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PD-AAD-476-A1  
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AGENCY FOR INTERNATIONAL DEVELOPMENT  
UNITED STATES A.I.D. MISSION TO BRAZIL

AUDIT REPORT  
OF  
INDUSTRIAL VOCATIONAL EDUCATION  
UNDER  
PROJECT AGREEMENT No. 512-11-610-042  
(FORMERLY 512-N-61-AG)  
FOR THE PERIOD  
MAY 31, 1963 THROUGH DECEMBER 31, 1964

REPORT No. 8/65  
COPY No. 3

OFFICE OF THE CONTROLLER  
AUDIT SECTION  
RIO DE JANEIRO, BRAZIL  
FEBRUARY 23, 1965

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AUDIT REPORT

No. 8/65

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SECTION I - INTRODUCTION

A. PURPOSE

The purpose of this audit was to provide a review and evaluation to determine the extent of project implementation, compliance with the provisions of the project agreement, and GOB contributions; to review the Mission's records pertaining to this project; and to determine the financial status of the project as of December 31, 1964.

B. SCOPE

This was the initial audit of Project Agreement No. 512-11-610-042, and covered the period from its inception on May 31, 1963 to December 31, 1964.

The audit was made on a selective basis and included a review of program documentation, project progress and activity reports, GOB procedures established for control of commodities procured with USAID funds and the GOB funds contributed to the project, Mission records pertaining to the project, and an examination of the participant program. Discussions were held with Mission personnel in the Education Division and with GOB personnel, counterparts and returned participants.

The audit was made in accordance with appropriate Manual Orders, other directives and generally accepted auditing principles.

SECTION II - GENERAL

A cooperative industrial education program in Brazil was first initiated by an agreement between the Government of Brazil and the U.S. Government, represented by the Institute of Inter American Affairs, in October, 1950. This agreement was extended by successor agencies, the last extension having been signed in January, 1962 with a termination date of December 31, 1963. This program was administered by the Comissão Brasileiro-Americana de Educação Industrial (CBAI), as a representative of the GOB.

On May 31, 1963 a project agreement to provide technical services in the field of Industrial Vocational Education was signed by GOB and USAID/B. This agreement is still in effect, and has made possible the continuation of the activities formerly carried out by CBAI. Since the GOB had looked upon CBAI as its executing agency in industrial vocational education, it was necessary to create a successor agency upon the expiration of CBAI on December 31, 1963. A Presidential Decree therefore established the Grupo Executivo de Ensino Industrial (GEEI) as an agency of the Directorate of Industrial Education in the Ministry of Education and Culture (MEC). This decree also transferred to GEEI all properties, personnel, programs and functions of CBAI.

A termination agreement and a final audit of CBAI for the period January 1 to December 31, 1963, is presently in progress. This audit has been delayed due to CBAI's inability to submit a complete inventory and the financial reports. It is expected that the final audit

report on CBAI will be issued within the next few months.

CBAI activities had been in the fields of industrial teacher training, production of educational materials, school surveys of requirements and capacities, seminars for school directors and teachers, acquisition of teaching equipment, and selection of participants.

The new project agreement aims at continuing these activities, at the same time expanding the intensive training of industrial personnel to cover the twelve principal industrial states, and to institute a program of regularly scheduled inspection of public industrial schools for the purpose of improving their efficiency and increasing enrollment.

West Germany is also expected to participate in and supplement this project starting in fiscal year 1966. Its contribution will consist of equipment and six technical advisors, and the anticipated value of the contribution will amount to about DM3,500,000, or approximately US\$1,000,000.

### SECTION III - SUMMARY OF AUDIT CONCLUSIONS

Based on our review and evaluation of the records maintained, the reports submitted, and our interviews with personnel of the Ministry of Education and Culture of Brazil and the USAID/B Education Division, it is our opinion that the project was generally progressing slowly in the areas of responsibility provided for by the terms of the project agreement, during its formative period. We were informed by the USAID/B Education Division that this was mainly due to reluctance on the part of the previous government to give its full support to the project, and that significant results has been achieved during the period since April 1, 1964, when the new government took over.

This was confirmed by various reports issued recently by MEC.

We found that the Ministry of Education and Culture has not met its responsibilities in the area of participant training, thus delaying this phase of the project.

USAID/B did not contract the required technicians on a timely basis, and commodities were being held in storage for undue lengths of time. We were informed by the USAID/B Education Division that these factors were dependent upon establishing the new training centers, and since the previous government delayed the creation of these centers, the contracting of technicians and the distribution of commodities were proportionally delayed. While the delay in distribution of commodities may have been delayed for this reason, it is our opinion that the reason technicians were not contracted was the USAID/B inability to recruit qualified technicians.

It is also our opinion that the parties to the agreement have not put sufficient efforts into publicizing the project's part in the Alliance for Progress.

#### SECTION IV - FINDINGS AND RECOMMENDATIONS

##### A. PROJECT PROGRESS

As outlined in the project agreement, it was the purpose of this project each year to train a number of top educators and new teachers and improve the competence of present teachers; improve the skills of at least 2,000 industrial workers and establish agreements with six industrial establishments for training-within-industry programs; and produce teaching materials. Another purpose of the agreement was to institute a program of inspections of industrial technical schools.

Although the project aimed at training a group of 50 top-level educators, only 25 were trained within this category. These educators are presently working in the States of São Paulo, Guanabara, Paraná, Minas Gerais, Rio Grande do Sul, and the Federal District of Brasilia. The group has participated in various aspects of planning, and has been constantly improving their capabilities through the activities in which they engage with the USAID/B Education Division.

In the area of new teacher training, the project aimed at training approximately 300 new teachers per year. For the calendar year 1964, as of September 30, a total of 242 new teachers were trained in the States of Paraná, Rio Grande do Sul, Guanabara, and the Federal District of Brasilia.

The teacher improvement program aimed at training approximately 360 teachers, and 386 teachers were trained in six states during the nine months ended September 30, 1964.

It was in the field of improving the skills of industrial workers and increasing the enrollment of students at the secondary educational level that the project showed the best result. Whereas it had been estimated that the project would cover about 2,000 workers per year, during the period January 1 to September 30, 1964, alone, 11,223 workers had been trained, with a total of 16,014 since the start of the program. Plans for 1965 estimate that 50,000 workers will have been trained by these courses by the end of that year.

Enrollment of secondary level students in the Colégios Técnicos has increased from 11,999 in 1962 to 22,692 in 1964, an increase of almost 90%.

Since the Serviço Nacional de Aprendizagem Industrial (National Institute for Industrial Apprenticeship Training)

(SENAI) is the GOB entity responsible for apprenticeship training, it was decided to collaborate with this department rather than establish a new unit in GEET. This has been accomplished by the USAID/B Education Division advising in ten states on how to upgrade their training programs, and by initiating a center with SENAI in Rio de Janeiro for training the people responsible for in-plant training. This center is presently in the process of being organized.

The project aimed at producing six textbooks per year. As reported by the USAID/B Education Division, three textbooks have been printed, and three are presently in the process of being printed.

There has been no progress in the area of regularly scheduled inspections of industrial technical schools, because MEC officials have indicated that the other phases of the project required all their attention during the initial period. Plans are presently being made to start these inspections during 1965.

B. FUNDING

1. USAID

The examination of the USAID/B Controller's files showed that a total of \$628,500 had been obligated for this project. Of this amount, \$285,000 was for contract services and \$343,500 was for commodities which are discussed in detail in Section IV, Paragraphs C and G.

Attachment 1 shows a schedule of sub-obligations, unsub-obligated balances, and disbursements as of December 31, 1964.

RECOMMENDATION No. 1

That the USAID/B Controller's Office de-obligate the unsubobligated balance, amounting to \$44,170.92, and the PIO/T No. 30264, for which no technician has been contracted, amounting to \$48,750.00

2. GOB

Under the project agreement, the GOB was only required to provide logistic support to the program. This support was to consist of facilitating the early establishment of teacher training centers and providing for adequate financial and other support to operate such centers; providing counterpart personnel and other supporting assistance to personnel made available by USAID/B; and arranging for international travel and salaries of participants. By September 1 of each year, the GOB was to inform USAID/B how much this support has cost during the preceding year.

We found that, as of December 31, 1964, training centers had been established in the states of São Paulo, Guanabara, Rio Grande do Sul, and Paraná, that these centers appeared to be receiving adequate support, and that counterpart personnel had been provided for the USAID/B technicians in all these centers. We were informed by the USAID/B Education Division that training centers are projected for the states of Ceará and Minas Gerais, and for the Federal District of Brasilia. For further comment on participants and reports, see Section IV, Paragraphs D and E.

C. COMMODITIES

The major portion of the amount obligated under this project agreement - \$343,500 - was to provide for the purchase of teaching equipment in the United States. This equipment was intended for use in teacher training centers already organized and operated in cooperation with MEC, as well as in public schools, for the immediate purpose of supporting both industrial teacher training and secondary-level education programs. Title to this equipment vests with the institutions where it is installed.

Although the project agreement makes provision for procuring the equipment either in the United States or in Brazil, we found that as of December 31, 1964, all procurement had been made from the United States.

The distribution of the commodities to the various centers and schools connected with the program has been slow, because the centers were either newly established or were in the process of being established. As a result, most of the commodities received were still in the warehouse of the Ministry of Education and Culture in Rio de Janeiro, as of September 30, 1964. We visited the warehouse during our audit and found that most of the commodities were still in the original crates and boxes, that they had not been inspected, and that receiving reports had only been partially prepared. The crates and boxes were properly marked with USAID and Alliance for Progress emblems.

During our updating of this report in January, 1965, we were informed by the USAID/B Education Division that, since the training centers are now operational, almost all of the commodities have been distributed and the small balance remaining will be distributed in the very near future.

RECOMMENDATION No. 2

That the USAID/B Education Division, Office of Human Resources, complete and submit their receiving reports within ten days of having been cleared through customs.

We made a review of the Mission's procurement procedure, because we found, during our audit, that the negotiable Bill of Lading did not always arrive at the division where the procurement was originated and which was responsible for its clearance. It appears that the reason for this was that the

Form AID 11-94, Document Distribution and Shipping Instructions, previously specified that the negotiable Bill of Lading plus one copy be sent to the receiving division, one copy to the Controller, one copy to the Supply Management Branch (SMB), and one copy to the General Services Office, U.S. Embassy (GSO). As a result, there were various possibilities of mailing errors on the part of the supplier. During our audit we found one negotiable Bill of Lading in the Controller's Office, where it had been inadvertently attached to the accounting documents. The division did not receive any copies, and was thus unaware of the arrival. At the time of our audit the commodities had therefore been on the dock for about eleven months. The Brazilian Customs Office has a policy of not contacting a recipient until commodities are unclaimed for a period of two years.

We were also informed that the negotiable Bill of Lading frequently was addressed only to USAID/B, and that the Records Office then forwarded it to GSO/Embassy. At other times, GSO/Embassy would receive the negotiable Bill of Lading directly from the supplier.

The SMB has recently changed the mailing instructions, and, presently, the negotiable Bill of Lading plus five copies are sent directly to the GSO/Embassy with one copy to the receiving division and one copy to SMB. GSO/Embassy then makes the necessary distribution of the copies, and the division arranges with GSO/Embassy to have the commodities cleared. This new procedure appears to be working effectively, but it is our opinion that the procedure should be established in a Brazil Manual Order. A Brazil Manual Order, BRA-784.1 was issued on June 22, 1964, dealing with this general area, and it is our opinion that this procedure should have been included.

RECOMMENDATION No. 3

That the USAID/B Executive Office issue a Manual Order covering the flow of documents and the procurement procedures from the preliminary review between the division and SMB to the final customs clearance and preparation and distribution of receiving reports.

D. PARTICIPANTS

According to the Project Implementation Order Participants (PIO/P), one of the major activities of this project is the training of Brazilian educational leaders in new methods of conducting industrial-technical training programs. The participants selected for this program would observe the methods in practice for a period of three months in the United States, and would, on completion of the training, adapt and apply these methods to Brazil. In June, 1963, fifteen participants were selected for this training; however, only twelve left in the fall of 1963, returning in December, 1963. One of the participants became ill, and had to return without completing his training. The participants all returned to their previous positions in the educational field.

We examined the participants' files in the USAID/B Training Branch and found them to be complete and in accordance with Manual Order requirements.

We examined the USAID/B Controller's files and found that two PIO/Ps had been issued for participants. PIO/P 30226 originally obligated funds for nine participants on April 5, 1963, and was subsequently reduced to eight. PIO/P 30322 obligated funds for six participants on June 17, 1963, and this number was later reduced to four.

As of December 31, 1964, the following funds had been expended:

	<u>PIO/P No. 30226</u>	<u>PIO/P No. 30322</u>
Obligation	\$23,400	\$15,200
Reduction	<u>2,600</u>	<u>5,066</u>
Net Obligation	\$20,800	\$10,134.
Disbursements	15,250.71	6,758.11
Deobligated, 12/18/64	<u>5,549.29</u>	<u>-</u>
Balance, 12/31/64	<u>\$ -0-</u>	<u>\$ 3,375.89</u>

RECOMMENDATION No. 4

That the USAID/B Controller's Office de-obligate the unliquidated balance in PIO/P No.30322, since all the participants returned more than six months ago.

In calendar year 1964, no participants were sent, and the Ministry of Education and Culture of Brazil attributed this to a lack of funds to pay international travel costs.

RECOMMENDATION No. 5

That the USAID/B Education Division, Office of Human Resources, explore the possibility of requesting funds from the Technical Assistance Cruzeiro Support Project, when it has been determined that funds for international travel are not available from the MEC.

We were informed that fifteen candidates are presently being considered for training in the United States in 1965.

E. REPORTS

The project agreement requires the MEC to inform USAID/B, by September 1 of each year that this project is in operation, of the total cost of the logistic and participant support for the preceding year. We were informed by the USAID/B Education Division that this report had not been received, despite various requests.

RECOMMENDATION No. 6

That the USAID/B Education Division, Office of Human Resources, request MEC to submit the required reports on a timely basis and follow-up as necessary until reports are received.

Activity reports are being prepared on a regular basis by the USAID/B Industrial Education Officer.

F. PUBLICITY

The project agreement provides that all parties to the agreement will publicize the progress and accomplishments of the project, clearly identifying it as part of the Alliance for Progress.

Aside from a quarterly bulletin, "Ensino Industrial" (Industrial Teaching), issued by MEC and distributed within educational circles, we could find little evidence of any publicity given to the project, except some newspaper releases appearing in Paraná and Rio de Janeiro and initiated by the USAID/B Education Division.

RECOMMENDATION No. 7

That the USAID/B Education Division, Office of Human Resources, ensure that the Brazilian entities which are beneficiaries of this project, give due credit to the project and that these entities also make some efforts to publicize the project's part in the Alliance for Progress.

G. USAID CONTRACT TECHNICIANS

The project agreement made provision for procuring six USAID technicians as advisors and teachers for the project, and four PIO/Ts were sub-obligated in fiscal year 1963 in anticipation of contracting these six technicians. Two tech-

nicians arrived in September, 1963, under two-year contracts and one in June, 1964. One of the technicians who arrived in September, 1963, cancelled his contract in August, 1964. As of December 31, 1964, no technician had been contracted for the fourth PIO/T, but correspondence had been had with prospective candidates for the position. *Porto*

Two additional PIO/Ts were sub-obligated for fiscal year 1964, one for a two-year contract with a technician for Porto Alegre, and one for São Paulo. A contract has been signed for the São Paulo position and the technician is expected to arrive in São Paulo before June 30, 1965. The other PIO/T still remains open, but a prospective candidate has been contacted and appears interested.

Thus, of the six positions originally contemplated, only two are actually filled - one in Rio de Janeiro and one in São Paulo - and one is scheduled to be filled for São Paulo.

Under Section IV, Paragraph B, we recommended that the unneeded funds be deobligated.

In January, 1965, we were informed by the USAID/B Education Division that the strength of the assistance would be stabilized at four technicians, and that the total dollar support programmed for fiscal year 1965 had been reduced by \$50,000.

INDUSTRIAL VOCATIONAL EDUCATION PROJECT  
 SCHEDULE OF SUB-OBLIGATIONS AND DISBURSEMENTS  
 MAY 31, 1963 TO DECEMBER 31, 1964

ATTACHMENT 1

PIO/T No.	CONTRACTOR	ORIGINAL SUB- OBLIGATION	ADJUSTMENTS	NET SUB- OBLIGATION	DISBURSEMENTS	BALANCE
30263	W.S. Reynolds, Rio	\$46,250.00	\$ -	\$46,250.00	\$24,019.98	\$22,230.02
30264		48,750.00	-	48,750.00	-	48,750.00
30265	R.D. O'Dell, São Paulo	46,250.00	-	46,250.00	10,257.40	35,992.60
30283	J.A. Storm, Rio	48,750.00	(A) 24,302.81	24,447.19	23,970.92	476.27
40338		48,750.00	-	48,750.00	-	48,750.00
40339	A.J. Strange, São Paulo	46,250.00	(A) 6,250.00	40,000.00	-	40,000.00
	TOTAL PIO/Ts	<u>\$285,000.00</u>	<u>\$30,552.81</u>	<u>\$254,447.19</u>	<u>\$58,248.30</u>	<u>\$196,198.89</u>
<u>PIO/C No.</u>						
30266		\$300,000.00	(A) \$19,000.00	\$281,000.00	\$162,034.27	\$118,965.73
40248		12,000.00	-	12,000.00	312.00	11,688.00
40249		5,900.00	-	5,900.00	2,522.63	3,377.37
40250		2,100.00	-	2,100.00	43.04	2,056.96
40336		20,000.00	-	20,000.00	921.61	19,078.39
50014		-	(B) (4,000.00)	4,000.00	-	4,000.00
50094		-	(B) (1,400.00)	1,400.00	-	1,400.00
	TOTAL PIO/Cs	<u>\$340,000.00</u>	<u>\$13,600.00</u>	<u>\$326,400.00</u>	<u>\$165,833.55</u>	<u>\$160,566.45</u>
<u>PURCHASE ORDERS No.</u>						
611/63		\$ 1,806.00	(A) \$ 53.00	\$ 1,753.00	\$ 1,426.99	\$ 326.01
613/63		72.00	-	72.00	72.00	-
634/63		1,622.00	(B) (34.89)	1,656.89	1,656.89	-
	TOTAL PURCHASE ORDERS	<u>\$ 3,500.00</u>	<u>\$ 18.11</u>	<u>\$ 3,481.89</u>	<u>\$ 3,155.88</u>	<u>\$ 326.01</u>
	TOTAL COMMODITIES	<u>\$343,500.00</u>	<u>\$13,618.11</u>	<u>\$329,881.89</u>	<u>\$168,989.43</u>	<u>\$160,892.46</u>
	GRAND TOTAL	<u>\$628,500.00</u>	<u>\$44,170.92</u>	<u>\$584,329.08</u>	<u>\$227,237.73</u>	<u>\$357,091.35</u>

(A) Desubobligation.

(B) Resubobligations of desubobligated IAPSP funds.

Unsubobligated Balance as of December 31, 1964, \$44,170.92.