, however, that the present program, with only about 150 trainees and only 15 of the 24 Nigerian employees needed to train 300 individuals, is costing $90,000 in local currency per year. Therefore, if the projected program of 300 trainees per year is reached, it will cost more than $90,000 to operate. Furthermore, based upon past experience, A.I.D. does not have enough concrete information to assure itself that the local government and community will support even a $90,000 a year program.

We believe that the reason local contributions have fallen so far below projections is due to the fact that neither the governments nor the business communities have sufficient interest or belief in the program to support it.

3. Cost Effectiveness

Cost is one factor that should be considered in determining whether or not a program is successful. Based upon the cost to A.I.D. of OICI's program in Ghana, the average cost for 169 trainees approximated $6,400 each. In Nigeria the cost for 160 trainees averaged about $7,000 each. These calcualtions do not take into consideration the additional costs that will be incurred to complete the training of the 139 persons and 155 individuals enrolled in vocational and pre-vocational classes in Ghana and Nigeria.

In addition, we find that the cost of the OICI program is increasing. In Ghana the project was originally authorized for $1,216,000 but by April 1973, the approved costs had escalated to an estimated $1,912,000. In Nigeria the original estimated cost of the project was $618,000 for fiscal years 1971-1973. The current estimate, which includes two additional years, is now $1,911,000.

In Ghana at least, there are a number of technical and vocational training facilities in both private and public sector that could possibly be used to provide the Ghana Mission with comparative training costs. In addition, Canada supports a large, well equipped technical training institute in Accra, and other countries are assisting in the vocational training area. The existence of these schools affords means to evaluate the OICI program in terms of cost per trainee, effectiveness of vocational training, job placement and other matters of interest to the success of the program.

In view of the findings enumerated above, the following recommendation is offered:

Recommendation No. 1

The Assistant Administrator for Africa should determine if A.I.D.'s continued support of the OICI program will effectively lead to the establishment of viable, on-going institutions, supported by the local community, that will have the capability of meeting skill training requirements in the less developed countries of Africa.

4. Equipment

We found that a lack of proper training equipment impeded the timely beginning of some vocational educational courses. Part of this problem stemmed from difficulties in locating equipment that was climatized and of the correct voltage to operate in Ghana and Nigeria. In the main, however, we found that OICI did not anticipate and plan equipment requirements sufficiently in advance of training needs to permit some classes to begin on schedule. As a result, students who were ready to enter vocational classes were prevented from doing so because of a lack of equipment.

We also found that in some cases OICI did not give sufficient consideration

to local servicing capabilities. For example, ten IBM Selectric typewriters costing $3,800 were shipped to Ghana. These typewriters cannot be serviced in Accra, are rarely used by local businesses, and therefore are not much use as a training aid.

Recommendation No. 2

For the future, we recommend that AFR/ESA CWA and the appropriate field missions work closely with OICI in determining equipment requirements for Kenya and Ethiopia programs to insure that equipment for training courses in these countries will be available when needed.

B. Other Matters

1. U.S. Dollar Costs

As shown in Exhibit A, we examined costs claimed of $1,696,947. As a result of our examination, costs totaling $131,923 and $543,573 have been respectively disallowed and suspended. The balance of the costs claimed totaling $1,021,450 may be accepted pending acceptance by A.I.D of OICI's performance to date in carrying out its program. In evaluating OICI's performance, we believe that consideration should be given to the factors and findings contained in this report.

Recommendation No. 3

The Contracting Officer, CM/ROD/AFR, and the Program Officers, AFR/CWA and AFR/ESA, should (a) determine the acceptability of OICI's performance to date as a prerequisite to accepting costs claimed of $1,021,450, (b) seek to recover from OICI the disallowed costs of $131,923, and (c) determine whether or not the suspended costs of $543,573 should be allowed under the terms of the contract.

2. Contractor's Accounting and Property Control Systems

In conjunction with our examination of costs claimed, we made a review of OICI's accounting system, internal control and property control records system and found them to be inadequate.

In the area of accounting we found duplications, misclassifications, inadequately supported payments and commingling of allowable and unallowable costs. We also found that funds transferred overseas as advances were billed as costs to A.I.D. with no follow-up made to assure that there was an eventual proper accounting for the advances. These deficiencies were pointed out in a previous interim audit report issued in September 1971. These were again pointed out in December 1972 by the public accounting firm of Touche, Ross & Company which wrote a seven page report detailing the inadequacies in OICI's accounting system and lack of internal control.

In the area of property accountability we found that OICI has not established control records required by the contract. For example, we found three different totals for equipment purchases.

General Ledger (1971 and 1972)	$25,047.57
Inventory Listing	$24,938.16
Billings to A.I.D.	$22,206.80

We also found that (1) some equipment listed on the inventory listing was included in the general ledger amount, (2) some equipment included in the general ledger was not on the inventory listing, and (3) equipment location or inventory cards were not completed.

Recommendation No. 4

In view of the fact that OICI has made no successful effort to improve its accounting and property control system in almost two years, we recommend that the Contracting Officer, CM/ROD/AFR, immediately inform OICI that in the event an acceptable system is not installed within 90 days, disbursement of contract funds will be suspended.

3. Contract Terms

Article VIII-A-1 is intended to restrict salary increases of OICI employees to not more than 5% of the highest salary earned in any year during the preceding three years. Through an oversight, however, the percentage stipulated in the contract clause is 105% rather than 5%, and as a result OICI has given salary raises in excess of 5%. This, in turn, has resulted in A.I.D. paying additional salary costs in excess of $90,000. It is doubtful that these costs can be recovered, but, for the future we believe that the contract should be amended immediately to reflect A.I.D.'s policy of not permitting salary raises in excess of 5%.

OICI has not complied with the contract requirement which stipulates that AID/W will be provided with bio data and salary information on each prospective employee.

OICI violated the scope of work provisions of the contract by beginning work in areas other than those stipulated in the basic task orders. It is true that in July 1971, A.I.D. made a decision to permit OICI to expand its work into additional vocational areas, but to date this decision has not been incorporated into the task orders.

The contract has not been amended to provide for new reporting requirements requested by the project officers. A.I.D. program personnel consider OICI's quarterly report deficient for management purposes and in September 1971 proposed a new reporting format. No action has been taken on this request.

Recommendation No. 5

The Contracting Officer, CM/ROD/AFR, should take action, (1) amend the contract to reflect salary increases to OICI personnel of no more than 5%, and provide for a new format for quarterly reports, (2) amend applicable task orders to specify the vocational skill areas in which OICI is authorized to operate, and (3) assure that OICI complies with all contract provisions.

Exhibit A

Opportunities Industrialization Center International, Inc.
Contract No. AID/afr-653
Summary of Contract Costs and Audit Adjustments
July 1, 1971 through December 31, 1972

Schedule No. and Task Order	Task Order Budget	Accepted Costs 7/1/71	Current Audit				Accepted Costs 12/31/72
			Reimbursed Costs	Audit Adjustments		Accepted Costs	
				Disallowances	Suspensions		
1	$ 929,077.00	$294,232.67	$ 445,937.26	$ 73,036.91	$ 50,975.78	$ 321,924.57	$ 616,157.24
2	1,054,451.00	203,104.76	501,706.45	22,426.51	161,594.04	317,685.90	520,790.66
3	1,003,258.00	195,564.67	574,757.71	29,940.88	278,715.11	266,101.72	461.666.39
4	183,256.00	--	174,545.18	6,519.05	52,288.22	115,737.91	115,737.91
Total	$3,170,042.00	$692,902.10	$1,696,946.60	$ 131,923.35	$543,573.15	$1,021,450.00	$1,714,352.20

Opportunities Industrialization Center, International, Inc.
Contract No. AID/afr-653, Task Order No. 1 (Regional)
Summary of Contract Costs and Audit Adjustments
July 1, 1971 through December 31, 1972

	Accepted Costs 7/1/71	Current Period					Accepted Costs 12/31/72
		Reimbursed Costs	Audit Adjustments			Accepted Costs	
			Disallowances		Suspensions		
Personnel Cost	$165,674.28	$292,216.75	$66,883.00	1/	$ --	$225,333.75	$391,008.03
Consultant Fees	--	5,718.06	5,718.06	2/	--	--	--
Travel and Transportation	34,420.36	45,468.01	(225.00)	3/	--	45,693.01	80,113.37
Equipment	13,632.23	8,574.57	(2,308.00)	4/	10,882.57	6/ --	13,632.23
Evaluation	27,258.00	19,258.00	--		19,258.00	7/ --	27,258.00
Other Direct Costs	53,247.80	74,701.87	2,968.85	5/	20,835.21	8/ 50,897.81	104,145.61
Total	$294,232.67	$445,937.26	$73,036.91		$50,975.78	$321,924.57	$616,157.24

Explanatory Notes:

1/ Represents costs, as follows:

a. Represents excess salary cost which resulted from the Contractor paying new employees more than 105 per cent of their high years salary earned in the preceeding three years. Adjustment by employee is as follows:

Nancy Brown	$ 7,296.00	
John Carstarphen	2,725.00	
J. Carter	2,706.00	
V. Diallo	23,271.00	
F. Palmer	1,215.00	
H. Murphy	3,692.00	
I. Johnson	4,619.00	
O. Craig	12,379.00	$ 57,903.00
b. Salaries paid to unauthorized employees.		8,980.00
Total		$ 66,883.00

2/ Represents costs, as follows:

a. Consultant fees that have not been approved as required by Article VIII, A, 5 of the Basic Agreement.	$ 5,493.06
b. Reclassification of cost to travel.	225.00
Total	$ 5,718.06

3/ Represents a reclassification of costs from consultant fees.

4/ Represents a reclassification of costs from other direct costs.

Explanatory Notes (continued):

5/ Represents costs, as follows:

a.	Reclassification of cost to equipment (A51875)	$ 2,308.00
b.	Business cards which are not allowable under subpart 1-15;205-1 of the Federal Procurement Regulations (A51628)	196.55
c.	Book - Buy, Sell, Merge - How to Do It, published by Prentice Hall, does not appear to relate to the international program (A51610)	21.55
d.	"Alternatives to Despair" written by Dr. Sullivan is not specifically applicable to the contract (A51624)	297.00
e.	Voucher numbers A51655 and A51656, which contain no vendor's invoices or receiving reports, are not adequately supported.	32.15
f.	Voucher number A51660 does not indicate what materials were purchased or received; therefore, it is not adequately supported.	24.00
g.	The publication, "Church Investments", does not relate to the international program.	12.00
h.	Telephone directory advertising which is not allowable under subpart 1-15.205-1 of the Federal Procurement Regulations.	77.00
	Total	$ 2,968.85

6/ The Contractor has not established the property control system required by the contract's general provisions. Therefore, cost should be suspended until the required system has been established and equipment procured with Government funds has been accounted for in a satisfactory manner.

Explanatory Notes (continued):

7/ Represents funds paid to Community Sciences, Inc. under a fixed price subcontract which has not been approved by the Contracting Officer as required by the contract. However, we noted that the program office has accepted this subcontractor and requested that the Contracting Officer submit the formal approval required by the contract.

8/ Represents costs, as follows:

a. Toll telephone calls to London, Latin America and various points in the United States which were not supported with information as to the purpose of the calls.	$ 2,835.21
b. Rent deposit should be reflected on the books as an asset instead of an expense.	10,800.00
c. It was noted that 5 of the 10 members of OICI's board of directors are associated with the lessor (Zion Investment Association, Inc./Zion Non Profit Charitable Trust). Pending a determination by A.I.D. as to whether OICI and the lessor are under common control, all rental charges for 240 W. Tulpehocken should be suspended. If it is determined that there is common control, only the cost of ownership described in Federal Procurement Regulation 1-15.205-30(g) should be allowed.	7,200.00
Total	$ 20,835.21

Opportunities Industrialization Center International, Inc.
Contract No. AID/afr-653, Task Order No. 2 (Ghana)
Summary of Contract Costs and Audit Adjustments
July 1, 1971 through December 31, 1972

	Accepted Costs 7/1/71	Current Period						Accepted Costs 12/31/72
		Reimbursed Costs	Audit Adjustments				Accepted Costs	
			Disallowances		Suspensions			
Personnel Costs	$ 68,127.90	$264,005.48	$12,955.32	1/	$ 49,758.26	5/	$201,291.90	$269,419.80
Allowances	35,796.25	105,476.72	--		65,904.16	5/	39,572.56	75,368.81
Travel and Transportation	22,980.78	37,972.68	846.03	2/	4,165.00	5/	32,961.65	55,942.43
Equipment and Commodities	28,137.55	33,904.75	5,325.16	3/	28,579.59	6/	--	28,137.55
Participant Costs	15,611.03	2,135.00	900.00	4/	--		1,235.00	16,846.03
Other Direct Costs	32,451.25	58,211.82	2,400.00	4/	13,187.03	5/	42,624.79	75,076.04
Total	$203,104.76	$501,706.45	$22,426.51		$161,594.04		$317,685.90	$520,790.66

Explanatory Notes:

1/ Represents costs, as follows:

a. Excess salary cost which resulted from the Contractor paying new employees more than 110 percent of their high years salary earned in the preceeding three years. Adjustment by employee, is as follows:

E. Lowber	$ 890.09	
E. N'Diaye	2,887.22	
S. Smith	5,820.34	
J. Taylor	2,357.67	
Total	$11,955.32	$ 11,955.3

b. Recontracting bonus paid to S. Smith not authorized by the contract. 1,000.

Total $ 12,955.3

2/ Represents costs, as follows:

a. Temporary quarters paid to participant's while they were in an international travel status (voucher numbers 00542 and 00549) $ 80.0

b. Insurance on shipment of automobiles, household effects and other goods which was not approved by the Contracting Officer as required by clause 33(b) of the contract's General Provisions. 766.

Total $ 846.

3/ Represents costs, as follows:

The AAG/AFR (W) Report of Audit No. 73-045 dated February 28, 1973 reported locating a second vehicle in Ghana. Neither the Mission nor the OICI field office had any records showing prior AID approval. The TO did not authorize the purchase of this second vehicle, therefore, all costs related thereto are disallowed, as follows:

a. One 1972 Chevrolet suburban with end gate. $ 3,959.92

b. Freight and handling charges for delivery of the Chevrolet to Accra, Ghana. 1,245.13

c. Marine and war insurance. 120.

Total $ 5,325.

Explanatory Notes (continued):

4/ Represents training costs paid to the O.I.C.I. private account which has not been approved by the Contracting Officer. The auditor was not able to determine exactly what costs were incurred that would justify these payments.

5/ Represents funds transferred to Ghana for local currency expense. The OICI Central office had inadequate records to account for these costs.

6/ Represents costs, as follows:

a. Funds transferred to Ghana for local currency costs.	$ 23,527.[illegible]
b. Other equipment not adequately accounted for by records at the Contractor's Home Office.	5,052.[illegible]
Total	$ 28,579.[illegible]

Opportunities Industrialization Center International, Inc.
Contract No. AID/afr-653, Task Order No. 3 (Nigeria)
Summary of Contract Costs and Audit Adjustments
July 1, 1971 through December 31, 1972

	Accepted Costs 7/1/71	Current Audit Audit Adjustments: Reimbursed Costs	Disallowances		Suspensions		Accepted Costs	Accepted Costs 12/31/72
Personnel Costs	$ 78,273.09	$225,597.18	$21,931.78	1/	$ 47,641.00	8/	$155,974.40	$234,247.49
Allowances	21,439.27	152,929.44	2,839.67	2/	116,892.52	8/	33,147.25	54,586.52
Travel and Transportation	25,542.89	35,039.77	1,874.50	3/	11,161.55	8/	22,003.72	47,546.61
Equipment and Commodities	38,173.79	26,009.49	(2,490.00)	4/	28,499.49	9/	--	38,173.79
Participant Costs	12,823.57	1,810.64	600.00	5/	--		1,210.64	14,034.21
Local Training Facility	--	46,561.50	601.50	6/	45,960.00	8/	--	--
Other Direct Costs	19,312.06	86,809.69	4,433.43	7/	28,560.55	8/	53,765.71	73,077.77
Total	$195,564.67	$574,757.71	$29,940.88		$278,715.11		$266,101.72	$461,666.39

Explanatory Notes:

1/ Represents costs, as follows:

a. Excess salary cost which resulted from the Contractor paying new employees more than 110 percent of their high years salary earned in the preceeding three years. Adjustment by employee, is as follows:

G. Bessex	$ 346.78	
W. Kirk	4,111.78	
C. Montgomery	4,956.18	
K. Scott	6,607.96	
D. Lewis	4,959.08	
Total	$20,981.78	$20,981.78

b. Recontracting bonus paid to K. Scott, but not authorized by the contract. 1,000.00

Total $21,981.78

2/ Represents costs, as follows:

a. Post allowance and overseas differential erroneously paid to Mrs. S. Lewis, wife of D. Lewis.	$ 2,976.67
b. Housing allowance incurred in August 1971, but not billed to A.I.D.	(75.00)
c. Quarters allowance incurred in December 1971, but not billed to A.I.D.	(12.00)
Total	$ 2,889.67

3/ Represents costs, as follows:

a. Return travel of the Peopples family which was charged to the employee as $1,724.00 and to A.I.D. as $1,774.50. The employee, Mr. G. Peopples, did not complete his overseas tour of duty.	$ 1,774.50
b. Difference between payment to W. Lewis and amount billed to A.I.D. for August 1971 expenses.	100.00
Total	$ 1,874.50

Explanatory Notes continued:

4/ Represents costs, as follows:

a. Reclassification from other direct costs.	$(1,888.50)
b. Reclassification from local training facility.	(601.50)
Total	$(2,490.00)

5/ Represents training costs paid to the O.I.C.I. private account which has not been approved by the Contracting Officer. The auditor was not able to determine exactly what costs were incurred that would justify these payments.

6/ Represents reclassification of costs to equipment and commodities.

7/ Represents costs, as follows:

a. Household shipment incurred in December 1971, but not billed to A.I.D.	$ (319.58)
b. Insurance on shipment of automobiles, household effects and other goods which was not approved by the Contracting Officer as required by Clause 33(b) of the contract's General Provisions.	769.46
c. Reclassification of costs to equipment and commodities	1,888.50
d. Duplicate billing to A.I.D. of Panalpina World Transport file (invoice) number 551815.	268.05

Explanatory Notes continued:

7/ e. Shipment on Lufthansa which is not a United States flag carrier. This shipment was not authorized by the contract. $ 377.00

f. Training costs paid to O.I.CI. private account which has not been approved by the Contracting Officer. The auditor was not able to determine exactly what costs were incurred that would justify these payments. 1,500.00

Total $ 4,483.43

8/ Represents funds transferred to Nigeria for local currency expense. The O.I.C.I. Home Office did not have adequate records to account for these funds.

9/ Represents costs, as follows:

a. Funds transferred to Nigeria for local currency expense. $ 3,125.60

b. Other equipment not adequately accounted for by the Contractor. The property control system required by the contract has not been established. 25,373.89

Total $28,499.49

Opportunities Industrialization Center International, Inc.
Contract No. AID/afr-653, Task Order No. 4 (Ethiopia and Kenya)
Summary of Contract Costs and Audit Adjustments
July 1, 1971 through December 31, 1972

	Reimbursed Costs	Audit Adjustments: Disallowances		Audit Adjustments: Suspensions		Accepted Costs
Personnel Costs	$ 96,146.06	$ 1,000.00	1/	$12,511.46	5/	$ 82,634.6[illegible]
Allowances	23,799.64	2,608.05	2/	17,847.79	5/	3,343.8[illegible]
Travel and Transportation	35,703.50	528.00	3/	10,988.69	5/	24,186.8[illegible]
Other Direct Costs	18,895.98	2,383.00	4/	10,940.28	5/	5,5[illegible]2.7[illegible]
Total	$174,545.18	$ 6,519.05		$52,288.22		$115,737.9[illegible]

Explanatory Notes:

1/ Represents recontracting bonus paid to W. Clark but not authorized by the contract.

2/ Represents a supplimentary post allowance not authorized by the contract.

3/ Represents return travel of E. Jones which was charged to the employee and to A.I.D. The employee, E. Jones, did not complete his overseas tour of duty.

4/ Represents costs, as follows:

a. Voucher number D015 dated October 26, 1972, is supported with an office memorandum which indicates that documents supporting the expense will arrive shortly. The Contractor's accounting staff was able to produce support for only $17.00 of the $300.00 billed to A.I.D. and the auditor considers the difference an advance. $ 283.00

b. Training costs paid to O.I.C.I. private account which has not been approved by the Contracting Officer. The auditor was not able to determine exactly what costs were incurred that would justify these payments. 2,100.00

Total $ 2,383.00

Explanatory Notes continued:

5/ Represents funds transferred to Ethiopia and Kenya for local currency expense. The O.I.C.I. Home Office did not have adequate records to account for these funds.

OPPORTUNITIES INDUSTRIAL CENTER INTERNATIONAL, INC.
Task Order Nos. 1 (Regional), 2 (Ghana), 3 (Nigeria),
and 4 (Ethiopia and Kenya) under Contract AID/afr-653

DISTRIBUTION OF AUDIT REPORT

Assistant Administrator, Bureau for Africa, AA/AFR (3)

Office of Contract Management, CM/SD/SUP (3)

Mission Director - USAID/Ghana (2)

Mission Director - USAID/Nigeria (2)

Mission Director - USAID/Kenya (2)

Mission Director - USAID/Ethiopia (2)

Area Auditor General, Nairobi (5)

Office of Financial Management, SER/FM/CSD (2)

GSA FPMR (41 CFR) 101-11.6

UNITED STATES GOVERNMENT

Memorandum

OFR/CWA

NIGERIA

TO : AA/AFR, Dr. Samuel C. Adams, Jr.

DATE: JUL 2 1974

FROM : AG, Harry C. Cromer

SUBJECT: Closure of Recommendations/Audit Report No. 74-159, AID/afr-653, Opportunities Industrialization Centers, International Inc. (O.I.C.I.)

REF : Adams to Cromer Memo, June 25, 1974

Based on the referenced memorandum, Recommendation Nos. 4 and 5 of the subject report are being closed. We appreciate the efforts of your staff in implementing the necessary corrective actions.

On Recommendation No. 1, however, we feel closure now would be premature pending final determination and formal agreement on non-A.I.D. support of O.I.C.I. For the more mature programs in Nigeria and Ghana, substantial progress is apparently being made. After formal adoption in July 1974, may we be provided the schedule of time-frames and percentages of local support agreed upon? Will such support be soon, substantial, and assured?

For the newer programs in Ethiopia and Kenya, we are concerned that local support is still of a token nature only, at the mid-point of implementation. Since prospects for increasing local support are not encouraging, is it in the best interests of A.I.D. to allow another six months (to January 1975) before taking decisive action to effect changes or early termination? Six months, plus the eight months which have elapsed since the audit report was issued, equates to more than a year's support of a doubtful effort.

We are sure you share our interests in an early resolution of these problems, and will hold open Recommendation No. 1 pending further developments.

Buy U.S. Savings Bonds Regularly on the Payroll Savings Plan

REGISTERED MAIL - RETURN RECEIPT REQUESTED

April 10, 1975

Mr. Valfoulaye Diallo
International Director
Opportunities Industrialization
Centers, International
240 West Tulpehocken Street
Philadelphia, PA 19144

Subject: Task Order Numbers 1, 2, 3 and 4, Basic Agreement No. AID/afr-653 (Regional) - Audit Report No. 74-159

Dear Mr. Diallo:

This letter pertains to the subject Audit Report which covered the period July 1, 1971 through December 31, 1972. As a result of the additional information submitted by O.I.C.I. provided through various letters and telephone conversations, and the joint meeting (chaired by Mrs. Bullock) between O.I.C.I. and A.I.D. on November 7, 1974, the total amount now disallowed under the subject report is $13,411.82 as opposed to the original disallowed amount of $131,923.35. The sustained disallowances (which were discussed with you), consist of assorted costs which do not appear to be related to the Task Orders (such as books identified in the subject report, telephone calls, etc.) and training costs.

The majority of the suspended costs are related to O.I.C.I.'s property control (equipment) system and the transfer of U.S. Dollars to the respective countries for local currency costs. Of the total of $543,573.15, costs of $474,044.87 have been deleted from the subject audit report for further consideration/examination under the current on-going audit. Costs totalling $66,693.07 have been reinstated and $2,835.21 have been disallowed.

A summary of the disallowed and suspended costs and the disposition thereof, is attached for your information.

If you agree with the results of these findings, please indicate your acceptance by remitting to my office a check in the amount of $13,411.82 payable to the Agency for International Development so that this report may be closed. If you do not agree with these findings, may we please receive your comments not later than April 30, 1975.

We appreciate your cooperation and assistance in helping to resolve the issues raised in this Report. If we may further clarify the matter for you, please do not hesitate to let us know.

Sincerely yours,

/s/ N. A. Caticchio

N. A. Caticchio
Contracting Officer
Regional Operations Division, Africa
Office of Contract Management

Attachment: a/s

CC: em/sd/SUPrTigne
AFR/RA:JKraus
AFR/CWA:JCoe
AFR/CWA:JWilson
AFR/ESA:WAWhitten
GC/P&C:JFink
SER/FM/RSD:WWMcKeel
AG/AUD/GDA:WStanford
CM/ROD/AFR:PLBullock:eac:4/10/75

SUMMARY OF FINAL DISPOSITION OF DISALLOWANCES & SUSPENSIONS

RE

O.I.C.I.

AUDIT REPORT NO. 74-159

dtd. 9/17/73

DISALLOWANCES
(Total of $131,923.35)

	Reinstated	Sustained
T.O. #1	$72,629.36	$ 407.55
T.O. #2	19,126.51	3,300.00
T.O. #3	25,171.82	4,769.06
T.O. #4	4,419.05	2,100.00
	$ 121,346.74	$10,576.61

SUSPENSIONS
(Total of $543,573.15)

	Reinstated	Deleted*	Disallowed
T.O. #1	$37,258.00	$ 10,882.57	—
T.O. #2	—	161,594.04	$ 2,835.21
T.O. #3	—	278,715.11	—
T.O. #4	29,435.07	22,853.15	—
	$66,693.07	$474,044.87	$ 2,835.21

$10,576.61	Sustained Disallowances
2,835.21	Sustained Suspensions (disallowance)
$13,411.82	Total Disallowed

* Note: Suspended costs of $474,044.87 deleted from this report with concurrence of AG/AUD based on inability of either office to make significant contribution to resolution thereof in near future. Costs to be reconsidered under on-going audit being conducted by Lucas Tucker, Inc.

802

JUN 10 1975

GC, P&C, Mr. Jerry Fink

THRU: CM/ROD/AFR, N. A. Caticchio

CM/ROD/AFR, Patricia L. Bullock

Audit Report No. 74-159, Basic Agreement No. AID/afr-653, Task Order Nos. 1, 2, 3 & 4 - Legality of Proposed Action by OICI re Training Costs

The purpose of this memo is to request an opinion regarding the legality of OICI's proposed action outlined in the attached letter concerning training costs which were disallowed under the subject Audit Report. Specifically, can OICI now legally bill AID and AID legally pay for training services rendered in the past by OIC/America but for which no service charge was ever made by OIC/America?

An early response to this request would be appreciated.

Attachment(s): a/s

cc: AG/AUD/GDA:WStanford
SER/[illegible]:[illegible]
AFR/[illegible]:[illegible]
AFR/CMA:JCoe
AFR/CMA:JWilson
AFR/[illegible]:[illegible]
CM/ROD/AFR:PLB:lcm:6/10/75

INTERNATIONAL

OPPORTUNITIES INDUSTRIALIZATION CENTERS

240 WEST TULPEHOCKEN STREET — PHILADELPHIA, PA. 19144
United States of America
Telephone: Area Code 215 - 842-0220
Cable: OICINTERNA

Rev. Leon H. Sullivan
Founder & Chairman of the Board

Valfoulaye Diallo
International Director

30 May 1975

Mr. N. A. Caticchio
Contracting Officer
Regional Operations Div., Africa
Office of Contract Management
Agency for International Development
Washington, D.C. 20523

Subject: Task Order Numbers 1, 2, 3 and 4, Basic Agreement No. AID/afr-653 (Regional) Audit Report No. 74-159

Dear Mr. Caticchio:

Thank you for your letter of 10 April 1975 regarding the above subject and your subsequent letters of 2 and 8 May 1975 making further adjustments concerning this OICI disallowed obligation to AID. With these letters received we feel that all the major issues concerning the AID 1975 audit have been pinpointed. Therefore, we would like to finally resolve this major issue and obligation in the following manner.

It has been identified that the largest portion of the $11,394.17 total disallowed is contributed to ~~training cost~~ $7,500.00, which at the point was not properly documented at the time of the AID 1972 audit. Since this service of training for OICI staff and participants was actually performed by the OIC America/Management Training School, then the $7,500.00 of the total disallowed should be reimbursed to the OICA/MTS. The time and service has been documented. We have requested that OICA/MTS properly bill OICI for this service at which time we will reimburse them.

Therefore, if we properly reduce the $11,394.17 by $7,500 to be paid OICA/MTS, then the balance due AID will be $3,894.17. Under separate cover we will be forwarding to your office the proper documents indicating cost ($7,500.00) and services rendered as well as a settlement payment check in the amount of $3,894.17.

I am certain that these two items should close out this outstanding obligation satisfactorily to all parties concerned.

Sincerely yours,

Valfoulaye Diallo

Valfoulaye Diallo

/nwb

cc: Rev. Leon H. Sullivan, OICI Chairman
Rev. Gus Roman, OICI Board
Rev. William Shaw , OICI Board
ASO Manager, OICI
Mrs. Patricia Bullock, AID

Audits File X-a

AG, Mr. John L. Ganley

Jan 31, 1974

AA/AFR, Samuel C. Adams, Jr.

Current Status of Recommendations/Audit Report No. 74-159, AID/afr-653, Opportunities Industrialization Centers, International Inc. (OICI)

REF: (1) Adams/Benz Memo, 10/9/1973; (2) Caticchio/Lundy Memo, 10/31/1973

The information set forth below outlines the current status of actions taken pursuant to the audit report recommendations. Please note our request that you consider Recommendation No. 2 closed from audit.

Recommendation No. 1

The Assistant Administrator for Africa should determine if A.I.D.'s continued support of the O.I.C.I. program will effectively lead to the establishment of viable, ongoing institutions, supported by the local community, that will have the capability of meeting skill training requirements in the less developed countries of Africa.

Current Status

During a recent African trip, I visited the O.I.C. Ghana programs, and met with the O.I.C. Nigeria Board and staff at Lagos.

On January 4, 1974, I wrote to Reverend Leon H. Sullivan, Founder and Chairman of the Board, Opportunities Industrialization Centers, requesting a meeting as soon as possible to discuss (inter alia) the question of whether local support at the currently projected levels can be expected for the O.I.C. programs in Ghana and Nigeria by the time A.I.D. funding terminates in June 1976. Prospects for local support of O.I.C. programs in Ethiopia and Kenya would also be discussed. We expect the meeting to take place in early February to discuss specific ways in which local support can be further sought, timetables for obtaining various levels of local support, and the implications for project continuation if such timetables can not be met.

Recommendation No. 2

For the future, we recommend that AFR/ESA and the appropriate field missions work closely with O.I.C.I. in determining equipment requirements for Kenya and Ethiopia programs to insure that equipment for training courses in these countries will be available when needed.

Current Status

Please refer to my memorandum of October 9, 1973, attached, which outlines procedures believed to be fully adequate to meet the requirements of the recommendation and requests that the recommendation be closed from Audit.

Recommendation No. 3

The Contracting Officer, CM/ROD/AFR, and the Program Officer, AFR/CMA and AFR/ESA, should, (a) determine the acceptability of O.I.C.I.'s performance to date as a prerequisite to accepting costs claimed of $1,021,450, (b) seek to recover from O.I.C.I. the disallowed costs of $131,923, and (c) determine whether or not the suspended costs of $543,573 should be allowed under the terms of the contract.

Current Status

On January 4, 1974, a letter was sent from N. A. Caticchio, CM/ROD/AFR, to Mr. Valfoulaye Diallo, International Director, O.I.C.I., referring to the audit and stating that an examination of reimbursed costs ($1,696,946.00) indicated that $32,758.09 * should be disallowed and that $524,315.15 should be suspended pending review and comment by O.I.C.I. Comments were requested within thirty days of the date of the January 4 letter. CM/ROD/AFR will make its determinations after comments have been received.

Recommendation No. 4

In view of the fact that O.I.C.I. has made no successful effort to improve its accounting and property control system in almost two years, we recommend that the Contracting Officer, CM/ROD/AFR, immediately inform O.I.C.I. that in the event an acceptable system is not installed within ninety days, disbursement of contract funds will be suspended.

Current Status

On September 14, 1973, members of the O.I.C.I. staff, A.I.D. Controller staff, and representatives from Touche Ross and Co. met at O.I.C.I. to discuss implementation of Audit Report recommendations of December 31, 1971, and December 31, 1972, particularly as such recommendations related to improvement of O.I.C.I. accounting and property control systems. Of the twenty-one recommendations discussed at that time, twelve had in fact been implemented, two had been implemented in part, one was still under investigation, and six were open. The six open recommendations were as follows:

---

* The original disallowance was stated at $131,923 of which $93,840.10 related to salaries which were later reinstated. (See memo from N.A. Caticchio, CM/ROD/AFR to L.L. Lundy, GC/C, dated October 31, 1973, attached.

1. Controls of purchased equipment be approved.

2. Funds control of monies allocated to Field Technical Assistance Teams be improved.

3. Systematic follow-up efforts be established to keep receivables on a current basis.

4. More adequate documentation be established to support the allowability of certain expenditures allowable by the contract.

5. More control is needed over funds spent.

6. Internal reports should be prepared monthly to assist management by providing financial data to compare budget with actual costs incurred enabling management to plan subsequent activities.

To assist in implementing the remaining recommendations and improve O.I.C.I.'s property control and accounting activities, Touche Ross and Co., after discussing the nature of requirements with A.I.D., prepared and presented to O.I.C. on October 31, 1973, a systems-oriented management plan. O.I.C. was requested to review this plan and comment.

While we have not as yet received a copy of the final report, although requested, we do believe that the implementation of such a plan, when accepted, will contribute considerably toward improving O.I.C.I. operations. Accordingly, given the improvements in procedures already undertaken, and the management system currently under discussion, we do not think that it should be necessary at this time to suspend disbursements as proposed.

Recommendation No. 5

The Contracting Officer, CM/ROD/AFR, should take action to: (1) amend the contract to reflect salary increases to O.I.C.I. personnel of no more than 5 percent, and provide for a new format for quarterly reports; (2) amend applicable task orders to specify the vocational skill areas in which O.I.C.I. is authorized to operate; and (3) assure that O.I.C.I. complies with all contract provisions.

Current Status

The contract has been amended to reflect salary increases to O.I.C.I. personnel of no more than five percent annually, for any purpose, unless approved by the Contracting Officer, A.I.D.

Regarding quarterly reports, we have written O.I.C.I. proposing changes in format. In response, Mr. Valfoulaye Diallo, O.I.C.I., has asked to meet with us as soon as his current schedule permits. He subsequently left on a two month TDY assignment in Nigeria. This matter will be followed up immediately upon his return.

All task orders now specify the vocational skills areas, except Nigeria. In this case, we believe the recommendation should not apply, as AID/W, O.I.C.I., the USAID and OIC/Lagos have closely coordinated their efforts in selecting vocational training fields. This procedure, for Nigeria, has offered a high degree of flexibility with no apparent difficulty.

We are making every effort to assure that O.I.C.I. complies with all contract provisions. This is reflected in the actions taken as mentioned above and our continued and coordinated vigilance related to each task order.

Attachments

AFR/NARA:JKraus:gea:1/30/74

Clearances:
AFR/ESA:JKnoll (phone)
AFR/NARA:JJames (draft)
AFR/NARA:AHoward (draft)
AFR/CMA:AEllis (phone)
AFR/EMS:FHahne (phone)
SER/FM/AC:FMcElroy (draft)
GC/RCD/AFR:PBullock (phone)
DAA/AFR:DBrown ____