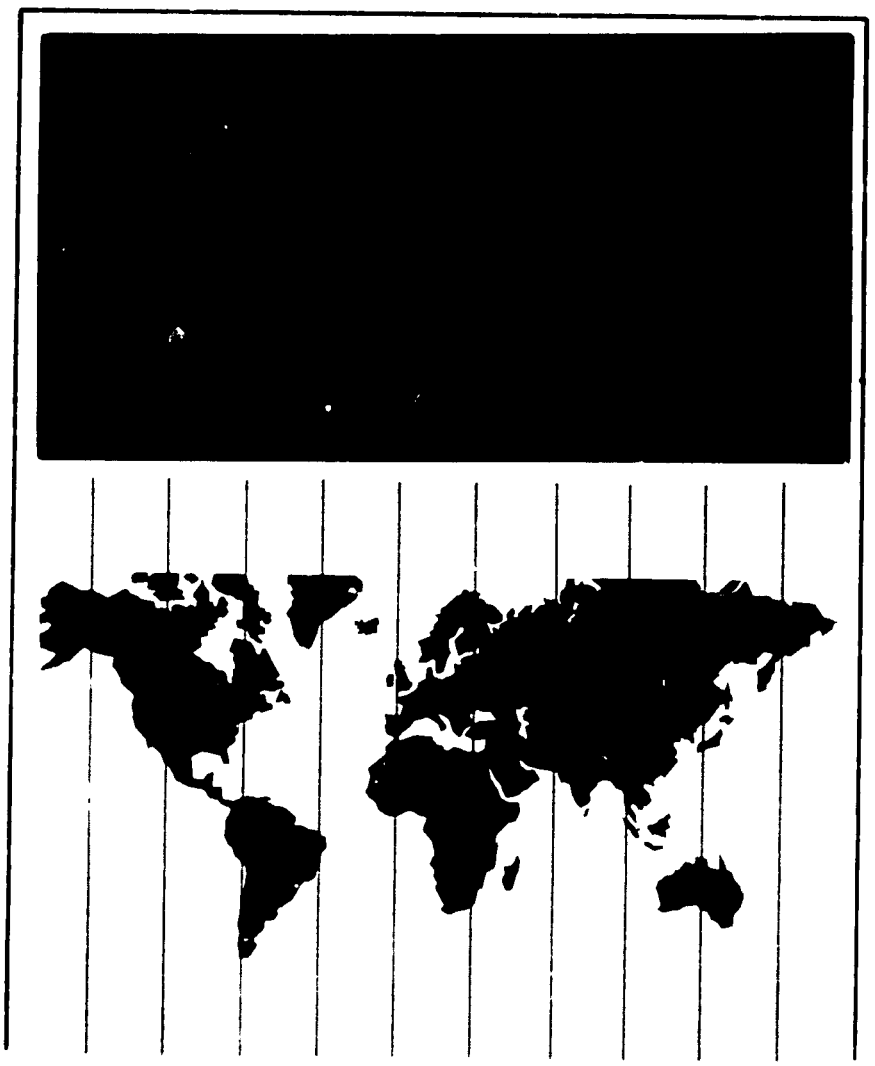
ISN 1681
PD-AAL070

UNITED STATES
AGENCY FOR INTERNATIONAL DEVELOPMENT

THE INSPECTOR GENERAL



Regional Inspector General for Audit
MANILA

PARTICIPANT TRAINING PROGRAM
USAID/Indonesia

Memorandum of Audit Report No. 2-497-82-10
May 21, 1982

OPTIONAL FORM NO. 10
MAY 1962 EDITION
GSA GEN. REG. NO. 27

UNITED STATES GOVERNMENT

Memorandum

TO : Mr. William F. Fuller, Director
USAID/Indonesia

DATE: May 21, 1982

FROM : Russel B. Aulik, RIG/A/Manila

SUBJECT: Memorandum of Audit Report No. 2-497-82-10
Participant Training Program, USAID/Indonesia

INTRODUCTION

The Regional Inspector General for Audit, Manila has audited the Indonesia Participant Training Program as of December 31, 1981. In essence the Participant Training Program operates effectively and returned participants work in the professional and organizational areas for which they were trained. However, there were potentially serious deficiencies in handling and accounting for program funds.

BACKGROUND AND AUDIT SCOPE

BACKGROUND

AID Handbook 10 defines AID participants as foreign nationals sponsored by AID to receive training outside their home countries. Training programs may be funded by AID loans or grants or in some cases, funded independently on a reimbursable basis by the government of a developing country. Management of a participant training program is the responsibility of either the Bureau for Science and Technology/ International Training (ST/IT), an AID Mission or a contractor of AID or of a host country. Foreign nationals traveling on invitational travel orders or financed under general support grants are not considered participants.

The word "participant" is a shortened title for "United States AID Participant" and denotes a "participant in development." AID participant training and the exchange visitor program of the United States International Communication Agency (USICA) complement each other and together are an important instrument of U.S. foreign policy. There are noteworthy differences:

1) AID participant training is part of development-related projects jointly approved by the host governments and the United States. USICA programs are not associated with development agreements.

2) AID participants are obligated to utilize their training by

working in the development activity when they return home. USICA programs encourage but do not require a utilization commitment.

As sponsors of foreign nationals to receive training under U.S. funding, AID and its training agents have a responsibility to maximize the sponsor-participant relationship to achieve success not only in meeting the training objective but also to assure that the Participant's overall training experience is positive and reflects credit on the United States.

Indonesia emerged as an independent nation in 1949; weak in the areas of governmental structures, trained manpower, and physical infrastructure. The period of 1949 through 1966 was devoted largely to nation building and ideological interests to the detriment of economic develoment. Consequently, Indonesia has just completed the first decade of solid economic growth in its history. The accomplishments of the past ten years, during which Indonesia was one of the fastest growing economies, have been impressive.

AID has provided training for 8,177 Indonesians over the past 30 years (Exhibit B). Many of today's leaders were educated in the United States. A follow-up study on returned academic participants trained under AID auspices between 1970 and 1977 notes 365 returned participants who hold significant positions within their respective Government of Indonesia (GOI) organizations. These included two cabinet ministers, 139 top ranking government officials; provincial officers related to development needs; officers for the Central Research Institute for Agriculture ; Development Technology Centers officers; University rectors; and 176 University deans and professors.

A USAID/Indonesia goal, in line with the objectives of the GOI, is to improve education for the poor majority and to increase the country's institutional capability to train the corps of technicians and managers needed to plan and implement the expanding national development program. AID concentrates on improving the quality and relevance of education in three areas where American expertise can be most useful: Innovative technology, Agricultural training and Leadership training.

At the beginning of the Second World War, only 300 Indonesians had graduated from colleges in the country. As late as 1975 fewer than three percent of all civil servants were university graduates. Because manpower constraints are considered a key obstacle to Indonesian development, virtually every USAID project has a training element. Training of participants has been in the U.S. and third countries mostly, though the return of qualified personnel from abroad and the growth of adequately staffed facilities in Indonesia will allow for greater in-country training.

SCOPE

This is the second audit of participant training activity in Indonesia.

The last audit conducted in 1976, noted no serious implementation problems, and found the program well managed. The current audit covered the period FY 77 through December 31, 1981. Audit objectives were to evaluate (1) the effectiveness of resource management by USAID/Indonesia (2) program implementation and accomplishments and (3) the participant follow-up system.

Our audit was performed in accordance with standards for governmental audits, and included a review of records, discussions with project officials and returned participants and such other auditing procedures as we considered necessary.

A draft of this report was presented to USAID/Indonesia for comment and those comments are incorporated in the report as appropriate.

AUDIT FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

Overstating of Unsubobligated Funds Available

USAID/Indonesia's quarterly Financial Status Report of Individual Active Projects, for the quarter ended December 31, 1981 reported $700,000 unsubobligated under Project 497-0248 funded by Loan 497-V-042-A. The actual amount available for subobligation under Project 0248 at December 31, 1981 was $56,000.

Loan 042 in the amount of $5 million was signed October 28, 1976. On February 22, 1978 a contract with Midwest Universities Consortium for International Activities (MUCIA) was signed for the full amount of the loan. AID/W and USAID/Indonesia subsequently discovered that sixty (60) PIO/P's (funding documents for participant trainees) in the amount of $644,056 had been charged to the Master Disbursing Account (MDA) in addition to the $5 million MUCIA contract thus creating a shortage in the MDA. On September 30, 1981 Loan 042-A in the amount of $700,000 was signed to provide funds to meet the shortfall in the MDA. Effective September 30, 1981 the Loan 042-A obligation was recorded on the new Miscellaneous Obligating Document (MOD) in the amount of $700,000. As of February 1982 the 042-A MOD continued to reflect the $700,000 as unsubobligated.

On December 28, 1981, $644,056 were posted as a disbursement to the MOD accounting record for Loan 042. The MOD for Loan 042 reflects $5 million obligated by Loan 042 and $5 million subobligated to MUCIA. Thus the December 28, 1981 posting of $644,056 as a disbursement to the MOD for Loan 042 is a posting of an expenditure unrelated to the MUCIA contract. As a result, the $5 million MOD for Loan 042 reflects $644,056 expended against an unrelated subobligation and the $700,000 MOD for Loan 042-A is reflected as fully unsubobligated and with no disbursements. To correctly reflect the status of subobligations and expenditures for Loans 042 and 042-A, the $644,056 needs to be applied against the $700,000 obligation established by Loan 042-A.

The status of obligations and disbursements as currently reflected offer a potential for oversubobligating of funds as the amount unsubobligated

is overstated by $644,056 for Loan 042-A and disbursements under Loan 042 are overstated by a like amount.

Recommendation No. 1

USAID Indonesia coordinate with AID/Washington the necessary steps to properly sub-obligate funds available under Loan 042-A, and properly charge disbursements to the appropriate loans.

Superfluous Sub-Obligation

On March 3, 1980, USAID/Indonesia (JAKARTA cable 3572) requested a direct reimbursement authorization (DRA) from AID/W in the amount of $119,000 to cover health insurance for participants under project 497-0261, funded by loan 497-049. In response to the USAID request, the AID/W Loan Services Branch approved DRA 497-V-049-04 on March 21, 1980 for $119,000. On April 7, 1980 USAID/Indonesia recorded the authorization in a memorandum of disbursement account,thus fully sub-obligating loan 497-049 to the $5,900,000 loan authorization.

Participants funded under project 497-0261 are managed by an AID contractor. AID Handbook 10, Chapter 23 requires the cost of participant health coverage to be paid by the contractor direct to the Office of Financial Management (FM) in AID/W. Under this criteria the sub-obligation authorized by DRA 497-V-049-04 in the amount of $119,000 for health insurance costs is superfluous and should be de-subobligated by cancellation of the DRA.

Recommendation No. 2

USAID/Indonesia de-subobligate the $119,000 sub-obligation for health insurance authorized by DRA 497-V-049-04 (project 0261) by cancellation of the DRA.

Financial Resources and Accounting System

The USAID/Indonesia Financial Status of Individual Active Projects as of December 31, 1981, identified thirty (30) projects with elements of participant funding totaling $56 millions of which $25 millions were expended at that date (Exhibit A).

From 1967 until 1976 virtually all USAID/Indonesia participant training was grant funded. In 1976, USAID/Indonesia initiated participant training funding with loan funds. As of December 31, 1981, with the exception of the grant funded population project (0270) and several small projects all participant training was loan funded.

In April 1975, the GOI agreed to assume responsibility for international travel costs. GOI budgetary support inputs, in addition to international

travel, are salaries of persons studying English in Indonesia and the continuation of salary support while participants are in training.

USAID/Indonesia and the GOI Cabinet Secretariat working together initiate all participant inputs. After a participant has met all requirements she/he becomes largely the responsibility of ST/IT in AID/W or an AID contractor for administrative in-training management and financial accounting.

In August of 1980, USAID/Indonesia was notified that the AID/W Office of Financial Management (FM) computerization of the Agency's participant training accounting system came on-line. AID/W utilizes computer data to advise USAID Missions on how much to budget in the process of reserving funds for participant training. For FY 81 USAIDs were advised to budget $1,600 per month for academic participants and $3,400 per month for technical participants and for FY 82 $1,850 and $3,900 per month respectively.

Upon departure of a participant for training in the United States or a third country, USAID/Indonesia transfers the funds obligated by the PIO/P to AID/W on a quarterly basis until the obligation is fully transferred. Upon completion of training AID/W/FM forwards a copy of the completed PIO/P to USAID/Indonesia and the obligation is adjusted to actual disbursement.

In AID/W, disbursements against USAID/Indonesia PIO/P's are authorized by ST/IT for institution matriculation costs, the participant monthly maintenance fees, health insurance and other support costs and AID contractor fee when applicable. All documentation in support of AID/W expenditures are maintained in AID/W.

From a universe of 877 PIO/P's issued in FY's 79, 80 and 81, a block of fifty (50) PIO/P's were reviewed for budgetary accuracy, required signatures and authorizations and recording in the USAID/Indonesia accounting system. No exceptions were noted.

Selection and Tracking of Participants

Participant nominations are initiated by a GOI Ministry or university faculty for funding under a discrete AID funded project. Nominations by initiating entities are forwarded, in writing, to USAID/Indonesia with a copy to the GOI Cabinet Secretariat.

Each nominee is tested for English language proficiency and must pass a medical examination. Upon passing the language and medical requirements each applicant must complete and submit a series of USAID required documents which include an application for participant training, bio-data and a questionnaire for U.S. Consular clearance. At this point, the PIO/P is prepared by the USAID/Indonesia training office and all documents are forwarded to the AID/W International Training (ST/IT)

Office and copies to a third country when third country training is involved. The USAID awaits the participant call forward from ST/IT or U.S. Embassy channels when third country training is involved.

The English language test log maintained by the USAID/Indonesia training division shows that during the period 10/10/81 through 12/9/81, 106 English language tests were administered with 49 or 46% of the aspiring participants passing. English language proficiency is a continuing major problem which has hindered some worthy individuals from being sponsored for training in the U.S. or other English speaking countries. This language deficit has also required that nearly all participants undertake intensive language training at the Lembaga Indonesia-Amerika or other language centers for one to six months with a consequent loss in on-the-job effort. Other than English language proficiency, no other significant deterent of those nominated for training was identified.

The USAID/Indonesia Training Division reports the following number of participants selected and sent for overseas training between 1951 and the end of FY 81:

Degree	Number of Participants
PhD	363
Masters	858
Non-Academic	6,956
	8,177

During the time a participant is in academic training AID requires the educational institution to provide quarterly or semester term reports of participant grades and advisor evaluations of progress. (Form AID 1380-69). A copy of the completed term report is forwarded to the sponsoring USAID by ST/IT. Prime responsibility for monitoring and support of participants while in training is with ST/IT or an AID contractor.

Training files for 169 of 777 participants who departed Indonesia between July 1976 and September 79 were reviewed and the participant follow-up data base was checked against this sample. No exceptions were noted.

Follow-on of Returned Participants

The USAID/Indonesia Training Division follow-on assistant prepares and maintains a file card with photograph of each participant. The card is alphabetically filed by surname and utilized for in-training monitoring and follow-on tracking of returned participants.

Returned participants are tracked by USAID/Indonesia with a combination of personal interviews conducted in person or by telephone and through a series of three questionnaires. The first questionnaire (9 pages) is prepared by the participant upon return to Indonesia. The participant is encouraged to share experiences, expectations and opinions in an effort

to improve future training policy and procedures. The second questionnaire (4 pages) is requested of a participant between six and nine months after return and emphasizes application of acquired skills on the job environment. A third and last questionnaire is requested of a participant three years after return as a means of noting professional progress since training. At the end of three years the systemic follow-on effort by the USAID/Indonesia is completed.

The file cards of 169 of 777 participants who departed between July 1976 and September 1979 were reviewed of which 167 participants had completed training and returned to Indonesia by December 31, 1981. A sample of 26 or 15% of the files card sample were selected and the individual file folders for those participants were reviewed. The sample files were reviewed for GOI Cabinet Secretariat approval, Consular approval and visa issuance, tracking of departure and return to Indonesia and organization position before and after training. We found the files to be complete.

We interviewed eleven (11) participants who had completed training. Completion of training for this group ranged on a time scale from 1969 to August 1981. All eleven experienced significant post training career advancement for the professional areas for which training was provided and expressed positive feelings of personal and professional gratification as a direct result of their training opportunities.

The USAID/Indonesia records report the cumulative number of participants who did not return from training abroad in all years is 31; a percent of non-returnees of less than 0.5%.

EXHIBIT A

USAID/INDONESIA
Participant Funding

Project No.	Project Title	Participant Training Obligated	Participant Training Accrued Expend 12/31/81
183	General Participant Trng*	$12061	$12052
188.1	Family Planning Asst.	2140	2137
189	Asst. to Agric.	890	886
198	Agric. Research	565	565
230	Health Research Dev.	94	94
236	Brackish Water Fish Prod.	85	70
246	Sumatra Regional Plan.	65	65
248	Higher Educ. Dev. Trng*	5700	4264
252	Sederhana Irrigation II*	4000	300
253	Program in Immunization	2040	0
261	Prof. Resources Dev.*	2850	221
263	Sumatra Agric. Research	815	0
266	Science & Tech*	125	39
267	Rural Electrification	240	143
268	Appropriate Low Cost Tech.	17	17
270	Family Planning Dev. & Serv.*	2296	1527
273	Health Trng, R&D	112	59
275	Prof. Resources Dev. III*	3074	63
276	Prov. Area Dev. Prog. II	596	336
280	Self Learning System	245	23
281	Citanduy River Basin Dev. II	1000	36
285	Rural Works II	1100	372
286	Small Scale Fisheries	636	28
290	Graduate Agric. School	934	304
293	Eastern Is. Agric. Educ.*	2000	546
296	Educ. Comm. Dev.	3125	465
297	Western Univ. Agr. Ed.	5950	420
300	Energy Manpower Trng	250	18
302	Applied Agric. Research	923	12
325	Health Improv.Program	1920	0
	Total	$55848	$25062

*- Projects selected for detail review of resources management by USAID/Indonesia and program accomplishments.

EXHIBIT B

USAID/Indonesia

USAID/I PARTICIPANTS SENT FOR OVERSEAS TRAINING
1951 - FY/81

	MALE	FEMALE	TOTAL
PhD	336	27	363
MS	752	106	858
Non-Academic	6401	555	6956
	7489	688	8177

REPORT RECIPIENT

USAID/Indonesia	
Director	5
AID/W	
Deputy Administrator	1
Bureau for Asia:	
Assistant Administrator	1
Deputy Assistant Administrator (Audit Liaison Officer)	1
Office of Indonesia and South Pacific/ ASEAN Affairs (ASIA/ISPA)	1
Bureau for Science & Technology:	
Office of Development Information & Utilization (S&T/Mgt)	4
Directorate for Program & Management Services:	
Office of Contract Management (M/SER/CM)	3
Office of the Inspector General:	
Inspector General (IG)	1
Executive Management Staff (IG/EMS)	12
Policy, Plans & Program (IG/PPP)	1
Office of Legislative Affairs (LEG)	1
Office of Financial Management (OFM)	1
Office of the General Counsel (GC)	1
OTHERS	
Inspector Generals:	
RIG/A/Washington	1
RIG/A/Nairobi (Africa East)	1
RIG/A/Abidjan (West Africa)	1
RIG/A/Cairo (Egypt)	1
RIG/A/Karachi (Near East)	1
RIG/A/Latin America	1
RIG/II/Manila	1