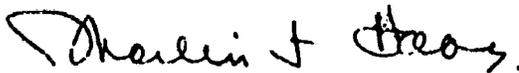


November 16, 1973.

To : William R. Ford, Director, USAID/Nigeria


From : Marlin F. Haas, Area Auditor General Africa

Subject: Report on Examination of the Opportunities Industrialization Center (OIC), Lagos, Nigeria, Project No. 620-11-610-802 and Contract No. AID/afr-653, Task Order No. 3.
Audit Report No. 4-620-74-11, dated November 16, 1973.

We are transmitting herewith six copies of the subject report. Our review covered program activities occurring during the period from October 1, 1971 through July 31, 1973 and financial activities from June 26, 1970 through June 30, 1973.

The report advanced some significant findings that are summarized in Part III in addition to 12 recommendations for corrective action addressed to the Mission.

Significant findings concerned a serious uncertainty, in our opinion, as to whether,

- (i) the activity could expect sufficient outside financial support when AID's financial assistance ended, so that it could continue operations in Nigeria;
- (ii) the project activity is in accord with Nigeria development priorities;
- (iii) Nigeria actually needs additional training facilities; and
- (iv) Whether, substantial host government support would be forthcoming, recognizing the activity is a unilateral one the government is not committed to support.

Taking these more important matters into account as well as OIC's apparent inability to achieve planned targets within established time frames, currently or in the future, we suggested the USAID consider early termination of its support to the project.

More detailed comments about these findings and recommendations are found in Part IV of the report. As is our custom a draft version of it was discussed in detail with USAID officials on September 25, 1973. Our Auditors received their comments on October 19th. The report gives full disclosure to them as well as opposing positions where we were not in agreement.

In closing I shall be grateful if you will initiate action to implement the twelve recommendations addressed to USAID/Nigeria within thirty days after the receipt of the report; and advise us monthly on progress being made toward finalizing action on the recommendation.

AGENCY FOR INTERNATIONAL DEVELOPMENT
Washington, D.C. 20523.

OFFICE OF THE AUDITOR GENERAL

AREA AUDITOR GENERAL - AFRICA

INTERIM

AUDIT REPORT

OPPORTUNITIES INDUSTRIALIZATION CENTER, LAGOS, NIGERIA

PROJECT NO. 620-11-610-B02

CONTRACT NO. AID/afr-653, T.O. No. 3.

Period Covered by Audit:

Program Activities: October 1, 1971
through July 31, 1973.

Financial Activities: June 26, 1970
through June 30, 1973.

Audit Report No. 4-620-74-11

Date Report Issued: November 16, 1973

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PART I - PURPOSE AND SCOPE

As a part of our normal audit activities in Nigeria and to fulfill a request for an assist audit from AG/AUD - Washington we have examined Project No. 620-11-610-802 implemented under Contract No. AID/afr-653, Task Order No. 3, with Opportunities Industrialization Center International Inc. of Philadelphia, Pa. Our object being to (a) determine whether the purpose of and rationale for the project were valid under the present circumstances; (b) determine whether the project intermediate goals and objectives were being achieved within the established timeframes; (c) determine whether the Contractor had performed according to the terms and conditions of the contract as well as underlying AID and U.S. regulations; (d) ascertain the propriety of contract expenditures made locally; (e) review the utilization of and control over non-expendable property; and (f) assess the effectiveness of USAID's management of project activities.

Our audit period for program activities was from October 1, 1971 (the cut-off date of our prior audit) through July 31, 1973. Because local expenditures were not included in the prior audit, our audit period for fiscal purposes begins with the inception of the project. The contract had no administrative assistant at the time of our review and the financial records were complete only through June 30, 1973. Therefore, we used that date as the cut-off date for our fiscal review.

We reviewed program documents, fiscal data, contractor reports, and pertinent correspondence available at the USAID. At the project site in Lagos, we reviewed the financial records and available supporting documentation, property records, and program records. We toured the training facility and selectively inspected some AID-financed commodities. Also, we held discussions with contractor, Opportunities Industrialization Center, Lagos, and concerned USAID officials.

This interim review was conducted during August and September, 1973 and performed in accordance with generally accepted governmental auditing standards.

PART II - BACKGROUND INFORMATION

The Contractor, Opportunities Industrialization Centers International, Inc. (OICI) is the international division of OIC of Philadelphia, Pa. OIC has established successful vocational training centers in many U.S. cities. Essentially, the OIC approach is to tailor vocational training to existing needs in the manpower market and to follow through to actual job placement for its trainees. Characteristics of the OIC training program are -

1. Feeder Programs: The Feeder Programs prepare enrollees with knowledge and skills they will need for effective training and job placement. They provide remedial education, instruction in personal habits that are required in the world of work, social skills, self-confidence, etc.
2. Counseling: All enrollees receive continuous counseling and guidance throughout their training period. This service includes intake interview, registration, testing, evaluation, on-going trainee guidance through Feeder to vocational training and initial (three months to one year) employment period.
3. Training: OIC trainees receive individual training which will enable them to perform at a high level in a specific job. The period of training will vary depending upon an individual's background and capacity. OIC training programs are in a constant state of revision and in order to meet changing demands for skills.
4. Job Development: This component of the OIC programs ensures a steady outlet for OIC trainees by maintaining communications with employers and labor unions with the view of listing new job openings and keeping up with varying job requirements.
5. Job Placement: Most trainees are trained for jobs that are already identified before trainees complete their training.

OICI is at present conducting activities in other African countries (to our knowledge, Ethiopia, Ghana, and Kenya) under the sponsorship of AID. AID is also financing the backstopping effort of OICI.

The project in Nigeria began with Task Order No. 3 on June 26, 1970. Its purpose, as stated in the Non Capital Project Paper (PROP), Revision No. 2, dated November 16, 1972, was to establish that the Opportunities Industrialization Center (OIC) method, compared to existing education/training programs, can effectively and efficiently mobilize community resources to develop the job potential of needful persons; and reduce the shortage of intermediate-level skilled manpower. The purpose will be achieved when (i) the Lagos training center can train and place about 300 persons a year, (ii) is fully financed from indigenous sources; (iii) the cost per job ready trainee is equivalent to or lower than existing technical training schools; and (iii) the OIC technique is selected by Nigerian/training authorities for wider geographical application within the country.

The rationale briefly summarized from the PROP is:

1. There has been a considerable influx of people to metropolitan Lagos many of them young and under-educated/untrained with little prospect of gainful employment.
2. The Nigerian Government, in its Second National Development Plan (1970-74) is according high priority to programs for training of young people in skills designed to improve their prospects for employment.
3. The OIC approach is unique in Nigeria and, if successful, the project could be implemented in relating vocational education to existing actual manpower requirements.

The life of AID's support to the project is estimated at six years and AID's contribution through contractual services is estimated at about \$1.8 million. This is a unilateral project in that USAID's relationship is with a private non-profit institution, Opportunities Industrialization Center, Lagos (OIC/Lagos). As such, there is no Project Agreement and the Nigerian Government is not formally committed to USAID for any specific contributions to the project. The project was not within the USAID areas of concentration as set forth in the FY 1974 Field Budget Submission dated August 1972. However, in the FY 1975 Program Planning Paper (TOAID A-95 dated July 20, 1973) the USAID has revised its areas of concentration to

include vocational education. (See Item 7 Exhibit E for Mission comments).

OICI has employed Community Sciences Inc. (CSI) of Philadelphia, Pa. to conduct two evaluations of its activities including the project in Nigeria. The first evaluation report was issued on July 16, 1971 and the second on March 16, 1973. USAID's Office of Education has the basic responsibility for project monitoring and contract administration.

PART III - SUMMARY OF FINDINGS

Original plans were that once AID's financial input was completed, the training center would be fully supported from private sources. Now it appears that the private community is unwilling to provide the necessary support and that for a significant part of its budget the training center will require permanent Government support. But, the project does not appear to be in accord with Nigerian development priorities and there are indications that additional vocational training facilities are not needed. In view of this, it would seem that substantial Government support might not be forthcoming. Also, since this is a unilateral project (USAID assistance to a private Nigerian institution), the Nigerian Government is not formally committed to provide any specific inputs to the project. We believe that unless some assurance of adequate future support is obtained, the USAID should consider early termination of its support (PART IV A, B, Pages 5 - 15).

The project has not achieved its interim targets within the established timeframes and it appears that under its present design it is not possible for the training center to meet its ultimate objective of being capable of producing 300 vocational completers per year (PART IV B, Pages 8 - 15).

OICI has not been able to maintain a full technical assistance team in the field. One contributing factor is the difficulty in obtaining resident Nigerian visas for the team members. Another is the early return to the U.S. by many of the technicians. It has been noted that OICI had not adequately prepared the technicians to adapt to the cultural differences (PART IV C, Page 15).

Local expenditures totaled approximately \$360,000. We noted several instances where the expenditures were not eligible for reimbursement. These we have referred to AG/AUD for follow-up during their audit of the OICI home office records. The accounting records did not disclose the amount spent on living quarters; therefore, we were unable to determine whether the amounts so spent were within the authorized allowance. Also, we noted substantial expenditures for rent for unoccupied houses and for household repairs. We believe that the USAID should review these costs and determine whether they are eligible for reimbursement (PART IV D Page 17).

The general ledger control accounts of non-expendable property were not accurate and the property records were not complete. Vehicle usage was not properly documented and policies regarding non-official vehicle usage were different than USAID's (PART IV E, page 21).

USAID's management of project/contract activities was ineffective. Planning was not realistic; project and contractor evaluations were not performed as required; and the day to day monitoring activities did not appear to be up to standard (PART IV F, page 24).

Prior to the issuance of the Audit Report we discussed the results of the audit with USAID management and provided them with a draft audit report to give them the opportunity to consider and reply to our findings, conclusions, and recommendations (PART V C, page 28). They did not concur with our inferences that the project was not in accord with Nigerian development priorities and that additional vocational training facilities were not needed. The USAID's position on each finding is noted in the appropriate sections of PART IV. Their detailed comments and our responses appear as Exhibit E.

PART IV - FINDINGS AND RECOMMENDATIONS

A. Project Purpose and Rationale

Nigerian Priorities - One purpose of the project was to reduce the shortage of intermediate - level skilled manpower, and in one rationale for the project it was implied that the project was in accordance with a high priority of the Second National Development Plan. From our review there were indications that (1) the rationale was not valid and (2) there was not a shortage of intermediate skilled manpower.

In the PROP (Rev. 2 dated 11/21/72) the USAID referred to Nigeria's Second National Development Plan 1970-74 (Plan) and implied that the Plan was according high priority to programs for the training of young people in skills designed to improve their prospects for employment. The Plan did recognize the problem of unemployment and noted that consideration would be given to the establishment of a Youth Corps. This program would be mainly rural-oriented but would also provide training in some basic trades. But the Plan gave no priority to trade and vocational schools per se. Indeed, it specifically de-emphasized this type training as evidenced by the following paragraph from page 316 of the Plan:

"Total enrollment in trade and vocational schools engaged in the training of craftsmen and artisans has reached 7,000. These institutions served a very useful purpose at an early stage of economic growth and skill development. The educational and training content of most jobs in the skilled and semi-skilled category, however, indicate employers' preference for the training of these workers through apprenticeship and or on-the-job. Trade centres and vocational schools would therefore, seem to be losing their validity, and further expansion in this area would have to be contained."

The USAID contended that the project was in accord with Nigerian development priorities. They cited other sections of the Plan and other Nigerian Government actions which they said showed that vocational training was a priority item in Nigeria's development effort. (See Exhibit E Items 1, 2 and 3 for specific USAID comments and our response thereto.)

Unemployment of Trained Workers: The PROP states that a critical assumption of the project is that the Nigerian job market can and will absorb the planned number of OIC trained persons. One indication that this assumption is erroneous is contained in the recent CSI Evaluation Report from which we quote -

"Nigeria's greatest economic problem seems to be related to its inability to absorb a rapidly-growing and mobile labor force into its productive urban labor markets. The urban labor force is growing at

a rate of 3% annually while productivity and labor market demands are far short of this mark. This problem is complicated by the fact that the bulk of Nigeria's educated manpower is in Southern Nigeria but because of regional and ethnic differences, it cannot be used to fill critical shortages in other parts of the nation. The consequences of this, in Lagos is under-employment among trained workers and an excessively high rate of unemployment among rural youth who have migrated to the city. The problem, in terms of social planning, is that any measure taken by the government to absorb a larger proportion of the available labor force will only encourage more migration from rural to urban areas. Any realistic manpower strategy, then, seems to be one that attempts to retain youth in the rural areas and at the same time improve rural living conditions through an increase in employment opportunities through increased agricultural and agriculturally related activities.

"By implication then, it would seem unlikely that the Lagos OIC could expect any substantial support from the Nigerian government. Its priorities are more likely to rest on measures designed to develop training and employment opportunities in rural areas."

We attempted to verify this CSI statement and we found that there was a paucity of employment/unemployment statistics in Nigeria. However, the Ministry of Labor provided us with an analysis of registered unemployed for the month of May 1973. The analysis showed there were about 5,500 artisans and craftsmen in Nigeria who registered as unemployed in May 1973. This is not a significant number for a country whose population is estimated around 64 million (UN estimate 1969). What might be significant though is that 37% of these unemployed were registered from Lagos State. As of the latest census, 1963, Lagos State contained about 2.5 per cent of Nigeria's population.

The USAID commented that the CSI evaluation and the Ministry of Labor statistics are rather slim and perhaps misleading grounds for reaching any conclusions, and other evidence supports their belief that the project assumption is valid. (See Exhibit E Items 5 and 6.)

B. Progress Towards Project Goals

1. Project Targets and Achievements

The overall goal of the project is to develop an institution capable of training young school leavers in skills for which there is a demand in the labor market and placing them in positions upon completion of their training. In the PROP (as revised), the USAID listed certain targets which should be achieved before the institution would be fully operative and capable of training and placing 300 persons per year. Some of these targets which were objectively measurable together with the actual accomplishments as disclosed by our review, are as follows:

- | | |
|----------------|--|
| Target | - Five U.S. trained Nigerian staff on board by 1973 and retained for a minimum of one year. |
| Accomplishment | - There have been four Nigerians associated with OIC/Lagos who have received training in the U.S. under the terms of the Task Order. As of June 30, 1973, only one remained with the project - the Program Director who has been with the project since its inception. (Refer to Exhibit D for details.) |
| Target | - A physical plant capable of accommodating 240 trainees by September, 1972. Negotiations in process for a permanent site by June 1973, acquisition by September 1973 of a site to accommodate 300. |
| Accomplishment | - The present site consists of a fairly large two story house, a building previously used for household help, and a vacant area on which OIC/Lagos has constructed a prefabricated |

building which houses most of the vocational training classes. The property is rented and the present lease expires in September 1973. At the time of our review, a new lease had not been signed; however, the contract team leader (Program Advisor) told us that a new two-year lease has been negotiated, and would be finalized soon. The capacity of the facility and the enrollment at July 31, 1973 are as follows:

<u>Course</u>	<u>Capacity</u>	<u>Enrollment</u>	<u>Vacancies</u>
<u>Feeder Program</u>			
Auto Mechanics	20	16	4
Secretarial Sciences	20	16	4
Electronics	20	23	-
Air Cond/Refrigeration	20	17	3
Commercial Baking	20	-	20
Hotel/Catering	20	-	20
	<u> </u>	<u> </u>	<u> </u>
Total Feeder Program	120	72	51
	<u> </u>	<u> </u>	<u> </u>

Vocational Training

Auto Mechanics	20	25	-
Secretarial Sciences	20	10	10
Electronics	20	13	7
Air Cond/Refrigeration	20	18	2
Commercial Baking	20	22	-
Hotel/Catering	20	27	-
	<u> </u>	<u> </u>	<u> </u>
Total Vocational Training	120	115	19
	<u> </u>	<u> </u>	<u> </u>

- Target** - Ten Nigerian instructors and three counsellors in place conducting courses by June 1973 and retained one year.
- Accomplishment** - There were nine Nigerian instructors on board on June 30, 1973. However, one resigned in July leaving 8 - 2 feeder and 6 vocational. It was explained to us that the shortage of feeder instructors was the reason why there were no Commercial Baking and Service Industries feeder course at this time. There were no counsellors on board as of June 30, 1973. (Refer to Exhibit D for staffing details.)

- Target** - Six syllabi prepared and in use by 1973. Six vocational skills offered by 1972 and seven by 1973.
- Accomplishment** - There were syllabi for the six vocational skills being taught on July 31, 1973. Preparations are being made to add a seventh course, Business Machines, which will have a student capacity of six.

The output targets as specified by the PROP and the actual accomplishments as of the date of audit are as follows:

- Target** - Approximate total enrollment of 300 by 1973.
- Accomplishment** - Enrollment at July 31, 1973 was 187 - 72 in the Feeder Program and 115 in Vocational training.
- Target** - Approximately 300 annual Feeder Program completers by September 1973.
- Accomplishment** - Information on Feeder Program completers was not readily available. However, we can assume that since inception of the project there have been at least 177 persons who have completed the Feeder Program - 62 persons who have been placed in jobs plus the 115 persons who are presently in Vocational training.
- Target** - Approximately 300 annual vocational training completers by September 1973.
- Accomplishment** - As of July 31, 1973 there have been 62 persons who have completed the vocational training and placed in jobs.

There are several obvious reasons why the project has failed to come close to achieving the desired outputs. These are: (1) delay in initiating the feeder program; (2) lack of a vocational training facility until early FY 1973; (3) inability of the contractor to maintain a full team in the field; and (4) inability to attract and keep a full complement of Nigerian teachers and administrative staff.

However, it appears to us that even if the required inputs had been timely, the project or institution would not have been able to produce the desired output of 300 placements per year. Under its present design it does not seem possible to achieve these results. For example, the PROP refers to a targeted total enrollment of 300 persons. We assume that this includes the feeder program as well as vocational training. Therefore, it would require two complete cycles of vocational training each to produce 300 completors. The present vocational training capacity is 120 persons so two training cycles per year would produce a maximum of 240 vocational completors per year. But, the vocational training program is not designed as a six month course of study. In fact, we could not determine just what the duration of the normal vocational training period was estimated to be. The PROP discussed a nine-month vocational training period while the "Guidelines for AID Support in Establishing an OICI Central Office and Current Activities in Africa Under Basic Agreement No. AID/afr-653" talks about a vocational training period from twelve to eighteen months. The syllabi for the vocational courses currently being offered showed the following estimated time parameters:

6 - 8 months	Motor Mechanics
6 - 9 months	Electronics, Commerical Baking, Hotel/Catering
6 - 12 months	Secretarial Sciences
Not shown	Air Cond./Refrigeration

But Schemes of Work which were made available to us for 3 vocational training courses showed the estimated training time as 52 weeks for Motor Mechanics, 36 weeks for Hotel/Catering and 26 weeks for Commercial Baking.

The vocational training period for the persons thus far placed in jobs ranged from about seven to twenty three months and averaged about fourteen months. However, the Program Advisor said that this was excessive and not representational of the actual time it would take to train persons in the selected vocational skills. He said that due to the temporary lack of an adequate training facility and other start-up problems, the training period for some of these first completors was unusual. He further said that there was no set vocational training period. Persons would be completors only when placed in jobs and the time in training would depend on their aptitude, initiatives, and the types of jobs for which they were

being trained.

The PROP is the basic planning document and, as such, there must have been some sound basis to arrive at the estimated nine-months vocational training period as stated therein. Using this as the average training period coupled with the training center's capacity of 120 vocational enrollees, we can see that the center can only average, at the maximum, about 160 completers per year. To increase production to 300 completers per year would require alternative courses of action, such as:

1. Double the class size
2. Expand the teaching day from six to twelve hours and teach two separate sections for each vocational course.
3. Expand the training facility to accommodate additional vocational enrollees.

The first alternative is not feasible because of the limited space in the present facility and because the training is "individualized" with twenty persons being the maximum one instructor can manage. The second and third alternatives would require resources in addition to those already planned. As shown in the following section, there is a possibility that OIC/Lagos will not be able to support the training center as presently designed.

2. Local Support

A basic assumption underlying the rationale for the project was that by 1976 the training center would be fully supported by local resources. It was estimated that to operate the training center when it became fully operational in 1976 would cost approximately the equivalent of ₦92,000 per year and it was expected that the money would be raised from the private community. It now appears that the private community is unwilling to provide the funds necessary to support a training center. Information OIC/Lagos furnished us showed that amounts collected from inception of the project through June 1973 totaled the equivalent of about ₦50,000. Further, the pattern of the collections as listed below shows that local support for the training center is actually decreasing rather than increasing:

Funds Raised (\$ equivalent)

FY 1970	\$27,200
FY 1971	11,200
FY 1972	6,900
FY 1973	5,300

USAID recognized the diminishing local support and notes that OIC/Lagos will almost certainly require permanent government support for a significant part of its budget. However, there is no assurance that this needed support will be forthcoming. Instead, there are real indications that it will not, for as noted before, vocational training does not appear to have government priority. The CSI evaluation also addressed this question and noted that it was unlikely that OIC/Lagos could expect substantial government support. (See page 5).

3. Summarization and Conclusions

The project is unilateral in that it was not developed with, nor formally agreed upon by, the Nigerian Government. As such, the Nigerian Government has no formal commitment to the project.

The project does not appear to be in accord with Nigerian development priorities as set forth in the Second National Development Plan 1970-74.

It appears that OIC/Lagos will need Government support to continue the activity when AID's support has ceased. There is no assurance that government support will be forthcoming.

There are indications that a veritable need for the project (to reduce the shortage of intermediate-skilled manpower) does not exist.

Given the present project design, it is very unlikely if at all possible to achieve the stated objective of producing 300 vocational completers per year.

Thus the most immediate concern would appear to be that of the project's future viability. Some firm assurance at this time for future financial support of the training center would be persuasive evidence that there is a need for the project and that it should be continued. Lacking this we believe AID's support to the project should be terminated. In our Draft Audit Report we recommended that,

unless there is some firm assurance that the training center will receive adequate future funding, USAID should take action to terminate its financial support to the project. In their reply, the USAID noted that applications for funding have been made to the Industrial Training Fund on behalf of OIC/Lagos. They said that this was probably the most appropriate source of financial support but that the Industrial Training Fund is just starting its operations and decisions on what training programs will be financed will probably take some time. The USAID also commented on a proposed evaluation of the project (which would be conducted by an evaluation consultant and begin in late CY 1973 with a follow-up visit in March/April 1974). They stated that this evaluation plus a clearer picture of the prospects for financial support which develop over the next year will determine the level of USAID's future support to the project. (Refer to Items 4 and 8, Exhibit E.)

We suggest that the USAID include as an objective of the forthcoming evaluation the determination of the prospects for future financial support for the training center. Then, based on the results of the evaluation and on the circumstances at that time (March/April 1974), the USAID should make the appropriate decision as to the level of future AID support.

Recommendation No. 1.

If at the time of the second phase (March/April 1974) of the proposed evaluation there is no firm assurance that the training center will receive adequate future operating funds, USAID/Nigeria should initiate action to terminate its financial support to the project as expeditiously as practicable.

Management comments

In Lagos Telegram No. 8684 of October 26, the Mission agreed the above recommendation was in line with their thinking, viz., 'the project has passed from experimental stage to point where evaluation in terms of cost effectiveness essential as is progressive evidence of ability increase local contributions.' Following evaluation and record on meeting budget targets the Mission felt they would reach a decision by the end of CY 1974 on whether to continue the OICI operations in Nigeria to the end of CY 76 as presently planned or alternatively an earlier termination.

If AID continues to finance the project, another area that should be of concern is the possibility that the training center will not be capable of producing the number of completers per year as planned. In the PROP, as revised, the USAID has estimated that it will cost AID about \$1.8 million to assist the training center to become capable of producing 300 completers per year. From our review, it appears that the training center will not be capable of producing 300 completers per year but substantially less - perhaps only half that many. However, we could not see where there was going to be any corresponding reduction in cost to AID to support the "building" of an institution of a lesser capacity than planned. We could not find where any cost/benefit type formula was used to justify the magnitude of AID's estimated inputs into this project. But we do assume that the total estimated AID input was at least indirectly related to the proposed capacity of the training center. Now, in view of the probability that the training center will not be capable of producing the number of completers as targeted, we believe that the USAID should re-examine the proposed financial contribution to determine whether the total estimated contribution of about \$1.8 million can be justified.

Recommendation No. 2.

If the project is to continue, USAID/Nigeria should (a) re-examine its proposed financial contribution to determine whether future financial assistance at the proposed level can be justified or whether it should be reduced to correspond with the reduced capacity of the training center; and (b) based on that determination, take action as appropriate.

C. Contractor's Performance

1. Staffing

The PROP and other program documents indicate that the contractor is authorized a team of ten U.S. technicians. Also, the Program Advisor said that the ceiling on the number of technicians was ten. However, the Task Order only authorizes eight U.S. technicians. Also, the contractor employed a U.S. national as an administrative assistant although an employee with this speciality was not authorized in the Task Order. Again it appeared from the programming documents that it was intended for the contract team to

include an administrative assistant. However, the PIO/T's authorizing the procurement of the services limited the team to eight persons and did not authorize the services of an administrative assistant.

Recommendation No. 3.

If AID did intend that the contractor provide personal services over and above those authorized in the Task Order, then USAID/Nigeria should initiate action with AID/W to amend the Task Order accordingly.

The contractor has had difficulty fielding a full technical assistant team; major obstacle being the problem of obtaining Nigerian residence visas. It has been reported that several technicians scheduled to arrive in early FY 72 were unable to obtain visas and as a result some of the technicians went to the Ghana OIC program and two others resigned.

Thus, the contractor was unable to place a total of fourteen U.S. technicians in Lagos from the project's inception through the time of our audit. Moreover, seven of those who arrived departed the post prior to completing their tour. The reasons given for these early departures were physical disabilities, mental and physical fatigue, inability to obtain visas for spouses, as well as dissatisfaction with living conditions. Another technician who had completed a two-year tour, took home leave and then resigned shortly following his arrival for a second tour. Of the remaining six technicians, three had been on board for approximately a year and a half, one for almost a year, and two were fairly recent arrivals. (See Exhibit C for staffing details.) The Program Advisor told us that three additional technicians - a counsellor, a feeder specialist and an economic development specialist - would be joining the team when necessary visas are obtained.

2. Evaluations of Contractor Performance

The only Evaluation of Contractor Performance Report (U-307) was for the period 7/1/71 through 12/31/71. In that report, the USAID rated the contractor's level of performance in the field as outstanding. The report did note that certain pre-established intermediate goals were not going to be met within the estimated time frame due to unforeseen developments completely beyond the control of the contractor or the Mission. These unforeseen

developments were difficulties encountered in (a) obtaining a site of sufficient size to permit both feeder and vocational training simultaneously; (b) getting residence visas for American technicians; and (c) getting ordered commodities due to a dock strike.

The USAID has prepared one Project appraisal Report on the project--covering the period from inception to April 1972. The USAID rated the contractor's inputs, though much delayed, as highly satisfactory for quality of personnel, equipment, and backstop support. But the report did note a continuing morale problem among the technicians due to inadequate housing, furnishings, and medical facilities.

In their more recent evaluation report (dated 3/16/73), CSI states that there was no feasible means by which to judge the overall effectiveness of the technical assistance team because at no time had there been a full complement in Nigeria. The report does say that the team did well notwithstanding continuous understaffing. The report also states that the Central Office must make a bolder effort to furnish the kind of realistic pre-service orientation and suitable living accommodations to reduce the cultural shock experienced by the staff. And they note that it is obvious that the lack of preparation of some of the team members to adapt to the cultural differences affected their performance. The report goes on to state that the absence of a counseling specialist and a job development specialist were serious deficiencies since both functions are key components of the OIC concept.

D. Financial Activity

1. Obligations and Expenditures

Recent Task Order amendments showing total obligations were unavailable at the USAID; however, other information showed that obligations as of June 30, 1973 totaled \$1,280,260. The USAID's accounting records show only \$1,211,000 obligated under the Task Order. The difference, \$69,260, is the amount of PIO/T No. 620-802-3-6112001 obligated per amendment No. 1 of Task Order effective November 1, 1970. USAID officials correctly pointed out that this obligation was from an AID/W allotment and therefore not entered in the USAID's accounting records. Similarly, actual expenditures and those recorded by the USAID differ by a like amount. (See Exhibit A.)

2. Contractor's Local Expenditures

OICI transmits funds for local expenditures directly to the contract team's agent bank in Lagos where they are converted to local currency (Naira) at the prevailing official

rate of exchange.^{1/} The Task Order, Special Provision VII D, provides that local currency should be purchased through the Embassy's accommodation exchange facility. However, this provision is inoperative since the Embassy does not provide this service.

The contract team's records showed that it had received N243,015 (\$363,105) from inception of the program through June 30, 1973. Its expenditures for that period totaled N242,259 (approximately \$361,935). (See Exhibit B.) The Office of Audit, Auditor General (AG/AUD) recently performed an audit of the costs reimbursed under contract No. AID/afr-653 including those reimbursed under Task Order No. 3 (Audit Report No. 73-303). In that review, AG/AUD noted that the Contractor did not maintain all the supporting documentation for local currency expenditures in their Philadelphia Office. Accordingly, they requested us to review the supporting documentation for local currency expenditures under Task Order No. 3. Our review disclosed that the Contractor held some of this supporting documentation in Lagos. Accordingly we compiled a list of those expenditures supported by documentation and submitted it to AG/AUD.

Also we noted that some local currency expenditures were not eligible for reimbursement under the terms of the Task Order/Contract or AID Regulations. Below we furnish more information about these.

Medical Expenses

N2795.59 (approximately \$4,176) was paid for various medical costs such as hospital registration fees, hospital fees, doctors' fees, etc. (after deducting about N10 for a refund). The payments were made mainly on behalf of the U.S. technicians and their dependents although a small portion benefited local employees. Costs of this nature are not authorized under the Task Order/Contract. The Program Advisor said that the U.S. technicians are covered under medical insurance and that possibly OICI recovered the medical costs from the insurance company in lieu of claiming reimbursement from AID.

^{1/} On January 1, 1973 Nigeria converted its currency from pounds, shillings, and pence to the decimal system. To simplify reporting, we have converted all prior 1/1/73 expenditures to the new currency. The rates of conversion of dollars into local currency during the audit period has varied from N1.00 = \$1.40 to N1.00 = \$1.53 with the average being N1.00 = \$1.494.

Guard Service

The U.S. technicians are provided with guard service for their residences. This cost is not authorized under the terms of the Task Order/Contract. It should be noted though that USAID provided this type service for direct hire employees until October 1, 1972. The contractor's records showed that N3608.54 (approximately \$5391) had been paid, of which N1797.07 (approximately \$2685) was for the period after October 1, 1972, the date when the USAID discontinued this support for its employees.

Unused Sick Leave

One local employee upon resignation was paid N53.40 (approximately \$80) for unused sick leave. Unused sick leave is not reimbursable under the terms of the Task Order/Contract.

Business Cards

Costs were paid for business cards for contract employees although not authorized by Task Order/Contract. Total paid was N105 (approximately \$157).

OIC/Lagos Salaries

In our review of the payments we noted two isolated instances where OIC/Lagos had claimed reimbursement from the contract team in excess of the amount of salaries they paid to their employees. Total excess claimed and paid amounted to N330 (approximately \$493).

Loans Receivable

Advances of N538.88 (approximately \$805) have not been cleared from the records. This item is not an expense and therefore not reimbursable.

OIC Ikare

This expenditure in the amount of N812.74 (approximately \$1214) is also an advance and therefore not reimbursable.

The Contractor's home office in Philadelphia submits all claims for reimbursement to AID/W and the details for such claims are not available at the Contractor's field office. Therefore, disallowance of any claimed expenditures will necessarily arise from the AG/AUD's audit of the propriety of items making up the claims. To assist, we furnished AG/AUD with a list of expenditures for which we found supporting documentation.

a. Living Quarters Allowance

The contract team was not aware that there was a limitation (other than the budgeted amount) on the amount that could be spent for living quarters for their U.S. technicians. Consequently, related accounting records neither disclosed costs incurred on behalf of the individual team members nor the amount spent on behalf of the team in toto. At the time of our review the contract team was without an administrative assistant (accountant) and it was not proper for us to reconstruct the accounting records to determine whether payments effected exceeded limits allowed for living quarters.

RECOMMENDATION No. 4

USAID/N should (a) advise and assist the contract team to design and maintain its accounting system in such a manner that the living quarters costs paid on behalf of the technicians can be readily determined; and (b) ascertain whether the expenditures for living quarters as of June 30, 1973 were within the allowable limits as specified in contract General Provisions, Clause 5(b).

b. Vacant Houses

The Contractor paid rent on vacant houses without obtaining the required USAID approval. Our analysis showed that as of June 30, 1973, houses rented for U.S. technicians remained vacant for a total of about 48 months. The annual rent for the houses ranged from the equivalent of about \$2200 in the beginning to the equivalent of about \$6,000 for the most recently leased houses. The average rental cost amounted to about the equivalent of \$4,400 per year.

The housing situation in Lagos is very tight, thus the contract team found it necessary to lease houses for a period of two years paying the entire rent in advance. This arrangement as well as the contractor's inability to place and maintain a full team in the field accounted for some vacant houses over extended periods. As per USAID Order 1410.1, the Mission reserved the right to authorize payment of rent for vacant houses.

RECOMMENDATION NO. 5

USAID/N should review the costs paid for vacant houses and determine whether they are eligible for reimbursement retroactively.

c. Household Repairs

The contract team's records showed that as of June 30, 1973 \$6871.76 (approximately \$10,266) in expenditures had been charged to this cost category. Our review of available supporting documentation under this heading disclosed that some of the costs, such as installing screening on the houses, may have materially increased the value of the houses and therefore might be more properly classified as Capital Expenditures. Costs of repairs which materially increase the value of rented houses are not allowable under the terms of the Contract/Task Order.

RECOMMENDATION NO. 6

USAID/N should (a) request the contract team to provide a detailed list of the expenditures charged to Household Repairs; and (b) determine if these costs are all eligible under the terms of the Task Order.

E. Non-Expendable Property

1. Property Purchased Under the Task Order

The general ledger control accounts for non-expendable property purchased were not in agreement with the supporting inventory records. The general ledger showed the following equipment and commodity purchases:

	<u>Local</u> <u>Purchases</u> #	<u>U.S.</u> <u>Purchases</u> #	<u>Total</u> #
Office Equipment	701	641	1,342
Household Equipment	8,577	9,841	18,418
Training Equip./Supplies	1,158	21,318	22,476
Vehicles	-0-	5,752	5,752

Except for household equipment which showed only M16,090 as acquisition cost instead of M18,418, existing inventory records supported the above amounts. The team had never kept U.S. purchased equipment and commodities under general ledger control until May 31, 1973 at which time they totaled the inventory records for the U.S. purchased equipment/supplies, journalized, and posted the information to the general ledger. However, due to a totaling error, the amount of U.S. purchased household equipment was recorded in the general ledger at M2,328 in excess of the amount recorded in the inventory record.

RECOMMENDATION NO. 7

USAID/N should request the contract team to correct the general ledger property control accounts.

2. Accountability, Maintenance and Utilization

Our selective checks disclosed that the office and training equipment was, in general, satisfactorily accounted for, adequately maintained, and properly utilized in furtherance of project objectives.

The property records for household equipment/furniture were not accurate in that they did not reflect the current location of the property. Most of it was shown as being located in houses which the Contractor no longer leased. We visited three of the nine houses currently under lease and found them to be fully furnished and the equipment/furniture was adequately maintained. However, because the property records did not show the location or disposition of items we were unable to determine from a sample/test whether the system for property accountability was adequate. Obviously, for this purpose, it was not practical for us to make a complete inventory of the household equipment and furniture.

RECOMMENDATION NO. 8

USAID/N should (a) request the contract team to update the household equipment/furniture property records; and (b) determine on a test basis whether the property is satisfactorily accounted for.

There were two vehicles purchased with contract funds, one of which has been inoperable since early January 1973. We reviewed the use made of one of the vehicles as reported during

the months of November and December 1972. We found that the trip tickets were inadequate in that they did not identify the user of the vehicle nor indicate whether the travel was for official or non-official purposes. Moreover, the points or areas to which the vehicles traveled were not always shown. Trip tickets showed that the vehicle was driven a total of 6,458 kilometers during the two months. Of this, 1,777 kilometers or 28% was attributed to Saturdays, Sundays, and holidays indicating substantial amounts of non-official travel. The Program Advisor said that sometimes the team members used the vehicles for non-official travel. On those occasions, he said, the team members would personally supply the gas and pay the drivers. USAID charges 12¢ per mile for non-official use of USAID vehicles; we believe a similar charge should apply for the non-official use of contract vehicles.

RECOMMENDATION NO. 9

USAID/N should (a) advise the contract team as to the proper method of documenting vehicle usage; and (b) require the contract team to collect for non-official use of contract vehicles at the rate of 12¢ per mile.

3. USAID Donated/Transferred Property

In addition to the property purchased under the Task Order, the USAID has contributed some non-expendable property for project activities. On May 15, 1972, the USAID donated to OIC/Lagos three vehicles with an acquisition cost of \$7,270. The grant was cleared through the Federal Ministry of Economic Development and Reconstruction. Although USAID's records showed that title was transferred to OIC/Lagos, the acceptance of the vehicles was acknowledged by the contract team's Program Advisor. He told us that he subsequently transferred two of the vehicles to OIC/Lagos. At the time of our audit the three vehicles were at the training center but none of them were in operating condition.

On December 14, 1972 and March 6, 1973 USAID contributed certain items of household furniture/equipment to the project. The acquisition cost of the equipment/furniture was \$15,380 and the USAID assigned it a fair commercial value of \$5,892. Again, the title to the property was transferred to OIC/Lagos but the acceptance was acknowledged by the Program Advisor. He told us that the property was given to the contract team in lieu of funds being provided under the Task Order to purchase similar furniture/equipment. He said that the property should rightfully be under the control of the contract team rather than OIC/Lagos. Nigerian Government clearance was

not obtained for the transfer of this property. The contract team does not maintain an inventory control over the vehicle or the household furniture/equipment.

We are currently performing an audit of the USAID's Office of Administration, which will review the Mission's policies and practices in disposing of non-expendable property more fully.

F. USAID Management

1. Non-Capital Project Paper (PRCP)

The PRCP is the major substantive planning paper for technical assistance projects and as such is a major element in successful project management. A PRCP should (a) present a clear picture of the project's relationship to U.S. objectives and the cooperating country's development program; (b) define the planned outputs in connection with the nature and utilization of inputs; and (c) provide a definitive framework for project implementation and evaluation. The PRCP is intended as a "life of the project" planning document but, on occasion, where changes have occurred which make its targets unrealistic, it may be revised.

The PRCP, as revised November 16, 1972, is unrealistic in view of the prevailing situation at the time it was revised. For example, as noted previously, the PRCP relates the project to a high priority of the Nigerian Government. We found that the Second National Development Plan proposed almost the opposite. The PRCP states that a critical assumption underlying the achievement of the project's outputs are that the Nigerian job market can and will absorb the planned numbers of OIC/L trained persons. The evaluation by CSI which was performed in October 1972 raised a serious doubt as to whether the Lagos area could absorb additional semi-skilled workers. The PRCP showed a target of 300 vocational completers annually by September 1973. The situation at the time the PRCP was prepared was that the maximum enrollment capacity in vocational training was 120 persons and there were no plans to enlarge the facility or increase the staff to teach two shifts each day. Therefore, based on a training program lasting 9 months as shown in the PRCP, it would take about two years to turn out 300 vocational completers. Also, the PRCP states that it is anticipated that the program will be operating at full capacity by December 1972. We do not know what meaning this statement was intended to convey but it was readily apparent at the time the PRCP was revised in November 1972 that the total enrollment in the ensuing month would not be at a level that would produce the targeted number of vocational completers. Further, the PRCP addresses the question of OIC/Lagos ability

to be self-supporting by 1976 and states that the local organization has raised nearly £20,000 (about \$60,000) thus far in 1972 which puts them over the target for the year. Information provided to us by OIC/Lagos showed that for the entire year 1972, they only raised the equivalent to about \$8,500.

If AID is to continue its support of this project then it is imperative that the PRCP be revised. The revised PRCP should realistically (a) state the project's relationship to U.S. objectives and Nigerian Development plans; (b) define the planned outputs in connection with the nature and utilization of inputs; and (c) provide a definitive framework for project implementation and evaluation.

RECOMMENDATION NO. 10

If AID is to continue to support the project, USAID/N should revise the PRCP so that it will more realistically reflect the current situation and contain a definitive plan to achieve project targets.

2. Project and Contractor Performance Evaluation

The Project Appraisal Report (PAR) is required on an annual basis. Only one PAR has been prepared for the project, i.e., for the period from inception to April, 1972. On May 14, 1973, the Program Office advised the Office of Education that the PAR for the project was overdue. The Office of Education responded that in view of the fact that two evaluations by an independent contractor (CSI) have been performed within the last year it was decided to defer preparation of a PAR to September. The report of the second of the evaluations referred to by the Office of Education was issued on March 16, 1973. It should be noted that at the time of our review in August, 1973, the USAID did not possess a copy of this evaluation report.

The only Contractor Performance Evaluation Report we could locate was for the period July through December 1971. This report, and a required one under AID regulations, is an integral part of effective contract administration. Its two main purposes being (1) to advise the contracting officer of the contractor's performance and to provide the former with a basis for taking action and in coordination with the project manager, avert or correct problems arising under the contract; and (2) to provide contracting officers and project managers with a means of evaluating prospective contractors under consideration for other AID contracts. The report was initially required on a semi-annual basis; however, the governing AID regulation, M.O. 1423.9, was revised effective September 13, 1972 and the report was put on an annual cycle to be prepared in conjunction with the PAR.

In our prior Audit Report No. 4-620-72-32 dated December 15, 1971, we also commented that Contractor Performance Evaluation Reports were not prepared as required. However in that report it was noted that the first CSI evaluation had recently been completed and that this "may have precluded the need for an evaluation of the Contractor's Performance (U-307 Report) covering the similar period". Our report expressed the understanding that the Mission intended to submit a U-307 Report December 1971, that is six months following the special CSI evaluation referred to above, which it did.

This notwithstanding, we do not agree with the Mission's assumption that the CSI evaluations obviate the need for the PAR and later Contractor Evaluation Performance Reports. The CSI evaluations were performed on behalf of the contractor and the reports were addressed to the contractor not to AID. The PAR and the Contractor Evaluation Performance Report are AID in-house evaluations. As such, they can deal frankly and objectively with sensitive issues such as contractor performance not up to standard or possible early termination of project activities. We do not intend to imply that the CSI evaluations were "whitewash jobs". On the contrary, we thought the recent report was quite candid; however, AID itself is in a better position to report on sensitive issues and perform a more objective evaluation.

RECOMMENDATION NO. 11

USAID/N should prepare Project Appraisal Reports and Contractor Performance Evaluation Reports on an annual basis as required.

3. Project Management and Contract Administration

From the exceptions noted in this report, it is apparent that the USAID management of project activities was less than totally effective. Agency guidelines concerning project management and contract administration are set forth in Manual Orders 1305.1, 1305.1.1, and 1423.9. In addition, the Mission in USAID Order No. 1410.1 dated August 18, 1971, supplemented AID/N directives with its own more detailed and specific guidelines governing contract administration. The USAID Order recognized successful contract administration is a team effort which involves USAID management expertise in addition to that of the technical division having primary management responsibility. The USAID Order delineates the responsibilities of the contract representative and also assigns certain management functions to the USAID Offices of Program, Administration, and the Controller.

The USAID's Office of Education advised us that they had not several times monthly with the OICI Program Advisor and had made many visits to the project site. However, these meetings and visits were not documented as required and there was no other evidence to show that the technical division managed the project activities according to the established guidelines. Review of the contractor's financial operations is one assigned monitoring function which is outside the technical division's area of responsibility. The Program Advisor told us that no one from the USAID had reviewed the contract team's financial records or financial practices. As a recognized part of monitorship/management responsibility we believe the Mission incurs an obligation to assure the adequacy of the financial records the contractor maintains in the field. A Manual Circular issuance of December 6, 1971 (following establishment of AID Auditor General functions) relating to M.O. 783.1, (AID Contract Audit Operations which is expected to be reissued shortly) outlines the Mission Controller's responsibility in terms of those contract expenses the Mission finances or reimburses. Nor do we believe a reissued version of the M.O. will completely divorce Mission financial managers from all responsibility for review and examination to the degree commonly associated with these officers, simply because area auditor generals are operating in the field.

RECOMMENDATION NO. 12

USAID/N should strengthen its control over project/contract activities through closer adherence to the above referenced project management and contract administration guidelines.

Management Comments:

The audit findings on project monitoring have evoked considerable discussions within USAID on the role of the project monitor in the areas of administrative and financial operations of contractors. We believe that applicable Manual Orders provide adequate guidelines. Discussions will be held with project monitors and other concerned USAID personnel to assure closer adherence to the guidelines.

Although closer project monitoring might have precluded (some of) the exceptions noted in the (DRAFT) Report, we believe that periodic audits and examination of reimbursement vouchers must continue as a prime source in bringing such deficiencies to the attention of management.

PART V. GENERAL COMMENTS

A. Leave Practices

Normally, we examine leave records and include in our report a schedule of leave taken. This is for AG/AUD's use in their audit of the contractor's claims for reimbursement. In this instance, the leave records were incomplete--some were inadvertently sent to the home office--and we were unable to fulfill this requirement. We did note that the technicians earned sick leave at the rate of 1 1/3 days per month. This practice is in violation of contract General Provision 4 (b) which limits sick leave earning to 13 working days per annum.

B. Prior Audit Report

Our prior Audit Report, No. 4-620-72-32 dated December 15, 1971, contained no recommendations.

AG/AUD, Washington completed an interim audit of OIC, Inc., Philadelphia, Contract No. AID/afr-653, covering the period July 1, 1971 through December 31, 1972. Our audit complies with their request (OM of 4/20/73 from AG/AUD to AAG/AFR) for an assist audit of Task Order No. 3 for OIC's activities in Nigeria. We have furnished AG/AUD more detailed comments and information, in addition to a copy of this report.

C. Exit Conference and Draft Audit Report

We had several discussions with USAID officials concerning the conditions noted herein with the last being held on October 17, 1973. In addition, we submitted a Draft Audit Report to the Mission on September 25, 1973 and we received their final reply on October 19, 1973. Their position on each finding and recommendation, as stated in their reply to the Draft Audit Report, is noted in the appropriate sections of Part IV of this report as well as in Exhibit E.

EXHIBIT A

AUDIT REPORT NO. 4-620-74-11
OPPORTUNITIES INDUSTRIALIZATION CENTER
Project No. 620-11-610-802
PROJECT FUNDING AS OF JUNE 30, 1973

	<u>Obligations</u>	<u>Expenditures</u>	<u>Balance</u>
<u>Direct AID</u>			
Personal Services	\$ 34,988	\$ 33,321	\$ 1,667
Total Direct AID	<u>34,988</u>	<u>33,321</u>	<u>1,667</u>
<u>Contract</u>			
Personal Services	\$ 901,860	\$ 657,779	\$244,081
Participants	25,000	18,686	6,314
Commodities	52,000	26,124	25,876
Other Costs	<u>232,140</u>	<u>47,551</u>	<u>184,589</u>
Total Contract	\$ 1,211,000 ^{2/}	\$ 750,140 ^{1/}	\$460,860
Total Project Funding	<u>\$ 1,245,988</u>	<u>\$ 783,461</u>	<u>\$462,527</u>

^{1/} The Contractor's claim for reimbursement dated July 9, 1973 (a copy of which was available at the USAID), showed that \$911,502 was incurred from inception of the project through June 30, 1973. During the same period \$750,140 was recorded by the Mission as actual expenditures received through advices of charge from AID/W. However, in July and September 1973, the Mission received further disbursement advise of (\$13,865 and \$44,316) \$58,181 from AID/W, thus bringing total Mission recorded contractor expenditures to \$808,321. The difference between \$911,502 and \$808,321 is represented by \$33,921 billed by the Contractor for the month of June 1973 and AID/W PIOT 6112001 for \$69,260 which was from allotment 154-61-620-00-69-11. This is an AID/W allotment and therefore the corresponding expenditures are not recorded by the USAID.

^{2/} Total obligations for contract services are \$1,280,260 which includes AID/W PIOT 6112001 for \$69,260.

OPPORTUNITIES INDUSTRIALIZATION CENTER
PROJECT No. 620-11-610-1
Contract No. D/116-653 T.C. 0-1
OIC/Local Currency Financial Activity
As Of June 30, 1973

EXHIBIT B

	<u>General Ledger</u>		<u>Adjustments for U.S.</u>		<u>Local Currency</u>	
	<u>Balance 6/30/73</u>		<u>Procurement Commodities</u>		<u>Financial Activity</u>	
	<u>DR</u>	<u>CR</u>	<u>DR</u>	<u>CR</u>	<u>DR</u>	<u>CR</u>
	<u>N</u>	<u>N</u>	<u>N</u>	<u>N</u>	<u>N</u>	<u>N</u>
Cash in Bank	456.17				456.17	
Cash - Interest	300. -				300. -	
Loans Receivable	538.88				538.88	
Training Commodities	22476. -			21317.94	1158.06	
Office Equipment	1342. -			641.34	700.66	
H.H. Furn. & Apol.	18418. -			9841.40	8576.60	
Vehicles	5752. -			5752. -		
Lease Agreements	91837.74				91837.74	
Fund Balance		37552.68	37552.68			
Cable Transfers		243015. -				243015. -
Commissions	653.89				653.89	
H. H. Repairs	6871.76				6871.76	
Hospitality Kits	778.76				778.76	
Regulators Conn.	648. -				648. -	
Security	3608.54				3608.54	
Appliances Rental	1068.92				1068.92	
Appliance Repair	301. -				301. -	
Appliance Installation	2236.77				2236.77	
Maintenance Contracts	882.66				882.66	
Salaries	8576.24				8576.24	
Eng & Reproduction	500.71				500.71	
Office Supplies	3300.83				3300.83	
Medical	2795.59				2795.59	
Ins - Vehicles	1097.26				1097.26	
Ins - H.H. Effects	340.20				340.20	
Freight & Clearing	4103.13				4103.13	
Bank Chq	275.95				275.95	
Customs Fees	464.83				464.83	
License - Registration	956.03				956.03	
Utilities	904.77				904.77	
Travel	2220.24				2220.24	
Program Supplies	1084.86				1084.86	
Subscriptions	159.44				159.44	
Postage - Copies	2615.54				2615.54	
Local Transport	463.04				463.04	
Vehicle Costs	6085. -				6085. -	
Vehicle Rental	4365.09				4365.09	
School Fees	1302.79				1302.79	
OIC/1. Salaries	48687. -				48687. -	
O.C Construction	18409.89				18409.89	
O.C. Elctc	812.74				812.74	
Storage/Facility Rent	12300. -				12300. -	
O.C. Conference	575.42				575.42	
	<u>210241.68</u>	<u>210241.68</u>	<u>37552.68</u>	<u>37552.68</u>	<u>243015. -</u>	<u>210241.68</u>

OPPORTUNITIES INDUSTRIALIZATION CENTER

CONTRACT NO. A11/4

PROJECT NO. 630-41-610-804

OFF. STARTING IN HIGHLY

11/70 THROUGH 7/73

EXHIBIT C

	<u>Training</u> <u>Supv.</u>	<u>Admin.</u> <u>Asst.</u>	<u>Curriculum</u> <u>Spec.</u>	<u>Computer</u> <u>Spec.</u>	<u>Air Cond.</u> <u>Spec.</u>	<u>Sec. Serv.</u> <u>Spec.</u>	<u>Electronics</u> <u>Spec.</u>	<u>Statistics</u> <u>Spec.</u>	<u>Ins. Serv.</u> <u>Spec.</u>	<u>Printing</u> <u>Spec.</u>	
1. Nov. 1970	A. Lewis										
2. Dec.	"	12/16/70	12/16/70	12/16/70	12/16/70						
3. Jan. 1971	"	K. Scott	S. Lewis	S. Murphy	D. Lewis						
4. Feb.	"	"	"	"	"						
5. March	"	"	"	"	"						
6. April	"	"	"	"	"						
7. May	"	"	"	"	"						
8. June	"	"	"	"	"						
9. July	"	"	"	"	"						
10. Aug.	Resgn. 8/20	"	"	"	"						
11. Sept.	"	"	"	"	"						
12. Oct.	"	"	"	"	"						
13. Nov.	"	"	"	"	"						
14. Dec.	12/30/71	"	"	"	"						
15. Jan. 1972	W. Kirk	"	"	"	"	2/1/72	2/1/72	2/1/72			
16. Feb.	"	"	"	"	"	G. Ogunsola	G. Bassox	C. Montgomery			
17. March	"	"	"	"	"	"	"	"			
18. April	"	"	"	Resgn. 4/28	"	"	"	"			
19. May	"	"	"	"	"	"	"	"	5/25/72	5/25/72	
20. June	"	"	Resgn. 6/23	"	Resgn. 6/23	"	"	"	G. Peoples	Mrs. Peoples	
21. July	"	"	"	"	"	"	"	"	"	"	
22. Aug.	"	"	"	"	"	"	"	"	Resgn. 8/20	Resgn. 8/20	
23. Sept.	"	10/8/72	"	"	"	"	"	"	"	"	
24. Oct.	"	J. Green	"	"	"	"	"	"	"	"	
25. Nov.	"	"	"	"	"	"	"	"	"	"	
26. Dec.	"	"	"	"	"	"	"	"	"	"	
27. Jan. 1973	"	"	"	"	"	"	"	"	"	"	
28. Feb.	"	"	"	"	"	"	"	"	"	"	
29. March	"	"	"	"	"	"	"	"	"	"	
30. April	"	"	"	"	"	"	"	"	"	"	
31. May	"	"	"	"	"	"	"	"	5/6/73	"	
32. June	"	"	"	"	R. Howard	"	"	"	R. Mebane	"	
33. July	"	Resgn. 7/31	"	"	"	"	"	"	"	"	
	29	10	31	19	17	20	19	18	18	5	3

△1 - Took home leave but dates not available.

△2 - Resigned August 4, 1973.

AUDIT REPORT No. 4-620-74-11
OPPORTUNITIES INDUSTRIALIZATION CENTER, LAGOS
Project No. 620-11-610-802
USAID Comments on the Draft Audit Report

1. Management Comments: (refer page 5 of the report)

Nigerian Priorities - The audit indicates that the project was not in accord with Nigerian planning priorities and cites one quote from page 316 of the Second National Development Plan 1970-74. Other evidence is available which supports our view that the project is in accord with Nigerian priorities. For example, under "Policy Issues" page 261 of the same document, the first paragraph begins "High priority will therefore be accorded to programmes for the training of young men in such skills that are designed to improve their prospects for employment. In this connection, the different kinds of vocational training and apprenticeship schemes currently sponsored by various authorities will be intensified and expanded."

Auditor's Response

This quote is taken from the Plan's chapter on Labour and Social Welfare. If one reads the entire chapter, it becomes apparent that vocational training is not accorded "high priority". On the concluding pages of the chapter, there are shown 13 projects which will receive Federal Government support during the Plan period. Only one deals with vocational training. That project involves Federal support to a hotel and catering school which will have an average intake of 40 trainees per year. The estimated Federal expenditures for this project was £150,000 during the Plan period which was about 5% of the total estimated Federal capital expenditures for Labour and Social Welfare programs during the Plan period.

2. Management Comments:

Under Educational Policy, page 238, is section (d) "Continued development and expansion of technical education. The current shortage of middle-level manpower is acute for well-trained technical personnel. Proposed Federal and States Programmes envisage considerable expansion at this level of education consistent with the needs of the manpower market. Steps will also be taken to improve and upgrade lower-level technical schools in the country to ensure increased out-turn of better qualified technicians."

Auditor's Response

This quote is taken from the Plan's chapter on Education

which mainly discusses formal education. Thirty-four projects which will receive about £49 million in Federal funds during the Plan period are shown. None of these projects appear to involve vocational type training.

3. Management Comments

We wish to note, however, that we would not rely entirely on the development plan to determine if the OIC project is or is not in accord with Nigerian priorities. The plan is a general document and sometimes it is difficult to apply its guidelines to a specific project, particularly projects carried out by the private sector, universities, state institutions, etc., or to an innovative project such as OIC's which involves a new concept and does not fall neatly within traditional categories, e.g., trade and craft schools, vocational training, on-the-job training, etc. The FMEDR is responsible for preparing the development plan and establishing Nigerian priorities. Also, the FMEDR is responsible for approving all technical assistance projects to insure that they are consistent with Nigerian priorities. We believe the correspondence indicating FMEDR approval of the OIC project indicates, in effect, that the OIC project is within Nigerian priorities.

Auditor's Response

We noted two letters from the Federal Ministry of Economic Development and Reconstruction (FMEDR) to OIC/Lagos which were written during the project planning period. The letters showed that the project had been discussed with Nigerian Government officials and the FMEDR advised OIC/Lagos that it could obtain technical assistance, equipment and finance from its parent body in the U.S. There was also a letter dated June 19, 1970, from FMEDR to the USAID in which the Ministry stated that it was ready to go along with OIC/Lagos and extend to it first arrival privileges, available to USAID-assisted projects and personnel, provided that the USAID could confirm that the U.S. Government is giving financial support to the OIC program.

4. Management Comments: (refer page 13 of the report)

Planning and FMEDR approval aside, the establishment of the Industrial Training Fund with an annual budget in the millions of dollars is tangible evidence that the Nigerian Government recognizes the need for private sector skills training on a fairly large scale. We understand that the fund intends to use existing institutions and facilities to the extent possible in carrying out its program.

Auditor's Response

The Industrial Training Fund was set up by Decree No. 47 of 1971. The Fund is to support training in the following ways: (a) bearing the proportion of the direct cost of in-service training carried out by employers; (b) assisting and/or strengthening training capability and facilities throughout the country; (c) directly building up training facilities of its own; and (d) organizing research and studies into training as a support to other activities of the Fund.

5. Management Comments: (refer page 7 of the report)

Unemployment of Trained Workers - The audit indicates the project assumption that the Nigerian job market can and will absorb the planned number of OIC trained persons may be erroneous. The cited CSI evaluation and Ministry of Labor statistics are rather slim and perhaps misleading grounds for reaching any conclusions, and other evidence supports our belief that the project assumption is valid.

The section of the CSI evaluation quoted indicates in substance that a high employment strategy would emphasize agricultural development and implies an inconsistency between that and possible Nigerian Government support for OIC. This is difficult logic to follow as it is based on a very simplistic view of how development takes place and how government policies are formed. The industrial sector along with mining, including petroleum, is expected to continue to provide the major impetus to economic growth over the new Plan period. This together with the Nigerianization policy, urban problems and unemployment surely implies that no government would base its investment programs solely on agricultural development. We believe there is no inconsistency. Our FY 1975 Program Planning Paper (TOAID A-95 dated 7/20/73) advocates two major areas of concentration--Food Production and Manpower Development as responding to key Nigerian Development problems.

The statement on the urban manpower situation based on Ministry of Labor statistics deals with only one aspect of the problem and is therefore misleading. A high rate of urban unemployment does not provide prima facie evidence that skilled manpower is in excess supply. The section on urban unemployment in the National Manpower Board's Labor Force Sample Survey indicates "Most of the unemployed persons reported a lack of previous work experience ... 71.0 percent of the males and 82.2 percent of the females belonged to that category." Moreover, "Few of the unemployed had been given training previously less than 24 percent of the males and a little over 13 percent of the females, making 21.2 percent overall." Also, "The rate of unemployment

was ... highest within the age groups 15-17 and 18-23 years ..."
These are the types of unskilled persons and age groups that OIC is trying to train and place.

Auditor's Response

The Ministry of Labour report which we cite also shows unemployment statistics for persons having no previous work experience. However, since the project involves semi-skilled people, we only show statistics for unemployed semi-skilled people.

6. Management Comments

In assessing the demand for OIC trained persons instead of concentrating on unemployment statistics under which skills are often self assessed, we would also look at the broad growth picture in the industrial sector and other sectors which follow it and take into account how small the project outputs are compared to that growth. We would also look at the placement record which is apparently very good. In addition, we would probably be somewhat influenced by our own personal experiences in Lagos which support the thesis that there is not an overabundance of skilled people in the OIC training areas even among the employed.

Auditor's Response

At the time of our field work, OIC/Lagos had placed 62 persons in jobs. This is hardly enough on which to base a judgment as to the demand for semi-skilled manpower.

7. Management Comments: (refer page 4 of the report)

Unilateral Project - The audit cites the fact that the project is unilateral (the Nigerian Government did not sign a Project Agreement) as a reason to believe that future support is doubtful. This project was discussed and developed with Nigerian Government officials, support such as duty free entry was provided where needed, and the top FMEDR official for technical assistance was so enthusiastic that he became an active member of the OIC Board of Directors. We believe the ability of OIC to obtain government support will correspond to its ability to demonstrate success, including cost effectiveness, vis-a-vis other Nigerian training institutions and programs and on the ability of its Board of Directors.

Auditor's Response

We reported that the project was unilateral to show that the

Nigerian Government was not formally committed (to AID) to provide any of its resources for project activities.

8. Management Comments: (refer page 13 of the report)

Local Support - As stated in the approved Project Proposal (PRCP) for OIC/Lagos, the funding of this activity ends in FY 1975 with the expectation that, with the end of USAID funding, OIC will become fully supported from private and local government sources. A large amount of local support up to this time has been in kind. We recognize that the amount of funding in cash will have to increase substantially to be able to support the OIC/L. Applications have been made to the Nigerian Industrial Training Fund on behalf of OIC through the Board of Directors as well as by some firms which themselves have contributed to the Fund.

The Mission is thus well aware of the need for other sources of funding for OIC. We do not propose, however, to give the contractor a mandate for obtaining assurance of future funding at this time as the audit recommends. We expect to continue support of the project and at the same time to continue discussions with the Contractor on obtaining other financial backing.

The Industrial Training Fund which would in our judgment be the most appropriate source of financial support is just starting its operations and decisions on what training programs will be financed will probably take some time. In the interim, we have proposed an evaluation (see IOAID A-92 dated July 16, 1973) which inter alia would attempt to assess OIC's cost effectiveness vis-a-vis other Nigerian training programs. This evaluation plus a clearer picture of the prospects for financial support which develop over the next year will determine whether we should expand our participation or end the project as presently planned in FY 1975 or sooner.

Auditor's Response

The evaluation referred to is to be conducted by a contractor. An initial visit to the project site is anticipated for late CY 1973 with a follow-up visit to be made in March/April 1974. We propose that the evaluation contractor's scope of work include a study or survey to determine, to the extent possible, whether the training center can expect to receive adequate operating funds from indigenous sources. Based on the findings and on the prevailing circumstances at the time of the second phase of the evaluation (March/April 1974) the USAID can make the appropriate decision to either continue or to terminate the project.

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OPPORTUNITIES INDUSTRIALIZATION CENTER
Project No. 620-11-610-802

LIST OF RECOMMENDATIONS

Page No.

Recommendation No. 1

If at the time of the second phase (March/April 1974) of the proposed evaluation there is no firm assurance that the training center will receive adequate future operating funds, USAID/Nigeria should initiate action to terminate its financial support to the project as expeditiously as practicable.

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Recommendation No. 2

If the project is to continue, USAID/Nigeria should (a) re-examine its proposed financial contribution to determine whether future financial assistance at the proposed level can be justified or whether it should be reduced to correspond with the reduced capacity of the training center; and (b) based on that determination, take action as appropriate.

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Recommendation No. 3

If AID did intend that the contractor provide personal services over and above those authorized in the Task Order, then USAID/Nigeria should initiate action with AID/W to amend the Task Order accordingly.

16

Recommendation No. 4

USAID/W should (a) advise and assist the contract team to design and maintain its accounting system in such a manner that the living quarters costs paid on behalf of the technicians can be readily determined; and (b) ascertain whether the expenditures for living quarters as of June 30, 1973 were within the allowable limits as specified in contract General Provisions, Clause 5(b).

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LIST OF RECOMMENDATIONS

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Recommendation No. 5

USAID/N should review the costs paid for vacant houses and determine whether they are eligible for reimbursement retroactively.

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Recommendation No. 6

USAID/N should (a) request the contract team to provide a detailed list of the expenditures charged to Household Repairs; and (b) determine if these costs are all eligible under the terms of the Task Order.

21

Recommendation No. 7

USAID/N should request the contract team to correct the general ledger property control accounts.

22

Recommendation No. 8

USAID/N should (a) request the contract team to update the household equipment/furniture property records; and (b) determine on a test basis whether the property is satisfactorily accounted for.

22

Recommendation No. 9

USAID/N should (a) advise the contract team as to the proper method of documenting vehicle usage; and (b) require the contract team to collect for non-official use of contract vehicles at the rate of 12¢ per mile.

23

Recommendation No. 10

If AID is to continue to support the project, USAID/N should revise the PROCP so that it will more realistically reflect the current situation and contain a definitive plan to achieve project targets.

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LIST OF RECOMMENDATIONS

Page No.

Recommendation No. 11

USAID/N should prepare Project Appraisal Reports and Contractor Performance Evaluation Reports on an annual basis as required.

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Recommendation No. 12

USAID/N should strengthen its control over project/contract activities through closer adherence to the above referenced project management and contract administration guidelines.

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EXHIBIT G

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