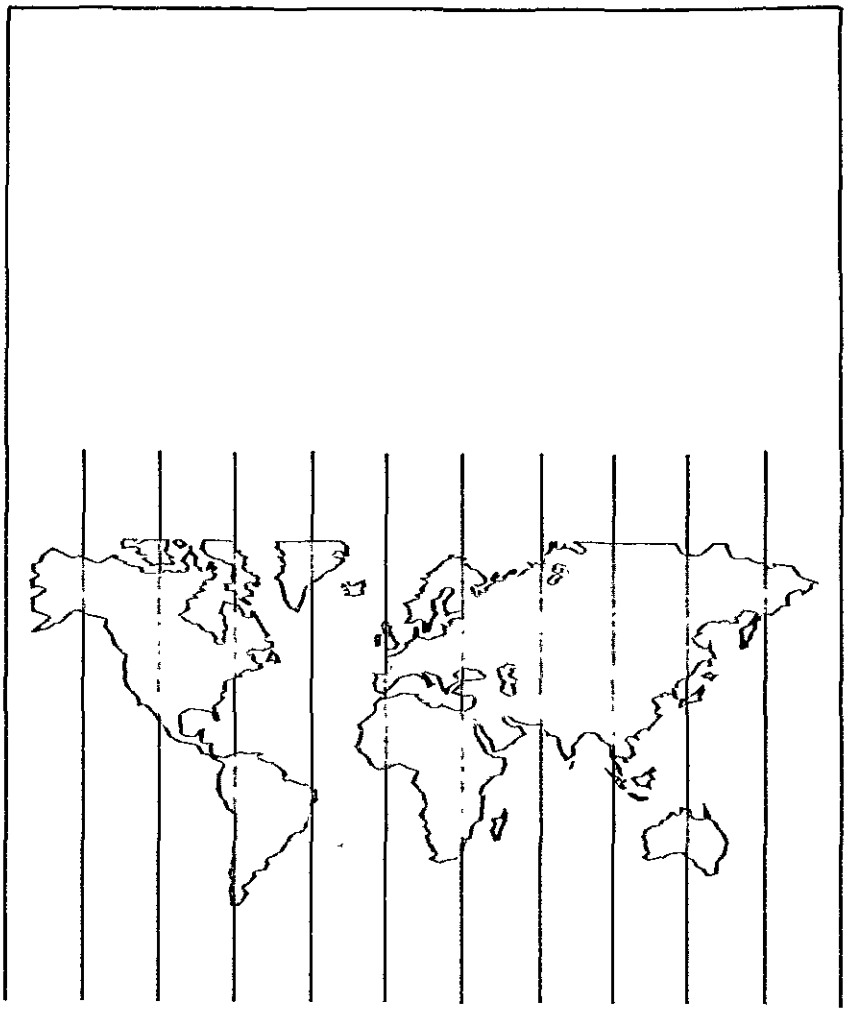
PD-AAI-859

6080139 00 1801

UNITED STATES
AGENCY FOR INTERNATIONAL DEVELOPMENT

THE INSPECTOR GENERAL



Regional Inspector General for Audit
WASHINGTON

ISN 16

THE NONFORMAL EDUCATION FOR WOMEN PROJECT IN MOROCCO: PROBLEMS IN A HOST COUNTRY CONTRACT

AUDIT REPORT NO: 0-608-82-47

February 22, 1982

THE NONFORMAL EDUCATION
FOR WOMEN PROJECT IN MOROCCO:
PROBLEMS IN A HOST COUNTRY CONTRACT

TABLE OF CONTENTS

	Page
EXECUTIVE SUMMARY	i
BACKGROUND	1
Purpose and Scope of the Audit	1
FINDINGS, CONCLUSIONS AND RECOMMENDATIONS	2
Major Portions of Planned Work Were Not Being Accomplished	2
The Project as Planned	2
The Project as Implemented	2
Problems Associated With Project Design	4
Project Development and Approval	4
Peace Corps Participation	6
Host Country Contribution	7
Issues Related to Host Country Contracting	7
Responsibilities of the AID Project Manager in Monitoring Performance Under Host Country Contracts	7
USAID/Morocco Project Management of AID Financed Host Country Contracts Needs Strengthening	8
Participant Training	10
Cost of Participant Training	10
Guidelines Needed for Cost Comparisons of Participant Training Programs	11
Inconsistent AID Regulations on Training	12
Contracting for Moroccan Professional Services	13
Per Diem for Moroccan Officials	14
Contract Costs	15
EXHIBITS	
A. List of Report Recommendations	17
B. List of Report Recipients	18

EXECUTIVE SUMMARY

Introduction

On June 15, 1978, a $4,335,000 project was authorized to strengthen the infrastructure of the Promotion Feminine program of the Moroccan Ministry of Youth and Sports to enable it to undertake a program to foster new training and employment opportunities for women throughout Morocco. Through August 31, 1981, $2,291,000 had been obligated. The project was being implemented under an AID-financed host country contract with New TransCentury Foundation.

Purpose and Scope of Audit

The review was requested by USAID/Morocco which recognized that serious project problems existed. The purposes of the review were to evaluate the accomplishment of program objectives, to ascertain the adequacy of AID grant monitorship, and to determine the allowability of costs charged to the grant. Our review included an examination of records and discussions with AID, Government of Morocco, contractor and subcontractor officials in Washington, D.C.; New York, New York; and Rabat, Morocco. A draft of this report was submitted to AID officials and their comments, where appropriate, have been taken into account in the preparation of this report.

Project Objectives Were Not Being Accomplished

Although contract expenditures through June 30, 1981 were in line with original forecasts, most of the planned work had not been accomplished and was not being addressed. This was caused, in part, by project design problems, and by the failure of USAID/Morocco to assure adequate host country contract administration.

After our audit work in Morocco was completed, USAID/Morocco determined that the chances of bringing achieved objectives in line with expenditures by the end of the project were remote and, accordingly, terminated the project on December 4, 1981. Although final cost figures could not be determined at the time of report issuance, we estimate that the cancellation of this project resulted in more than $2.1 million of authorized project costs not being incurred (page 2).

Other Deficiencies Noted

USAID/Morocco had not assured that the amounts to be paid for participant training were reasonable. In this connection, we noted that AID's overall policy guidance on participant training under host country contracts as set forth in handbooks (Handbook 10, Participant Training and Handbook 11, Country Contracting) was inconsistent and did not provide adequate guidance to overseas missions. For example, Handbook 10 requires that all participant training be subject to AID rules and regulations while Handbook 11 merely requires some reporting on participant training (page 10).

Under the New TransCentury Foundation contract, AID was paying for the services of two Moroccans who should have been provided to the project by the Moroccan government. This cost the project more than $4,000 per month unnecessarily (page 13).

USAID/Morocco had established no controls on per diem payments by AID to Moroccan government personnel. As a result, AID paid for travel for which there was no evidence that it ever took place (page 14).

Management Comments

In commenting on a draft of this report, USAID/Morocco stated that they had requested the audit because of serious concerns about contractor performance and that the audit provided objective confirmation of the missions concerns. The contract was terminated effective December 4, 1981.

The mission provided other detailed comments which assisted in clarifying certain aspects of the report.

Conclusion

This project was started based upon incomplete and inaccurate information. Compounding the problem the primary contract to implement the project did not adequately reflect the project documentation. Finally, the work actually being done by the contractor differed from that specified in the contract. At the time of our review there was no possibility of the project achieving stated objectives within a reasonable time.

Effective December 4, 1981, the contract to implement the project was terminated. Consequently, we are making no recommendation in this regard.

The audit did disclose peripheral problems for which we are recommending corrective action.

BACKGROUND

On June 15, 1978, a $4,335,000 project was authorized to strengthen the Promotion Feminine program of the Ministry of Youth and Sports to enable it to foster new training and employment opportunities for women throughout Morocco. Through August 31, 1981, $2,291,000 had been obligated.

Promotion Feminine with a staff of about 1,200 women civil servants operates about 350 women's centers (foyers) in all 33 provinces of Morocco. About 22,000 Moroccan women attend these centers.

It is estimated that at least 90 percent of these foyers dedicate virtually all their time to needlework, such as knitting, sewing, crocheting, and embroidery. As of mid-1981, it was estimated that 46 percent of the attendees were 16 years old or under and that 46 percent of the attendees were illiterate.

AID's strategy was to strengthen Promotion Feminine by staff training and by revamping the program to make it more responsive to the training and employment needs of Moroccan women. The largest cost element of the project was a host country contract with New TransCentury Foundation. As of August 31, 1981, the estimated contract cost was $3,370,113, of which $2,000,000 was available to the contractor for disbursement. Of the $3,370,113 estimated contract cost, it was planned that New TransCentury Foundation's subcontractor, World Education, Inc. would spend $779,951.

Purpose and Scope of the Audit

This audit was requested by USAID/Morocco. The purposes of the review were to evaluate the accomplishment of project objectives, to ascertain the adequacy of AID monitoring, and to determine the allowability of costs charged to the grant.

Our review was performed in accordance with generally accepted auditing standards and included an examination of records and discussions with AID, Government of Morocco, New TransCentury Foundation and World Education, Inc. officials in Washington, D.C.; New York, New York; and Rabat, Morocco.

FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

Major Portions of Planned Work Were Not Being Accomplished

Although contract expenditures through June 30, 1981 were in line with those forecast, most of the work had not been done as planned. If current trends were to continue, the budget of $3.4 million would be substantially spent but approximately two-thirds of the planned contract work would not have been performed.

The Project as Planned

Work under this project was to be conducted in two parts. Part I, planned to last six months, was to consist basically of;

(1) a study of the duties and capabilities of the managerial staff of Promotion Feminine at the national and provincial levels,

(2) a study of current and potential economic roles for women with little education,

(3) a study of the existing curriculum of the Royal Training Center at Rabat where teachers are trained for the foyers, and

(4) a study of the curriculum in the approximately 350 foyers which are providing education and training for women in Morocco.

The studies to be conducted during Part I were to serve as a basis for an implementation plan for Part II of the project. Project implementation was to include establishing and implementing a training program for Promotion Feminine management, revising the curriculum for the Royal Training Center, revising curriculum for the foyers, establishing a training program for the teachers and developing job opportunities.

The Project as Implemented

In August 1981, twenty months after the contract was signed, a report covering the studies of Promotion Feminine management and the curricula of the Royal Training Center and the Foyers was issued. However, these studies were not performed by members of the contract team but by a subcontractor. The contract team informed the Ministry of Youth and Sports that the subcontractor's study was seriously deficient.

The project paper, the project agreement and the request for contractor proposals called for a team of seven professionals to be assigned to Morocco during project implementation. These seven professionals were to consist of a chief-of-party, two job development experts and four teacher trainers. As of

July 31, 1981, the contract team consisted of six professionals, all of whom were working mainly on the establishment of a job development unit in Promotion Feminine and the Part I studies. We found little evidence that the contractor had participated substantively or planned to participate substantively in the training of Promotion Feminine staff which was to have constituted about two-thirds of the team's efforts. The AID Mission reported that this was because Promotion Feminine was more interested in project activities with high visibility than in revision of their training techniques and reorganization of their administrative management structure.

Even in the area of job development, the work performed differed greatly from that set forth in the project paper, the project agreement and the contract. These documents envisioned a province by province survey of the entire country (33 provinces) to obtain data on employment opportunities for women with little, if any, formal education. Project designers considered this data essential to the establishment of a Job Development Unit in Promotion Feminine. Of the 33 provincial surveys that should have been completed by mid-1980, four had been completed by August 7, 1981. Three of these four surveys did not address the subject of the employment status of women with little education which should have been the principle subject.

The job development portion of this project was to develop job related training programs in the foyers and help to establish pilot small businesses. Through August 1981, the bulk of the contractor's efforts excluding studies, had been devoted to pilot small businesses. Of the five pilot small businesses on which the contractor was working in August 1981, three were in the planning stages and two had initiated operations. None of them had yet proved economically viable. It was the contractor's plan that, when these pilot small businesses had demonstrated their viability, a detailed analysis of the steps necessary to establish such a venture would be documented and distributed within Promotion Feminine for replication.

Two job related training programs in the foyers were in the planning stages. One was to train hotel maids and one was to train textile workers.

Promotion Feminine needed reorganization, training programs needed revisions, and the Moroccan project staff needed retraining. The project called for these things to be done. The contract team was only indirectly dealing with these matters.

Conclusion

USAID/Morocco determined that the chances of bringing achieved objectives in line with expenditures by the end of the project were remote and terminated the project on December 4, 1981.

At the time of project termination, the estimated total project cost was $4,335,000 of which $2,291,000 had been obligated and was available for disbursement. Although AID's reported expenditures under this project through December 31, 1981 were only about $1.5 million, additional payments were due under this project. While final project cost figures could not be determined at the time of report issuance, we estimate that the cancellation of this project resulted in more than $2.1 million of authorized project costs not being incurred for a project which would not achieve the bulk of its objectives.

Problems Associated With Project Design

The design of this project was flawed by a lack of knowledge about the nature of Promotion Feminine and by erroneous assumptions. Although the project paper stated there would be a major Peace Corps involvement in this project, there was not. The host country contribution toward this project as set forth in the project agreement was inadequately detailed. These problems are addressed in the following sections.

Project Development and Approval

The June 30, 1976 Project Identification Document proposed a $2 million project to assist both the Promotion Feminine program of the Ministry of Youth and Sports and the larger training program of the Ministry of Social Affairs and Handicrafts.

In December 1976, a three person study team spent two weeks in Morocco surveying non-formal education for women. About one-third of the survey report was devoted to the operations of Promotion Feminine and its Foyers Feminine. Subsequently, AID decided that Project No. 608-139 would be limited to assisting Promotion Feminine. At this time both AID/Washington and USAID/Morocco recognized that they did not have enough information to properly design a project. On July 2, 1977 AID/W noted:

> "At this point, our information about the foyers and ouvroirs is detailed in terms of official administrative information, and very spotty when it comes to information on actual behavior. We know, for instance, about enrollment but not about attendance. We know the overall structure of the programs, but not the actual day-to-day emphasis on the various aspects of the program. We know the overall age range of the girls, but we have very little information about actual distributions or distribution of girls by amount of schooling. Are we dealing with a majority of girls who have never been in school, or have had two or more years? It will make a difference in the program we suggest. What do the girls want from the programs? What do their parents want? Are they satisfied? What about the teachers?"

While AID/Washington was correct in identifying data missing from the study, most of the information it accepted as factual was not. For example, it was accepted that enrollment in the foyers was about 45,000. Actual enrollment was about half that. AID did not know the overall structure of the program or the age range of the students.

USAID/Morocco also recognized that additional information was required before a project could be designed. Accordingly, on August 19, 1977 the Mission requested that a six man study team be sent to Morocco to ascertain, among other things, the following factors before developing the project paper:

- "The goals and objectives of the Promotion Feminine and the Foyer Feminine programs"
- "The present curricula of the Foyers and the National Training Center for Monitrices to determine which elements of basic education, social awareness, home economics, handicrafts, and job training are relevant to the new goals and objectives of the program."

- "a system for identifying potential job markets, planning appropriate training, evaluating student performance, placing graduates, and providing follow-up guidance for workers."

- "labor demand projections on basis of which specific fields for training will be selected."

- "equipment and material needed for specific job training courses planned for length of project."

- "an outline for the new curricula for the foyers, the National Training Center, and The Regional Recyclage short-term training program in the light of the new directions of the Promotion Feminine program."

- "functions of provincial officials of Promotion Nationale to ascertain how this service can be more responsive to social and economic needs of women in modern Morocco."

- "a practical recyclage program for in-service training of foyer monitrices at regional seminars."

- "a plan for a functional Arabic literacy program for the foyer trainees."

The study requested was not done. Nevertheless, a project paper was prepared and approved on June 15, 1978. The project paper stated that determining such items as what was taught at the foyers, what was taught at the Royal Training Center, what job opportunities existed and could exist for relatively uneducated women, what changes should be made, etc., could all be determined after the project was approved.

Many of the facts stated in the project paper were substantially wrong and the project analysis superficial. Examples of the quality of data in the project paper (and our comments thereon in parentheses) are as follows:

- "The foyer program is essentially a home economics training program with some small efforts in handicrafts and job training for the modern sector." (The foyer program is essentially a handicraft program - knitting, sewing, embroidering and crocheting - with some small efforts in home economics and job training for the modern sector at a very limited number of foyers.)

- "Some 45,000 women attend the foyers regularly." (A 1981 census conducted by the New TransCentury Foundation found that about 22,000 attended the foyers.)

- "These 1,057 monitricies are all civil servants and have received an initial 11 months of training at the National Training Center." (Two-thirds of the monitricies, that is, teachers, did not attend the 11 month training program at the National Training Center.)

- "In the section of the project paper titled, "Possible Constraints to Project Success", the project design team was unable to conceive of one real constraint. (This was inconsistent with other parts of the project paper because elsewhere it recognized that the project "is highly experimental and risky".)

- "The GOM plans to augment the civil service cadre of Promotion Feminine by 70 women yearly during the new five-year plan (1978-1982). These women have 12 years of formal education and have successfully passed a national competitive examination". (The requirement is for 9 years of education and not 12.)

- "Perhaps the most critical weakness of the administration of the program (and the project) is to be found in each of the 1,367 women who staff the Promotion Feminine program. By their own unanimous admission they need further training and better training if they even hope to realize a significant impact on the economic and social development of women in Morocco." (We found no evidence that any study had even been performed of the entire Promotion Feminine staff or any significant portion thereof and thus consider the statement completely unsupported.)

While the project design team knew that it wanted to improve the quality of the staff of Promotion Feminine through instruction, to improve the quality of instruction at the foyers and to make training at the foyer level economically beneficial to the students; it did not know the existing quality and nature of instruction at the foyers. On the basis of incomplete and inaccurate information, a $4,335,000 project was authorized.

Peace Corps Participation

The project paper, dated April 18, 1978, justifying this project stated that there would be a major Peace Corps participation in it. There was none.

Regarding Peace Corps involvement, the project paper stated:

> "Peace Corps is willing to provide 10 PCVs university trained in social work, sociology, psychology, or other relevant social sciences in the Spring of 1979. These PCVs will be competent in French and/or Arabic. They will work with a Moroccan counterpart at the ministerial or provincial level as technicians in the various project activities including job development, curriculum development, training, et al. The PCVs will live and work in Morocco under the same conditions as PCVs in other development projects according to the convention between the GOM and Peace Corps."

USAID/Morocco files contained no evidence to show that efforts were made to obtain assistance for this project from the Peace Corps subsequent to the preparation of the project paper. There was no Peace Corps participation in this project.

Host Country Contribution

The project paper foresaw a project costing AID $4,335,000 and the Moroccans $10,311,000. The $10,311,000 Moroccan contribution was the estimated total budget of Promotion Feminine for three and one-half years. The project agreement, however, estimated that the project would cost AID $4,335,000 and Moroccans only $1,600,000. We were unable to determine how and why the Government of Morocco project contribution changed from $10,311,000 to $1,600,000 or what the $1,600,000 was supposed to include. Although the AID contribution was broken down into cost elements by year, there was no breakdown of what the Government of Morocco's contribution represented. The Government of Morocco did not report what it was actually contributing to the project.

We believe that good project management requires that the host country contribution to AID assisted activities be set forth in detail in the project agreement. We, also, believe that to adequately monitor projects AID missions must have information on the progress of host country contributions. This would require a reasonable amount of reporting.

We are making no specific recommendation in the case of Morocco because the problem may be of world-wide scope. We do believe that USAID/Morocco should consider including the details of the host country contributions and a corresponding reporting requirement in project agreements.

Issues Related to Host Country Contracting

AID currently has virtually no policy guidelines on the project officer's responsibilities in monitoring AID-financed host country contracts. In our opinion, that guidance which does exist does not require actions adequate to assure proper stewardship of public funds. In this project USAID/Morocco did not provide sufficient assistance to the Government of Morocco contracting agency in administering the contract with New TransCentury Foundation. This contributed to serious problems in contract administration.

Responsibilities of the AID Project Manager in Monitoring Performance Under Host Country Contracts

Five years after AID determined that whenever feasible "the procurement of AID-financed project goods and services required to implement bilateral project agreements be undertaken by the Borrower/Grantee rather than by AID", AID had established virtually no guidelines to be used by AID project officers in monitoring such host country contracts. Among the few requirements on AID project officers is the administrative approval of vouchers which essentially consists of the statement, "I see no reason to withhold payment." There are virtually no requirements that the officer monitor activities to assure the activity is going as planned.

Not only is AID guidance for project managers inadequate in defining their responsibilities under host country contracts but the impression is given in AID Handbook 11, Chapter I, paragraph 3.7 that AID has little responsibility for assuring contractor performance. It states:

"The responsibility of the Contracting Agency and AID for the contract does not cease when the contract is signed. The Contracting Agency has the primary responsibility for ensuring that the contractor performs in accordance with the terms of the contract. AID may have certain approval responsibilities for contract administration actions (such as subcontracts, change orders, amendments, etc.) as set forth in the contract. Also, AID has certain responsibilities under the loan or grant which affect the contract, such as waiving nationality and source requirements, waiving marking requirements, etc. Both the Contracting Agency and AID must make certain certifications in order for the contractor to be paid (see 3.6.5)."

"The Contracting Agency should be aware of contractor performance at all times. Any problems or delays should be analyzed and appropriate action taken as soon as possible. Appropriate action might include noncontractual remedies (such as expediting commodities through customs) or contractual action (change order, invoking force majeure, or termination)."

We believe that the emphasis on host country contracting responsibilities and the impression that AID's responsibilities are limited to approvals and waiver is not in accord with AID's overall responsibility for prudent stewardship of public funds. We further believe that it is wrong that AID has not established adequate guidelines for project officers five years after AID determined that host country contracting would be the rule. Inasmuch as we were advised that guidelines regarding AID project officer's responsibilities for monitoring host country contracts are being drafted we are making no recommendations.

USAID/Morocco Project Management of AID Financed Host Country Contracts Needs Strengthening.

USAID/Morocco did not provide adequate assistance to the Government of Morocco contracting agency, the Ministry of Youth and Sports, in administering the AID-financed host country contract with New TransCentury Foundation. As a result, the contract scope of work was flawed and numerous changes were made by one or more of the parties (AID, Government of Morocco and New TransCentury Foundation) but never formalized by contract amendments. We believe that the changes were so numerous that the three parties no longer had a real meeting of the minds as regards what was to be done and how much it would cost.

The project paper stated that a host country contract was inadvisable because the Government of Morocco contracting agency did not have the experience or ability to manage such a contract. This position was overruled by the Assistant Administrator, Near East Bureau. Once the decision to have a host country contract was made, USAID/Morocco, knowing the weaknesses of the contracting agency, should have provided maximum assistance to the Moroccans in negotiating and administering the contract. Such assistance was not provided. When all or most of an AID-financed project is being carried out by a contractor, it is essential that the contract contains the same plans and objectives that are in other project documents.

In this case the project paper, the project agreement and the request for proposals were all consistent. However, the detailed description of the project shown in these three documents was not incorporated into the contract. Instead, the work plan submitted by the contractor in its proposal was used. The differences introduced certain ambiguities which tended to blur the focus of the project.

In describing the qualifications of the four trainers the contract states, "Four experts in training with strong components in training for the fields of: functional literacy, integration of women in the procedure of development, agriculture, rural development and community development." However, the project agreement and the request for proposals gave job qualifications for the four trainers which were ten times as long and specified not only the background required of each team member but also who each should work with and what each should do. This illustrates the lack of specificity in the contract as compared with other project documentation. Examples of some of the informally agreed to changes in the contract which have not been reflected in the contract by amendment are as follows:

1. It was agreed that a fifth study would be added to the four required under Part 1 of the contract. USAID/Morocco did not determine the estimated cost of this study (a census of all students in the foyers to determine their ages, education background, duration of participation in the foyers, etc.), did not obtain bureau approval for this change to the approved project, and did not work with the contracting agency to assure that the contract was amended to include this additional work.

2. In November 1980, the contract budget was informally increased from $2,928,175 to $3,370,113. This revised budget was not reflected in the contract by an amendment. In addition, this revised budget reflected significant changes in the terms of the contract such as the numbers and nature of personnel to be financed, and the responsibilities and contribution of the contracting agency.

3. USAID/Morocco determined that the contractually stipulated procedure for liquidating the advance to the contractor was inadequate and, accordingly, started liquidating the advance by an alternative means without assuring that the contract was amended to reflect the revised liquidation procedure.

4. Agreement was reached that the contract team would change from seven professional expatriates to five expatriates and two Moroccans. The contract remained without amendments.

The contract no longer reflects what is being done and how much it is costing. Even worse, it led to a situation where each of the parties perceived what was to be done in a different fashion. In April 1981, USAID/Morocco stated "the thrust of the project would center on identifying income generating possibilities for underprivileged women in rural areas." This was not true because the contractor at that time and since was concentrating at least half its project efforts on urban rather than rural income generating possibilities. As of July 28, 1981, the Ministry of Youth and Sports was urging the contractor to focus its major efforts on the training of the Promotion Feminine staff. This was not being done.

Conclusion

Paragraph 1.2 of AID Handbook 11, "Country Contracting" requires AID missions to provide assistance as necessary to contracting agencies in acceptable contract administration. Sufficient assistance was not provided to Morocco in this project.

The fact that host country contracting often requires more rather than less AID involvement was noted in our Audit Report No. 79-71, dated May 18, 1979, "Review of the Application of Host Country Contracting Mode." Therein, we stated:

> "The objectives of the Policy to reduce AID staff participation and improve the Borrower's contracting capability have been difficult to accomplish. Reductions in Mission staff participation in contracting have not been realized to any significant extent through the use of Borrower contracting, but have in some cases increased because the Borrower cannot effectively contract, thereby requiring Mission staff to lead the Borrowers through each contracting step. Often the contracting volume in a particular country or for a particular Borrower is so small there is not sufficient opportunity to develop useful contracting capability. When a Borrower capability is being developed, personnel changes in the Borrower organization risk elimination of the experience gained."

The individual project problems noted in this section have been resolved by the termination of this project. However, we believe that this case demonstrates a need for USAID/Morocco to put forth greater advisory efforts in the administration of host country contracts than under direct AID contracts. This is particularly true when the host country contracting agency does not have the experience or ability to manage such a contract.

Participant Training

Six participants are being trained to the Master's Degree level in the United States under the contract with the New TransCentury Foundation. The selection and placement of these participants was done promptly. However, we found that USAID/Morocco did not use the most economical method to obtain the training.

Cost of Participant Training

The project paper estimated that participant training for six participants in the U.S. would cost $288,000 and that other training costs, mostly in-country training, would total $550,000 for a total training cost of $838,000. This total estimated training cost of $838,000 was shown in the grant agreement. Participant training responsibilities for the six participants was part of the contract with the New TransCentury Foundation. By a subcontract dated December 31, 1979, New Transcentury hired World Education, Inc. to handle the U.S. training of the six participants. The subcontract as written would allow World Education to charge up to $833,546 for the U.S. training of six participants, the only work set forth in the subcontract. However, we were informed by both New TransCentury Foundations and World Education that the $833,546 budget contained in the subcontract provided for assistance over and above the training of the participants. In fact, the subcontractor has provided substantial consulting services.

Nevertheless, the subcontract as written would allow the subcontractor to charge up to $833,546 for training participants, an amount which would be grossly unreasonable. Fortunately, the subcontractor did not take advantage of the license offered by the terms of the subcontract. Essentially, World Education charged training costs such as tuition, books, living allowances etc. in accord with AID Handbook 10, "Participant Training". In addition they charged for the management and secretarial support related to the participants; and for overhead charges at 36 percent of all direct charges. In billing AID for the World Education subcontract costs, New TransCentury Foundation added its 12.20 percent general and administrative (G&A) expense factor. One dollar of direct participant training costs resulted in these charges to AID:

World Education direct costs	$ 1.00
World Education overhead	.36
World Education billing to New TransCentury Foundation	1.36
New TransCentury Foundation G & A	17
Billing to A.I.D.	$ 1.53

We estimate that the direct costs by World Education approximate the total costs of training these participants if managed by AID's Office of International Training, S&T/IT; and that total costs are more than 50 percent higher. Accordingly, it is our conclusion that transferring the management of participant training in the U.S. from World Education to AID would reduce future costs of training these participants by approximately one third without affecting the nature of the training. On February 1, 1982, USAID/Morocco reported that transfer of participant training to AID was effected in the process of project termination.

Guidelines Needed for Cost Comparisons of Participant Training Programs

AID Handbook 10, "Participant Training", provides that AID financed participants may be managed by AID's Office of International Training (S&T/IT) or by a contractor to AID or to the host country. S&T/IT has had years of experience in managing thousands of participants annually. S&T/IT circulates to all AID entities its estimates of the average costs of a year's degree training. USAID/Morocco made no comparison of the estimated cost of participant training under contract versus under AID management. AID Handbook 10 does not require that a cost comparison of participant training under contract versus under S&T/IT management be made. In our opinion prudent financial management requires such a comparison. While we do not contend that cost should be the only consideration in determining whether participant training should be managed under contracts or by AID, we believe that it should be a consideration.

AID Handbook 10 should be revised to require that AID offices and missions perform a cost/benefit study comparing total costs and benefits of the planned participant training component whether managed under the contract or managed by AID.

Recommendation No. 1

The Bureau for Science and Technology/Office of International Training should initiate action to amend AID Handbook 10, "Participant Training", to require that AID offices and missions compare the cost of training as a contract component vs. training managed by AID's Office of International Training prior to including training as a component in a contract.

Inconsistent AID Regulations on Training

AID's Handbook 10, Participant Training, requires that all AID financed participants, under both AID and host country contracts, be subject to AID participant training policies, regulations etc. Handbook 11 (Country Contracting) does not include a similar provision. Among other things, Handbook 10 rules state that international transportation costs between the U.S. and the host country should be financed by the host country. The New TransCentury contract did not contain the requirement and as a result AID financed international travel costs.

AID Handbook 10, "Participant Training", Chapter 6, "Training Under Contract Arrangements" states that all AID-financed participants, under both AID and host country negotiated contracts, are subject to AID participant training policies, regulations and reporting procedures and states that when AID finances participant training under a contract the following clause should be included in the contract:

> "The training of foreign nationals outside their home country under this contract will be accomplished in accordance with the policies, allowances, guidance and reporting requirements of AID Handbook 10, Participant Training."

Handbook 11 (Country Contracting) does not contain a requirement that participant training under host country contracts be subject to the AID rules as set forth in Handbook 10. Handbook 11 only requires some reporting.

AID Handbook 11, Chapter 1, paragraph 4.3.44 states:

> "Whenever the contractor provides participant training in the United States or in a third country, the contractor is required to submit form AID 1180-9, "Monthly Report of Participants Under Grants, Loan or Contract Programs" (Attachment 1R) to the Contracting agency and AID's Office of International Training (DS/IT)."

The AID-financed host country contracts in Morocco do not contain a requirement that participant training adhere to the policies, allowances and guidance in AID Handbook 10.

One effect of failing to include Handbook 10 standards in the contract is the case of international travel. The payment of international travel costs between the U.S. and the host country should be made by the host country and not by AID

according to Handbook 10. In the case of this project (and at least one other), USAID/Morocco, the Government of Morocco and the contractor agreed that AID would finance international travel costs for participants returning to Morocco within the U.S. training period. This situation should not have happened if the contracts specifically referred to the Handbook 10 for guidelines.

Handbook 11 should be amended to make all AID financed participant training subject to the AID rules on participant training as contained in Handbook 10.

Also, USAID/Morocco should attempt to modify existing contracts to include the provision that all AID-financed participant training be governed by the rules in Handbook 10.

Recommendation No. 2

Bureau for Management/Office of Contract Management should revise (a) AID Handbook 11, Chapter 1, Paragraph 4.3.44 to include the current AID policy on participants under AID financed host country contracts as set forth in AID Handbook 10, Chapter 6 and (b) AID Handbook 11, Chapter 4, Paragraph A.3.2.5 to refer to Handbook 10 as guidelines for establishing participant training costs.

Recommendation No. 3

USAID/Morocco should attempt to amend existing host country contracts which involve participant training to include the following clause:

> "The training of foreign nationals outside their home country under this contract will be accomplished in accordance with the policies, allowances, guidance and reporting requirements of AID Handbook 10 - Participant Training."

Contracting for Moroccan Professional Services

Under the New TransCentury Foundation contract AID was paying for the services of two Moroccans who should have been provided by the Moroccan Government.

The contract did not include the payment of any salaries to Moroccan professionals. A revised contract budget was apparently informally agreed to in November 1980 which, among other things, provided for one Moroccan professional to be paid under the contract at a rate of $25,000 per year. By February 1981, the parties informally agreed that two Moroccan professionals could be paid under the contract.

In March 1981, New TransCentury Foundation hired two senior Ministry of Youth and Sports officials. Both had been involved with the contractor while working for the Moroccan Government. One of these officials had signed the original $2.9 million

contract with New TransCentury on behalf of the Moroccan Government and had negotiated the informally revised $3.4 million budget in November 1980. AID had not contractually reserved the right to review and approve employment contracts. It would, therefore, appear that technically the contractor had the right to hire these Moroccans. However, aside from the appearance of conflict of interest, there were several questionable aspects to the hiring of these individuals, such as:

1. By the most conservative estimates these employees were given over a 50% increase in total remuneration. This appears unreasonable.

2. The AID-financed professionals were intended to add to the technical resources available to the Ministry of Youth and Sports Promotion Feminine activities. The transfer of two Ministry employees from the Government of Morocco payroll to AID's account added nothing to the resources available to the Ministry.

3. The hiring of these employees by the contractor served, we believe, merely to transfer costs that should have been financed by the Moroccan Government to the U.S.

Inasmuch as this project was terminated on December 4, 1981, no recommendation is necessary.

Per Diem for Moroccan Officials

Counterparts, those Moroccan officials working with the contract team, are entitled to receive per diem from the Government of Morocco. The contract team advised us that inasmuch as it took several months for the counterparts to receive reimbursement for these travel expenses and inasmuch as the per diem rate paid these Government of Morocco employees appeared inadequate, the contract team decided to use contract funds to pay the per diem costs for these counterparts. Accordingly, in the revised budget which was accepted by AID, $137,700 was allocated to cover 2,700 days of counterpart travel at $51 per day. However, the contract set no guideline as regards required documentation (for example, hotel bills, specific travel itinerary, etc.). We examined certain per diem charges for April 1981 and found that the contractor was paying each counterpart 750 dirhams ($136) per month for per diem expenses whether the counterpart traveled or not. If a counterpart claimed to have traveled more than five days they were reimbursed at a fixed rate of 150 dirhams ($27) per day for each day traveled over five. Inasmuch as reimbursement for days over five traveled was merely based on a statement that travel was performed on that day, it was not clear that the counterpart travel was for overnight trips. Although we were satisfied that the amounts of per diem claimed by the contractor had in fact been paid to the counterparts and that the per diem rate of $27 per day actually paid was less than the $51 per day amount provided in the contract, we found little evidence that overnight trips actually took place and that the per diem payments to counterparts actually represented payment of costs incurred.

Recommendation No. 4

USAID/Morocco should establish rules on the payment of per diem to Government of Morocco personnel and advise the contractors.

Contract Costs

As of June 30, 1981, New TransCentury had received $1,153,191.02 in payments from USAID/Morocco made up as follows:

Amounts claimed - Vouchers 1-19	$1,015,396.03
USAID withholdings - Vouchers 5-8	- 12.252.62
Subtotal	$1,003,143,41
Unpaid - Vouchers 16-19	-249,952.39
Payments - Vouchers 1-15	$ 753,191.02
Advances	400.000.00
Total payments	$1,153,191.02

At the contractors home office we examined charges to the contract through May 31, 1981 (Vouchers 1-19) totaling $1,104,282.18 consisting of $1,055,048.96 in costs and fees of $49,233.22:

Contract charges	$1,104,282.18
Unbilled portion	- 88,886.15
Amount claimed	$1,015,396.03

The USAID/Morocco withheld $12,252.62 and the $88,886.15 unbilled by the contractor totaling $101,138.77 were applied to liquidate the $400,000 in advances.

Of the $1,104,282.18 of contract charges, we questioned $1,818.10 which consisted of $1,620.41 in World Education, Inc. charges plus related contractor general and administrative costs at 12.20 percent totaling $197.69. The $1,620.41 was composed of $1,191.48 in direct charges plus 36 percent overhead of $428.93. The direct charges questioned were as follows:

Labor Costs	$ 128.52	(a)
Maternity Costs	609.96	(b)
Per Diem	453.00	(c)
	$1,191,48	

a. In April 1981 the subcontract was charged with 153 hours of New York headquarters time but the time cards showed charges for 141 hours resulting in an overcharge of 12 hours.

b. Subcontractor officials informed us that it was the policy of World Education, Inc. to provide allowances to participants pursuant to the guidelines of AID Handbook 10, "Participant Training." According to AID Handbook 10, maternity costs are not an allowable cost for participants.

c. Subcontractor officials informed us that it was the policy of World Education, Inc. to pay per diem in accord with U.S. Government policies. We accordingly questioned per diem payments in Morocco in excess of the maximum per diem rates specified in AID Handbook 22, "Travel and Transportation."

The Contractors Voucher No. 18 adjusted provisional indirect expense rates on Vouchers Nos. 1-17 to the provisional rates negotiated by AID/W for all AID direct contracts. We recommend acceptance of these revised provisional overhead rates.

Recommendation No. 5

USAID/Morocco should review and settle the questioned costs of $1,818.10.

LIST OF REPORT RECOMMENDATIONS

Recommendation No. 1

The Bureau for Science and Technology/Office of International Training should initiate action to amend AID Handbook 10, "Participant Training", to require that AID offices and missions compare the cost of training as a contract component vs. training managed by AID's Office of International Training prior to including training as a component in a contract.

Recommendation No. 2

Bureau for Management/Office of Contract Management should revise (a) AID Handbook 11, Chapter 1, Paragraph 4.3.44 to include the current AID policy on participants under AID financed host country contracts as set forth in AID Handbook 10, Chapter 6 and (b) AID Handbook 11, Chapter 4, Paragraph A.3.2.5 to refer to Handbook 10 as guidelines for establishing participant training costs.

Recommendation No. 3

USAID/Morocco should attempt to amend existing host country contracts which involve participant training to include the following clause:

> "The training of foreign nationals outside their home country under this contract will be accomplished in accordance with the policies, allowances, guidance and reporting requirements of AID Handbook 10 - Participant Training."

Recommendation No. 4

USAID/Morocco should establish rules on the payment of per diem to Government of Morocco personnel and advise the contractors.

Recommendation No. 5

USAID/Morocco should review and settle the questioned costs of $1,818.10.

EXHIBIT B

LIST OF REPORT RECIPIENTS

Deputy Administrator	1
Assistant Administrator/Bureau for Near East (AA/NE)	5
Assistant Administrator/Bureau for Science and Technology (AA/S&T)	5
Assistant to the Administrator for Management (AA/M)	5
Director, USAID/Morocco	5
Director, Office of International Training (S&T/IT)	2
Director, Office of Contract Management (M/SER/CM)	2
Audit Liaison Office, AA/NE	1
Audit Liaison Office, AA/S&T	1
Audit Liaison Office, AA/M	1
Office of Legislative Affairs (LEG)	1
General Counsel (GC)	1
Office of Financial Management (M/FM)	1
Office of Development Information and Utilization (S&T/DIU)	4
Inspector General (IG)	1
RIG/A/EA	1
RIG/A/EAFR	1
RIG/A/Egypt	1
RIG/A/LA	1
RIG/A/NESA	1
RIG/A/WA	1
IG/PPP	1
AIG/II	1
IG/EMS/C&R	16