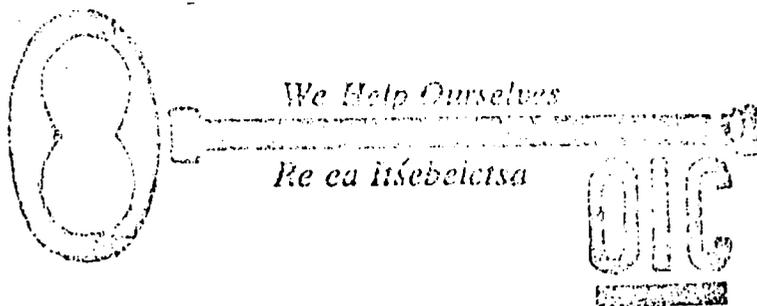


(Lesotho Opportunities Industrialization Center)

5/21/667



LOIC/ADM/7
BMP/mp

July 8, 1980.

Mr. Joseph Carney
U.S.A.I.D.
C/o American Embassy
P.O. BOX 333
MASERU, 100

Dear Mr. Carney:

Enclosed are comments and rebuttal to Lesotho Opportunities Industrialization Center's Audit (DRAFT), Grant No. AID/Pha-G 1125.

Please contact me if you require any additional data or have any questions.

Yours Sincerely,

Beulah Ferradite
BEULAH FERRADITE
ACTING PROGRAM ADVISOR

CC: Gary Robinson, OICE Director
E.S. Mchapi, IOIC Board Chairman

Enclosure:

A. OICI's Performance Has Not Reached Projected Levels

AUDITOR'S STATEMENT

"OICI has failed to fully achieve their most important goals; i.e., (1) Creation of developing Country OIC's that become financially self-sufficient by obtaining local support," At the present time the same conditions prevail and there is no assurance that future performance will improve."

REBUTTAL

Lesotho Government has exhibited support to Lesotho OIC in the following ways:

1. During the month of April 1980 the Lesotho Government signed the Memorandum of Agreement indicating the intent of Government of Lesotho to support implementation of the Lesotho OIC project in terms of financial support commitments and in-kind contributions.
2. On May 16th the Government of Lesotho issued a check to Lesotho OIC for M10,000 as part of payment of amount owed for third year local operational costs amounting to 25% or M38,000.
3. The Ministry of Commerce and Industry appoints the Board Chairperson who will be the Government's official representative and will have direct access to the Minister.
4. The Lesotho Government seconded the Training Manager to OIC in November 1978 at an approximate cost of M6,600 per year.

B. OICI's Reporting Is Inadequate

AUDITOR'S STATEMENT

"Many of the required reports that were submitted did not contain the prescribed information; i.e., the field offices were not submitting the "Statistical Summary Reports" that compare training and placement accomplishments with goals."

REBUTTAL

Lesotho OIC has been submitting Statistical Summary Reports and these reports have been reflecting goals versus actual performance.

C. Financial Self-Sufficiency

AUDITOR'S STATEMENT

"It was intended that each Country program would develop and become financially independent of AID and OICI after 5 years by successfully generating local funds. _____ locally generated funds for most programs do not demonstrate their potential for financial self-sufficiency within a reasonable period of time."

REBUTTAL

The financial self-sufficiency of the program is hard to predict momentarily. However, there are some signs of Lesotho Government being interested in the program by the advance payment of M10,000; balance faithfully promised to be paid before the end of the contract (September 30, 1980)

D. Financial Self-Sufficiency

AUDITOR'S STATEMENT

Lesotho - The goal per the Grant was \$11,712 but, OIC/ Lesotho reported locally raised funds of an amount equal to the estimated dollar value of its training facility which is government owned. Therefore, the value of such facilities should not be considered part of locally generated funds when we compare actual vs goals.

REBUTTAL

The facilities provided by the Government of Lesotho were treated as in kind contribution for the sum of M85,250 to reflect the value of the property provided for the program.

E. Trainee Completions

AUDITOR'S STATEMENT

"Lesotho - As of January 1980 the Lesotho project had been in operation less than 2 years. According to the FROF no trainee completions were anticipated. Even though no placements were planned, they did have 23 trainee completions. These figures are misleading because all but 5 months of training for 11 of the 12 completions were provided by a Government of Lesotho training organization. The remaining completion was a feeder trainee who resumed selling insurance, a job he had before starting OIC training. Of the eleven actually placed in training related jobs, 8 found their own jobs and 3 were placed by OIC."

REBUTTAL

Of the eight trainees who initially found their own jobs, a number of these jobs were temporary and once terminated these trainees returned to OIC for Employment Assistance.

The Feeder placement (Insurance Salesman) was classified as a Non-Training Related placement."

See Training record.

*See 8
attached
1/1/79*

F. OICI'S Reporting Is Inadequate

AUDITOR'S STATEMENT

"Field offices were not submitting the "Statistical Summary Reports that compare training and placement accomplishments with goals."

REBUTTAL

Lesotho OIC has submitted the monthly Statistical Summary Reports to Central office (OICI) since January 1979 to audit period September 1979.

G. Statistical Field Reports Are Inaccurate of Missing

AUDITOR'S STATEMENT

"The number of required reports are: Intake Orientation Activity, Attendance Analysis, Job Development Follow-up, Statistical Summary and Program Activity."

REBUTTAL

Lesotho OIC began to submit to OICI required reports as of January 1979 which was start-up of its training program and have since that date submitted these required reports on a monthly basis

H. Trainee Placement Figures Are Overstated

AUDITOR'S STATEMENT

"The OIC/Lesotho report for the period April -- June 1979 stated that "Vocational training was ahead of schedule by 10 months." "Vocational training had begun on schedule in January 1979 but, the only reason it was ahead of schedule was due to the fact 11 trainees had approximately 15 months prior training under a Government of Lesotho training program. In addition, on-the-job-training only lasted 3 weeks, even though the assignments were supposed to last 3 months."

REBUTTAL

When we acquired the 2nd year LTI trainees in January 1979, we found that most of them already possessed enough skills to meet our OJT requirements. Additionally, they would have had only 6 months left to graduation had the Government of Lesotho Training Program still existed. We attempted, within that given time frame to give them, on an individualized basis enough OIC training. All trainees were thoroughly tested by their instructors for (OJT) On-The-Job-Training readiness and job readiness was further determined by OJT performance. In the case of the 2 year Lerotholi Polytechnic Institute trainees, all were tested and successfully qualified for a job at the completion of their OJT performance.

I. Reports Contain Conflicting Information

AUDITOR'S STATEMENT

"Same As Above"

REBUTTAL

By April 1980, Central Office should have been in possession of accurate, revised Attendance Analysis reports substantiated by corrected Attendance Rosters. Much of the inconsistency was directed towards the vocational area where there was no Vocational Specialist to monitor instructor's performance on a daily basis. One of the first tasks the new Vocational Specialist had was to completely scrutinize and correct all attendance rosters.

J. Local OIC'S Accounting Systems Are Inadequate

AUDITOR'S STATEMENT

"Whether the farm production components of OIC/Lesotho should be continued if they are not profitable or do not make significant contributions to the training segments."

REBUTTAL

Is not applicable - Delete this statement - Lesotho OIC is an Urban based Vocational Training Program and does not have a farm production component.

K. Grant Costs

AUDITOR'S STATEMENT

"We found that project vehicles in Philadelphia and Lesotho were being driven for personal business.

REBUTTAL

As a result of audit a memo dated March 19, 1980 was issued to all staff from the Program Advisor stating that the program vehicle is restricted for official use only.

L. Summary of Costs Claimed And
Audit Adjustments
(Exhibit A)

AUDITOR'S STATEMENT

"Number (1) represents interest which is unallowable in accordance with subpart 15.207-17 of the Federal Procurement Regulations."

REBUTTAL

Below are details of bank charges and overdraft interest as shown in our records:

<u>DATE</u>	<u>BANK CHARGES</u>	<u>OVERDRAFT CHARGES</u>
30/9/78	R 6.00	
31/12/78	9.00	
31/3/79	6.00	R 23.10
30/4/79		76.95
14/5/79	6.00	
31/5/79		57.00
30/6/79		42.00
31/7/79	14.70	
31/8/79	6.00	86.70
22/9/79		<u>93.75</u>
	<u>R 47.70</u>	<u>R379.50</u>

As we indicated before the overdraft was necessary to meet our obligations and especially when the program was at its initial stage and funds were infrequently received. The actual overdraft changes should be R379.70 and not R415.00.

M. Total number of trainees presently enrolled: 58