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**STRENGTHENING GRANTS PROGRAM--
NEED FOR BETTER AID DIRECTION TO
PARTICIPATING UNIVERSITIES**

AUDIT REPORT NO. 85-06

November 29, 1984

After 5 years and a combined investment of \$45 million by AID and the university community, AID has not determined its short-term and long-term needs and how it will use the universities in its programs. Because of this, doubts exist as to whether the program can achieve all of the objectives of the Title XII legislation of strengthening participating universities and forging an effective partnership with AID in its program activities. Further, AID needs to do a much better job in directing the financial aspects of the program to avoid expenditures for questionable activities and ineligible costs.

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EXECUTIVE SUMMARY

The Strengthening Grants Program was authorized under Title XII of the Foreign Assistance Act of 1961, as amended. Under the program, AID, acting on recommendations of the Board for International Food and Agricultural Development, (BIFAD) awarded 56 grants to eligible universities for the purposes of developing and sustaining the capabilities of those universities to assist AID in solving the world's food problems. AID and the university community have a combined investment of about \$45 million in the program.

The purpose of this review was to assess whether the program is meeting its objectives, and the adequacy of internal controls over program funds. It is based on an independent examination of seven of the fifty-six participating universities, a review of three evaluations performed under the auspices of BIFAD, and an examination of AID headquarters administrative controls over program activities.

We concluded that management of the program has not been sufficiently focused. As a result, a significant part of the \$25 million funded by AID and the \$20 million allocated by universities may not lead to meeting the objectives of the Act or assisting AID in meeting its objectives. We also concluded that controls over program funds were weak and needed improvement.

The specific conditions noted during our review that needed to be better addressed by AID are summarized below and discussed in greater detail in the body of the report.

UNIVERSITY ACTIVITIES TOO DIVERSE AND NOT SPECIFICALLY RELATED TO AID'S NEEDS

Vague Grant Conditions

Grant agreements did not specify AID's needs and the activities universities should undertake to meet those needs.

Activities Not Related to AID Needs

Many of the activities undertaken were not related to specific Title XII objectives. For example, AID grant funds were used for (i) language training, (ii) student assistantships or thesis research, (iii) international travel, and (iv) general academic subjects and administration. Some of these activities may have improved overall international capabilities, but many did little to strengthen universities to better participate in AID projects.

o Language Training

About \$280,000 or 10 percent of the AID grant funds for the seven universities we examined were used for language training.

-- few faculty went beyond the introductory level.

-- 16 faculty and staff spent two weeks in a French speaking Caribbean country at a cost of \$48,000 ostensibly to learn to speak French. A subsequent evaluation showed that meaningful results were not achieved.

o Graduate Student Research

Five of the seven universities reviewed used the grant to fund graduate students' assistantships or thesis research. We could not determine that any benefits accrued to AID from the research.

o International Travel

About \$200,000 or 7 percent of AID grant funds were used by the seven universities for international travel in order to provide a base for a transfer of knowledge and establish linkages. We found little evidence to indicate this occurred.

o General Academic and Administrative

The seven universities reviewed spent about \$3.1 million of the \$5.1 million funds we examined on general academic and on administrative activities. We could not relate many of these activities to the purposes for which the funds were provided.

o Geographic Areas

Very little university activity was undertaken in Africa although it was one of AID's two areas of primary interest. AID funds were used, however, for faculty time devoted to non-AID countries such as Japan, Mexico and China. AID funds were also used to pay for travel to these countries.

o Universities Have Not Increased AID Work

One of the program objectives was to use the developed skills of universities in AID's programs. Of the seven

universities reviewed only one showed a measurable increase in AID work. This university obtained its first contract with AID during the fourth year in the program.

o Memorandums of Understanding (MOUs) Should Reflect AID's Needs

Six MOUs awarded to date involve \$1 million of AID funds but are not directed to specific future AID needs.

To improve management of this program we recommended that a specific demand analysis be made of AID needs and used as a basis for entering into grant agreements and Memorandums of Understanding. (See page 10)

AID NEEDS TO IMPROVE ITS OVERSIGHT OF GRANTEES' PERFORMANCE

Improved monitoring by AID, through reviews of grantee reports, site visits, and more comprehensive evaluations is needed to ensure program objectives are met and grant funds are not misused.

- o Annual reports prepared by universities showing use of funds and accomplishments were not reviewed or evaluated in depth, and in at least two instances were not even submitted.
- o No site visits were made to review grant activities at any university during the 5-year life of the program.
- o Three evaluations were performed by AID and BIFAD. However, the evaluations were limited to annual reports, AID files, and telephone communications with the universities.

AID Needs to Ensure Universities Comply with Grant Terms

- o Matching contributions were almost entirely in the form of faculty and staff salaries. The activities of these faculty and staff were very general and often could not be related to program objectives.
- o One university reported about \$500,000 as a matching contribution. About \$250,000 of this amount was either unrelated to Title XII objectives or was not supported by the accounting records.

Inadequate Controls over Grant Funds

- o Grant agreements did not include budgets, accordingly an effective tool for management control was absent.

- o The AID project office did not review the universities fiscal reports or other financial information maintained by the AID Controller.
- o The AID project office also did not review and approve vouchers and supporting documentation submitted by universities. Accordingly, there were no assurances that payments were only for authorized objectives.

We made seven recommendations specifically designed to improve AID's management, monitoring, and review of the Strengthening Grants Program. (See pages 12, 13, 16, 17, 18, and 19)

We provided copies of our draft report to the Bureau for Science and Technology and the BIFAD staff. We discussed the report with these officials and obtained written comments. Management provided many useful suggestions, and we revised the report where we considered it appropriate to do so. The Bureau for Science and Technology and BIFAD agreed with the report recommendations except for numbers 3 and 5.

Management comments followed by audit responses are presented below.

MANAGEMENT COMMENTS

Both the Bureau for Science and Technology and BIFAD indicated basic disagreement with our assessment of program direction over the first five years. Management stated the report reflected some incorrect assumptions about the objectives of the initial years of the program and therefore was based on inappropriate criteria for evaluating its effectiveness. They strongly stressed that the Strengthening Grants Program was purposely designed to be largely self-managed by participating universities. In their view, universities were in the best position to identify their own interests, strengths, and weaknesses, and to develop ways to make their skills available to AID. Also, the early years were meant to enable universities to explore their possible roles in AID programs.

AUDIT RESPONSE

Our review clearly showed that strong program management by AID, particularly in the formative years of the program was critical. In its absence, the benefits from program expenditures were not realized to the extent they could have been and the program suffered. Five years is too long and \$45 million is too large an expenditure for the program to drift without a clear focus on the mutual interests of AID and participating universities. A clear understanding of AID's needs in international agricultural development was required early in the program for the university community to respond to those needs.

MANAGEMENT COMMENTS

Management also expressed concern over the report statements that questioned the relevance of many of the universities' activities. They said the purpose of the program was to develop the capabilities of universities to conduct AID-funded development programs. This capability included developing not only individual faculty members, but also each administration level of the universities.

AUDIT RESPONSE

Under the self-management concept which guided the program virtually any activity could be construed as a strengthening activity. Relevant activities, however, should be those that demonstrably help achieve the objectives of the governing legislation. We could not make this determination on many activities. We believe it was incumbent on AID to have identified its needs, worked with the universities to structure activities responsive to those needs, and helped direct those skills toward AID-supported projects.

MANAGEMENT COMMENTS

Concerning our recommendation on site visits to university campuses (Recommendation 3), management stated that visits would be made only if problems were found during annual reviews of program activities which would be held in Washington.

AUDIT RESPONSE

Site visits should be an integral part of AID's management control system and should be made in a systematic way. Such visits provide AID program managers the opportunity to observe what is happening on university campuses, demonstrate the agency's interest in the program, and address problems in a more timely manner.

MANAGEMENT COMMENTS

On ensuring that universities receive appropriate technical guidance on acceptable matching activities and related costs (Recommendation 5), management said that existing guidance was adequate.

AUDIT RESPONSE

Each of the five universities we examined with matching grants had problems complying with the terms and conditions of the grants. Matching requirements are a vital program element, and

more specific and detailed guidance by AID is needed on what is expected of universities. BIFAD agreed that clearer guidelines are needed.

MANAGEMENT COMMENTS

Finally, management questioned the validity of the report conclusions in view of the fact that only seven of the fifty-six universities in the program were examined.

AUDIT RESPONSE

The audit scope provided an adequate basis for the conclusions expressed. The conclusions related to systemic weaknesses in the program, i.e. the need to identify AID demands and related university activities, and better monitoring of program activities. Although the examination covered on-site reviews of seven universities, it also included extensive discussions with AID and BIFAD headquarters officials. Moreover, we considered three evaluations of the program made by evaluation teams during the last three years. These evaluations included activities of many universities in the program and reached many of the same conclusions we did concerning the management system in place.

The comments received from the Bureau for Science and Technology and BIFAD are included as Appendices 3 and 4, respectively.

BACKGROUND

In December 1975, the Congress enacted Title XII Famine Prevention and Freedom From Hunger amendment, adding sections 296-300 of the Foreign Assistance Act of 1961. With this legislation, the Congress indicated that through improved participation in planning and implementing food, nutritional, and agricultural development programs, U.S. land-grant and other eligible universities could be significant motivating forces for alleviating hunger and malnutrition in developing countries.

The Congress based this premise, in part, on the acknowledged success of the land-grant university system in the United States, on the vast technological knowledge that it possesses, and on the demonstrated ability of such universities to provide agricultural assistance to the developing world. The idea was to more effectively involve U.S. universities with AID as partners in agricultural development in the developing world.

Legislation

Congress declared that to the maximum extent practicable, activities under Title XII shall--

- (1) be directly related to the food and agricultural needs of developing countries;
- (2) be carried out within the developing countries;
- (3) be adapted to local circumstances;
- (4) provide for the most effective interrelationship between research, education, and extension in promoting agricultural development in developing countries and;
- (5) emphasize the improvement of local systems for delivering the best available knowledge to the small farmers of such countries.

While Title XII provides no specific funding authorization to carry out its objectives, it does authorize the use of any funds made available under Section 103, the Foreign Assistance Act for agriculture, rural development, and nutrition purposes.

A Board for International Food and Agricultural Development (BIFAD) consisting of a seven-member board, a support staff, and a subordinate committee called the Joint Committee on Agricultural Research and Development, was established in AID to assist in administering Title XII activities. BIFAD participates in formulating policy, defining problems, and carrying out the planning, design, implementation, and evaluation of AID

food and agricultural development activities. Its primary responsibility is to facilitate AID and U.S. university efforts to forge a "partnership" relationship to fight world food problems.

Strengthening Grants Program

To address the Congressionally authorized activity of strengthening the capabilities of U.S. universities in teaching, research, and extension work to implement programs developed under Title XII auspices, BIFAD recommended and AID established the Strengthening Grants Program.

The program was designed to attract a wide range of universities, including those with little or no experience with AID, to fill a perceived supply gap of faculty with interest and experience in international programs. The program was intended to increase the capacity and commitment of universities to the implementation, under other funding arrangements, of AID's developmental assistance programs.

BIFAD and AID created two types of grants. "Matching grants" were provided to ensure university commitment to the program. The university was to match AID's contribution on a dollar for dollar basis. "Non-matching grants" were intended to involve minority institutions to a greater extent in AID programs and to satisfy U.S. Government policy objectives on affirmative action.

The matching grants were to result in a joint commitment by universities, BIFAD and AID to a continuous program and funding which integrated the various on-campus and off-campus resources and skills for international agricultural development activities. The non-matching grants were to make it possible for minority institutions to eventually become participants in matching grants.

As of December 1983, BIFAD had received 70 grant applications from 80 eligible universities and had recommended awarding 57 grants. AID awarded 56 grants--47 matching and 9 non-matching. Fifteen applications were still in process. AID had obligated about \$25 million for these grants and the matching universities had committed at least \$20 million in non-Federal funds toward their grant programs. Appendix 1 lists the university grants awarded.

Program management and administration was the responsibility of the Office of Research and University Relations in the Bureau for Science and Technology. This office was responsible for ensuring that the program was meeting AID objectives and general administration of the program and grants.

OBJECTIVES, SCOPE AND METHODOLOGY

The purpose of our review was to assess whether the Strengthening Grants Program was meeting Title XII objectives and if AID and the universities were exercising adequate financial control over program funds. Our review focused on AID's ability to use the universities capabilities in relation to AID's needs, and discusses improvements needed in monitoring and evaluation, and internal controls.

We performed the work at AID headquarters, BIFAD offices, and at seven of the fifty-six universities in the program between January and September 1984. At AID headquarters, we reviewed grant files and records and interviewed project officials in the Office of Research and University Relations, the Office of Contract Management, and the Office of Financial Management. At the BIFAD office, we interviewed senior officials, reviewed program documents, and obtained various evaluations and studies.

At each of the seven universities, we reviewed grant files and records, interviewed various university faculty and staff. The universities were selected on the basis of size and type of grant received. One university was awarded both a matching and a non-matching grant. The eight grants reviewed accounted for about 15 percent of the value of the grants awarded.

We did not make a financial compliance audit of the university grants. We contacted the staff of the Inspector General, Department of Health and Human Services, the cognizant audit agency, to discuss obtaining such audits in the future. We reviewed selected transactions at the universities to determine whether these were directed towards grant objectives and if internal controls were in place.

We provided a draft of this report to Bureau for Science and Technology and BIFAD officials. We discussed the report with these officials and obtained formal comments.

This is the first audit by us of the program. In 1981, the General Accounting Office (GAO) wrote "AID and Universities Have Yet To Forge An Effective Partnership To Combat World Food Problems" (ID-82-3, October 16, 1981), which covered the entire Title XII program. We considered GAO's views in preparing our report.

Our review was conducted in accordance with the Comptroller General's Standards for Audit of Governmental Organizations, Programs, Activities and Functions.

AUDIT FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

UNIVERSITY ACTIVITIES TOO DIVERSE AND NOT SPECIFICALLY RELATED TO AID'S NEEDS

The Strengthening Grants Program was intended to enhance and maintain university capabilities in technical and agricultural areas needed by AID to improve conditions in lesser developed countries. Between 1979 and 1983 AID spent about \$25 million and the universities allocated over \$20 million to this program. A 1984 evaluation of the 47 matching grants recipients found that the program at these universities had achieved positive results, including an increased awareness, interest, commitment, and availability of a substantial number of faculty for Title XII program activities.

Activities undertaken by the seven universities we examined spanned a broad range of interests. These activities, however, were not always related to specific AID needs and resulted in Federal funds being expended for activities that are of doubtful utility to AID in its programs.

In addition, based on their past program activities, seven other universities in 1984 were recommended for no further participation in this program until the universities corrected certain weaknesses. The activities of these universities, which cost about \$2.8 million in AID grant funds and \$2.8 million in university funds, therefore, may be of no direct benefit to AID unless AID and BIFAD find ways to involve them in AID projects.

These conditions occurred because AID did not (i) establish clear grant conditions, (ii) identify its specific technical, geographical, and manpower needs for the universities to address in their strengthening activities, (iii) link the program to ongoing development projects to use the capabilities of universities' strengthening activities, and (iv) effectively monitor grant activities.

To better direct the program, AID is entering into Memorandums of Understanding with selected universities. These agreements are intended to ensure more specific geographic and technical expertise is provided. While this is a step in the right direction, the past problems must be recognized and corrective measures applied to the Memorandum of Understanding evolution if the program is to realize its objectives. BIFAD evaluators proposed that AID develop a demand profile of its needs to provide a more definitive basis for university relationships. We believe this is a sound idea and made a similar recommendation in this report.

Vague Grant Conditions

The guidelines for submitting strengthening grant proposals required that proposed activities be clearly related to Title XII objectives and illustrate the extent and coordination of each university's commitment. The grants were to be largely self-managed in that AID and BIFAD desired to give flexibility to the universities in allowing them to determine the various program elements. Grant agreements, therefore, lacked specificity in terms of AID's needs and the universities activities in response to those needs.

Essentially, universities were expected to determine their areas of relative strengths and weaknesses and those areas in which they intended to participate in AID's developmental activities. The universities reviewed had not analyzed AID's requirements before applying for grants, nor made studies of their relative strengths or weaknesses. Various organizations on campus--usually the Agriculture Department--proposed certain activities such as research, international travel or language training. The university then approved and budgeted for the activity.

University activities covered a wide range of interests. One university had over 50 separate activities in one year ranging from research in agriculture to seminars on cultural orientation. University activities included language training, graduate student research, international travel, and general academic matters. Exhibit 1 provides a subject matter profile of the seven universities we examined.

AID and BIFAD officials stressed that the selection of activities undertaken was left up to each university to allow for maximum initiative and creativity. It was felt that each university was best able to identify its interest and strengths, to develop ways to make these available to AID and at the same time integrate this international dimension into the university's domestic programs. These officials felt that they should not dictate specific activities to the universities.

These policies explain the wide range of activities undertaken by universities and the reason for not developing more oversight by AID and BIFAD.

Some Activities Were of Questionable Benefit to AID

We were able to relate about \$2.0 million, or 39 percent, of the \$5.1 million in program expenditures we examined directly to the specific purposes cited in the Title XII legislation for strengthening activities. For example, expenditures for linkages with lesser developed country institutions were directly relatable to Improving Host Country Institutional Capabilities. Nevertheless, some of these expenditures for activities such as language training, graduate student research, and international travel were of questionable benefit to AID.

Additionally, university activities often involved geographic areas of the world where AID has limited programmatic interests.

Language Training

About \$280,000 or about 10 percent of the AID grant funds for the seven universities we examined, were used for language training. Each of the seven universities provided French language training, four universities provided Spanish. One university provided Chinese language training, a language for which AID has no immediate need. Language training should result in a pool of faculty ready to meet AID's needs. Few faculty, however, advanced beyond the introductory level. According to university officials, most faculty and staff enrolled in the language programs stopped participating when they were not assigned to AID projects that required the language competency.

One institution attempted to upgrade its French capability through an immersion course. This institution asked AID to approve two weeks of travel for a group of 16 faculty and staff to a French speaking Caribbean country. The immersion course cost about \$48,000. Of the 16 persons involved, few actually advanced to an intermediate level. An evaluation of the program explained that the immersion period--two weeks--was too short to provide meaningful results.

Graduate Student Research

Five of the seven universities reviewed used their grant funds for graduate students' assistantships or thesis research. BIFAD and AID supported such use of grant funds when the primary purpose of the research was to increase faculty understanding of a specific country, commodity or problem. AID, however, did not provide universities with relevant research priorities, nor did AID have the opportunity to comment on the purpose of the research before it was undertaken. Furthermore, it did not receive the results of the research upon completion.

One university funded graduate student research in agriculture related areas during all four years of the program. The graduate students used the results of their work for thesis dissertations. University officials could not provide us with specifics on how these activities could be used by AID except in the general sense that more information was available on the subject. While this university had spent about \$14,000, or about only 4 percent of its AID funds for this activity over a 3-year period, it intended to spend about \$20,000, or 16 percent, in the first year of its new grant for graduate student research.

International Travel

Several universities used the grants to travel to and consult with foreign institutions such as agricultural universities and

development agencies. About \$200,000, or about 7 percent of the AID grant funds to these universities were used for linkage and visits. The indicated objective was to provide a base for the transfer of knowledge between the parties. Although these universities made preliminary inquiries directed to establishing formal and informal linkages with foreign institutions, some of the travel and consultation was devoted to identifying future non-AID projects and contracts. University representatives indicated university funds could not be used for international travel. Thus, the AID grant provided the means to explore linkages and establish long-term relationships.

Only one of the seven universities had actually entered into a new linkage agreement. None of the universities had fully implemented an agreement or jointly exchanged faculty on research projects. Coordination between the U.S. university, the foreign institution and AID Missions seem necessary to make these activities meaningful. There was, however, no indication that the AID Missions were actively involved in coordinating these efforts.

Geographic Areas

According to S&T and BIFAD officials, Africa and Latin America were the two primary geographic areas of AID's needs. Six of the seven universities reviewed identified these areas as the focus of their grant activities. Nevertheless, these universities carried out most of their activities in recent years only in Latin America. Furthermore, some universities charged costs incurred for faculty time devoted in non-AID countries such as Japan, Mexico and China, including expenses incidental to their travel to these countries.

AID's concern about geographic focus was communicated to the universities at annual Title XII meetings, but AID did not direct individual universities to provide greater attention to Africa in their activities. Thus, in providing maximum flexibility to the universities, AID missed the opportunity to direct those universities into known areas of need.

Other Activities May Have Only Indirectly Benefited AID

The remaining \$3.1 million, or 61 percent, of the \$5.1 million we examined was expended for activities that may have only indirectly contributed to achieving program objectives. These activities included administrative support, institutional programs and teaching, and other general support activities. AID undoubtedly derived some limited benefits from these activities, but their general nature precluded directly relating them to the objectives of Title XII.

About \$1.6 million of the \$3.1 million was expended for administrative support costs. Although AID placed no actual limits on such costs, BIFAD evaluators indicated that charges up

to 30 percent of program funds could be warranted. We found that the administrative charges for five of the seven universities we examined were exceeding 30 percent of expenditures by about \$479,000. The five universities included two larger well established institutions, as well as three smaller institutions getting better established in international activities.

Some of the administrative costs bore no relationship to program objectives. For example;

- Salaries paid for general administration personnel, including admission registrars and student counselors handling general affairs of international students.
- Time spent by university vice-presidents, college deans, and directors in routine policy making and administrative activities related to ordinary school operations.
- Administrative and clerical services not identified with specific grant objectives.

BIFAD disagreed with our view that these activities were not related to program objectives. BIFAD stated that relevant activities included those that enhanced the technical and professional capabilities of individual faculty members as well as those that increased the ability of each university's administration to understand and support AID programs.

We do not agree that using program funds for general academic and administrative support activities is appropriate. In any event, funding such activities results in fewer grant funds being available for strengthening activities of a more direct nature such as agricultural research.

The Absence of Increased AID Work Jeopardizes Relationships

Title XII proposed that universities would strengthen themselves and AID would be able to utilize these capabilities. The universities we reviewed believed that strengthening grants would evolve into other contracts and grants with AID. Participation in the program generally did not lead to future AID business or even to additional AID business. Four of the seven universities reviewed already had other contracts and grants with AID. We found no measurable increase in their AID business as a result of program participation. Of the other three, one institution succeeded in obtaining its first contract with AID during the fourth year of the program. Two other institutions were interested and attempting to secure contracts or grants, but had not been successful.

After four years of the program, several university officials questioned whether AID was seriously considering integrating them into its work. Generally, the smaller institutions were having difficulty in securing AID contracts, but officials at

the larger institutions also expressed frustration with securing AID business.

Identifying AID's needs for university participation in development work is the key to directing strengthening activities. Just as important is finding a way to utilize these strengths. AID and BIFAD have a system that identifies potential projects to be implemented by interested universities and a registry that contains the capabilities of various universities. AID, however, has preferred to rely on the competitive process for deciding which universities get its development business. Under these circumstances recoument of the \$45 million investment in the program is essentially left up to the universities.

AID and BIFAD need to develop specific mechanisms for linking actual project needs with universities in the program.

Memorandums of Understanding Evolving Without Knowing AID'S Needs

In 1983, a BIFAD initiated study on "Matching Title XII University Resources with AID Project Requirements". The study pointed out, in part, that the Strengthening Grants Program was not fully attuned to AID's priorities. The study provided various insights into why this was the case, but more importantly it stated that AID may need to formally estimate its quantitative and qualitative requirements for the next ten years and then approach the universities to meet its needs. Notwithstanding the study, in 1983 and 1984 AID entered into six Memorandums of Understanding (MOU) totaling about \$1 million with selected universities, again, without defining its demands and needs.

MOUs are the next steps in the evolution of the Strengthening Grants Program. These agreements are supposed to be a more focused approach to linking AID's long term needs to the capabilities and interests of selected universities. An accompanying program support grant provides financial support from AID in developing a manpower base at a university, which agrees to make this base available over the long-term to AID. The MOUs presently in force may not provide AID what it needs for effectively achieving program implementation objectives. Procedures for awarding MOUs were not fully developed until May 1984, which is after the six MOUs were awarded. These procedures require a university to (1) have met the objectives of the Strengthening Grants Program and (2) have passed a rigorous peer review. Five of the six MOUs, however, were awarded based upon an internal review of universities having substantial business with AID over five years in areas of AID's anticipated future needs. The manpower and geographic requirements of the agreements were based on the level of past business and geographic interest the universities had with AID.

Thus, MOUs and the program support grants give little assurance that the capabilities developed under the previous grant program are in line with future AID needs. The MOUs and the grants establish another framework for the universities and AID to work under -- but they do not align activities with specific AID needs.

After reviewing 47 matching grant recipients, a BIFAD evaluation team in 1984 recommended that AID develop and maintain a five-year demand profile and universities develop and maintain a five-year plan or supply profile. The evaluators indicated that coordination of these two profiles should result in a closer match of AID's needs and universities' capabilities. Such profiles also would provide a more definitive basis for MOUs.

To ensure that university activities address AID needs, AID needs to identify its short- and long-term needs by subject, geographic area and any special requirements. Accordingly, we recommend that:

Recommendation No. 1

The Senior Assistant Administrator, Bureau for Science and Technology, in coordination with BIFAD and AID's geographic bureaus, make a demand analysis of AID's short- and long-term needs for university participation, which identifies the subjects, geographic focus and special requirements. This demand analysis should be used as the basis for awarding any further grants, entering into Memorandums of Understanding, and establishing other appropriate contractual relationships that link the capabilities of universities with AID's needs.

AID NEEDS TO IMPROVE ITS OVERSIGHT OF GRANTEE'S PERFORMANCE

Improved monitoring by AID, through reviews of grantee reports, site visits, and more comprehensive evaluations is needed to ensure this program makes a meaningful contribution to AID's objectives in meeting the needs of lesser developed countries. Better monitoring is also necessary to avoid future expenditures for questionable activities and related costs.

Internal Controls

As discussed in the following sub-sections, an effective management control environment was not established and implemented concerning program activities. As a result, the program was vulnerable to inefficient accomplishment of program objectives and uneconomical uses of grant funds.

AID Handbook 3-Project Assistance, provides that the Project Officer is responsible for monitoring the performance of the grantee in order to facilitate attainment of project objectives and to safeguard AID's interests and investment. Under the Strengthening Grants Program, this responsibility was assigned to S&T's Office of Research and University Relations.

Reviews of Grantee Reports

Each strengthening grant agreement required the university to submit an annual report. These reports were to provide descriptions of how the funds were used, cumulative expenditure data, and comparative data on planned versus actual activities. The Project Officer could then use these reports to determine the university's compliance with, or justifiable deviations from, agreed upon work plans, ascertain progress toward grant objectives, and determine the basis for making additional yearly funding increments.

During the first two years of the program, annual reports were reviewed by the Project Officer. In subsequent years, however, due to limited staff availability there was, at best, minimal review of these reports. In fact, two of the universities we reviewed did not even submit their annual reports for 1983.

S&T's project office consisted of an average of two to four persons for administering the 56 different strengthening grants. These persons had other responsibilities. According to the project officer, the total time available for administering the strengthening grants among the three persons assigned in 1983 was about one-person year, of which two-thirds was spent on processing the funding actions and overseas travel requests portion of the program.

Had the annual reports been received and reviewed, problems could have been identified and corrected. We found numerous instances of deficiencies in the annual reports which continued for several years without being corrected. For example, of the eight grants reviewed, none of the annual reports provided a cumulative accounting of grant funds and some reports did not show the use of matching funds. Few reports commented on planned versus actual accomplishments. Often the reports listed only estimated or budgeted expenditures for the period instead of actual.

The project office needs to establish a report review system which provides comments to each grantee on the quality and completeness of each annual report. The review process should allow for Project Officers to know whether a report is overdue, meets the minimum standards for reporting, was reviewed, and if remedial action is in process.

We recommend that

Recommendation No. 2

The Office of Research and University Relations, S&T, establish a grantee report review system which will identify reports past due, acceptance or rejection of reports, and a tracking system on remedial actions to be taken.

Site Visits

The site visit by the project officer is a significant aspect of grant oversight. However, no site visits were made to any universities during the 5 year life of the program.

Annual Regional Title XII meetings were held at three locations. These meetings covered actions under the Strengthening Grants Program as well as other Title XII program activities within AID. These meetings provided a means for communicating on the direction of the program, but they were not an adequate substitute for onsite visits.

From our discussions with university officials about the program, it was apparent that site visits by AID program officials were needed. For example, we were often asked if a particular strengthening activity was acceptable to AID. Often, university officials asked for AID's view of their program activities and the possibilities for securing AID projects. Compliance problems also were mentioned, such as reporting, acceptable activities, and approval of international travel. These areas of concern by the universities could have been clarified during site visits by project officials.

Annual evaluations and periodic site visits are proposed under the Memorandum of Understanding and program support grant procedures. While the first annual reviews were delayed, the periodic visit should allow for improved monitoring.

We recommend that

Recommendation No. 3

The Office of Research and University Relations, S&T establish and carry out a plan for periodic visits to each university in the program.

Evaluations

AID policy and the program guidelines require that programs be evaluated periodically and the grant agreements specify that AID or BIFAD representatives will conduct the evaluations.

Although, AID and BIFAD conducted the required evaluations, the reviews could have been more useful had they focused on actual activities at the university level.

The first AID evaluation in December 1981 was a fairly comprehensive analysis of the universities' activities. It identified several areas for improvement, such as the need for better guidelines for annual reports and programmatic adjustments in geographic and subject area focus. However, the scope of this evaluation was limited to annual reports, AID files and telephone communications with the universities.

The second AID program evaluation in June 1982 described where the program should be versus where it actually was. As with the first evaluation, the scope was limited to a review of annual reports and AID files. Most of the findings paralleled those of the first evaluation.

While these evaluations provided data on the program, they did not focus on what actually was being achieved to meet program objectives. The primary source for the evaluations were annual reports which generalized activities, over reported actions, did not comment on some activities, and were often little more than attempts by universities to "sell" their programs to AID. Since the reports did not compare planned actions with actual, the evaluations could not confirm progress toward meeting targets. Also, the evaluators' views and data were restricted because they did not make site visits.

The third evaluation under BIFAD's direction was in process at the time we completed our review. During this evaluation, BIFAD evaluators recommended that seven universities not be continued in the program. These universities had received about \$2.8 million in AID funds which they were to match in full. Therefore, the investment of about \$5.6 million in these universities' program stands to be lost unless AID and BIFAD find ways to involve them in AID projects.

Recommendation No. 4

The Office of Research and University Relations, S&T issue program evaluation guidelines which focus on actual activities at the university level, as a means of measuring how well program objectives are being achieved.

AID Needs to Ensure Universities Comply with Grant Terms

In several instances universities we examined had not complied with terms and conditions of their grant agreements. As a result, AID does not have reasonable assurance that AID funds are adequately matched and that regulations are followed.

Universities Need to Follow Matching Requirements

Activities that universities attributed to matching funds and how they documented their matching expenditures did not follow the program requirements. These problems raise compliance issues which, had AID adequately monitored the grants, would probably have led to cost disallowances. In either case they have adversely affected the accomplishment of grant objectives.

Under the 47 matching grant agreements, each participating university was required to expend non-Federal funds for eligible strengthening activities in an amount at least equal to the amount expended from AID grant funds. The strengthening activities to be funded from the AID and matching funds were defined as those demonstrably related to fields of food, nutrition and agriculture, as stipulated under the Title XII legislation. The grant agreements further provided that only expenditures for direct program costs could be attributed as matching amounts, and that the matching contributions were to be verifiable from the institutions' accounting records.

The six matching grants we reviewed totaled \$4.6 million. Many activities attributed by the universities to the matching funds were not clearly related to Title XII objectives, or were ineligible in fulfilling matching requirements. The matching \$2.6 million in university contributions were almost entirely in the form of salaries of their faculty and staff; however, the time and effort devoted by faculty and staff was so general and broad as to cast doubt upon their relevance to program objectives.

The apparent difficulty in finding adequate sources of non-Federal funds which could be directly applied to the grant program was a factor responsible for this condition. For example, the respective State's appropriations were limited in amounts and were basically intended for domestic programs. Other funds from non-Federal organizations also were generally restricted in their use and purpose. Since many universities, particularly the smaller institutions, did not have large faculty resources which could be devoted to the Strengthening Grants Program, these institutions were in the position of stretching their matching activities to include those which at best were only indirectly related to grant objectives.

Lack of Adequate Documentation to Support Matching Expenditures

University expenditures recorded as matching contributions often were not adequately supported by documentation or were not attributed to specific purposes of the grant. When such charges are determined invalid for grant purposes, AID's grant to the university must be reduced by such amounts. At all universities

we visited, a time and effort (T&E) certification system was maintained. This system was the documentation accounting for employees' time spent on grant activities. In most cases, the certification system was a series of forms on which appropriate principal research investigators or division heads certified to the cost sharing by identifying individuals and their time and effort devoted to respective activities.

Faculty time and effort which constituted part of the university's matching funds was often inadequately supported by institutions' accounting and other records. As a result, it was difficult to determine what activities actually took place or whether the amounts claimed were reasonable. For example,

- Faculty time and effort charges were inadequately supported and did not identify the activities conducted.
- Time and effort charges were certified based on planned distribution of time rather than actual time spent. Some certifications were made on an annual basis.
- Cost sharing charges were not recorded on the accounting records of the institution.

AID provided little guidance concerning the definition of matching funds. Consequently, these universities did not have complete understanding and visibility over the cost sharing activities in terms of what was an eligible activity. The grant agreements cited, by reference, various AID and OMB regulations which included provisions on matching requirements along with numerous other requirements of the grants. The matching requirement under the strengthening grants, however, was a vital element of the program and was significant enough to warrant more specific and detailed guidance as to what was expected of the universities.

Our audit was not intended to be a compliance review to determine the allowability of costs. We, therefore, did not develop statistically valid data to project these deficiencies in terms of dollar amounts. However, the lack of proper matching may be sufficiently widespread and serious to warrant special attention by AID. For example, one university reported about \$500,000 as a matching contribution over the period of four years. About \$250,000 of this amount was either unrelated to Title XII objectives, or was not supported by the institution's accounting records. At another university, almost the entire amount of \$190,000 reported as matching funds was questionable because of the lack of documentary support or irrelevant attribution of activities.

These instances constitute possible violations of the grant terms. The grant agreements and related regulations provide for certain limitations concerning the eligibility of matching

funds. The regulations provide that any amount expended by AID in excess of universities' eligible matching contributions at the end of each funding period shall be applied to reduce the amount of AID's obligations for the following year, or such excesses shall be refunded to AID at the conclusion of grant.

We referred these matters to the cognizant Federal audit organization for these universities, the Department of Health and Human Services (HHS), Inspector General for their audit consideration. Due to the broad scope nature of HHS' audits it is unlikely that these grants will be included in the audit sample, or that these compliance features will be addressed. It is incumbent, therefore, that AID Project Officers effectively manage these grants, and wherever necessary initiate action to recover Federal funds.

Aside from the possible cost disallowances, the questionable uses of matching funds involve more serious problems. Unsupported and inapplicable matching activities contribute little toward strengthening the capabilities of universities and undermine the basic objective of the grants to facilitate effective university participation in the program.

We recommend, therefore, that

Recommendation No. 5

The Senior Assistant Administrator, Bureau for Science and Technology, in consultation with the Grants Officer establish a mechanism for ensuring universities receive appropriate technical guidance on acceptable matching activities and related costs.

Inadequate Controls over Grant Funds

AID regulations require adequate financial controls over grant funds. These controls encompass realistic budgets, submission of financial reports by universities, AID review of such reports, and coordination between the Project Officers, Grant Officers, and the Controller. These requirements were not followed, with the result that there was inadequate control being exercised over program funds.

Grants Lacked Specific Budgets

AID Handbook 13-Grants, requires that specific support grant programs, such as Strengthening Grants, incorporate approved budgets into the grant agreements to provide specific, discrete, and identifiable scopes of funding. Any modification to the approved budgets must be authorized.

Nevertheless, the Strengthening Grants Program required only illustrative budgets, first to be included in the grant application and

subsequently to be submitted as part of the university's annual report. The grant agreements made it clear that these budgets were only illustrative and were not part of the actual grant agreements. By not incorporating the budgets as part of grant agreements, AID gave universities unusual flexibility in using grant funds. Essentially, universities were permitted latitude to design, revise, and implement the grant budgets at their own discretion and without prior AID approval.

The grant budget is the financial expression of the grant agreement and is an indispensable management tool by which Project Officers evaluate and measure program achievements and progress towards intended goals and objectives.

We recommend that

Recommendation No. 6

The Senior Assistant Administrator, Bureau for Science and Technology, require that specific budgets be included in grant agreements used in the program and that budget modifications be approved by the Project Officer.

Financial Information Not Fully Reviewed

The Project Office did not review the universities' fiscal reports, as well as other financial information maintained by the AID Controller. Thus, another valuable management tool for administering grant funds was not used.

The grant agreements required that universities submit various financial status and cash transaction reports. In accordance with the uniform Federal reporting procedures, these financial reports were to be submitted on standard forms specifically promulgated by OMB, i.e., Financial Status Report (SF-269), Cash Transactions Report (SF-272), and Request for Advance and Reimbursement (SF-270).

These financial reports were maintained by the AID Controller's office, but only once during the five year program did the Project Officer review the status of funds obligated under the program. In one instance, the Project Officer increased the grant funding in excess of the university's actual needs by \$122,000 because he did not have accurate information on the outstanding fund balance. Had the Project Officer properly reviewed the financial reports and other data available at the Controller's office, this situation should not have occurred. In other instances, universities were not reporting the matching fund expenditures in the required financial status reports.

The Project Officer rarely reconciled or compared the expenditure data in the universities' annual performance

reports with the financial status reports maintained at the Controller's office. At four of the seven universities visited, we found that the expenditures reported in the annual reports did not agree with the financial reports. It was unclear, therefore, as to what were the true costs incurred under the grants. The universities involved stated that, in the absence of any complaints from AID, they assumed the reports were acceptable.

Normally, fiscal oversight of a grant is shared between the Project Officer and the Fiscal Officer. These functions, however, must be closely coordinated and cannot be performed in a vacuum. The grantees' financial reports should be one of the significant areas of the Project Officer's direct concerns. The Project Officer's annual evaluation of the grantee performance forms the basis for approving additional yearly funding increments and for extending the grants by a year to maintain a total five-year grant cycle.

Greater attention is needed on the part of the Project Officer to more fully utilize available financial information.

Accordingly, we recommend that

Recommendation No. 7

The Senior Assistant Administrator, Bureau for Science and Technology, require that the Project Officer establish procedures whereby university financial status reports are reviewed before additional funding can be approved.

Administrative Approval of
Payment Vouchers Omitted

The Project Officer also did not review and approve vouchers and supporting documentation submitted by grantees for payment, as required under AID regulations. As a result, AID certifying officers had no assurances that payments were for authorized grant objectives.

AID Handbook 3-Project Assistance, states that the Project Officer's administrative approval of payment vouchers is an essential feature of AID's system of grant management. This administrative approval--in the form of a prescribed certification--is supplemental to the normal AID requirement for the financial certification of all payment vouchers by an authorized certifying officer.

None of the payment vouchers processed under the Strengthening Grants Program through December 1983, and totalling about \$17.5

million were administratively reviewed and approved by the Project Officer. Recently, the Project Officer took action to comply with the required approval process, but not to the fullest extent of the prescribed procedure. The Project Officer merely modified the standard statement in the certification form. The main change was the wording, from "administratively approved" to "has no objection."

Requests by grantees for payment should be approved by the Project Officer to ensure that AID's interests are protected. Such approval provides a possible means for obtaining remedial action in any case where deficiencies in the grantee's performance become known, and correction cannot otherwise be obtained.

We recommend that

Recommendation No. 8

The Senior Assistant Administrator, Bureau for Science and Technology instruct the Project Officer to administratively approve payment vouchers based on adequate knowledge of universities' operations, as required by AID regulation.

SUBJECT MATTER PROFILE STRENGTHENING GRANT PROGRAM
SELECTED UNIVERSITIES

Subjects	UNIVERSITY							Total
	Larger				Smaller			
	A	B	C	D	E	F	G	
Nutrition	x	x	x				x	4
Crop Production/ Soil Science/Agronomy	x		x					2
Horticulture/Plant Science	x		x					2
Animal Science/Livestock Production	x		x					2
Agricultural Economics/ Production/Marketing	x		x		x			3
Agricultural Engineering	x							1
Agricultural Policy Analysis/Planning		x	x					2
Food Science	x		x		x			3
Acquaculture/Mariculture	x							1
Farming Systems	x	x	x		x			4
Social Sciences	x							1
Agricultural Extension/ Education	x	x	x					3
Home Economics	x	x						2
Rural Development	x		x					2
Agricultural Credit					x			1
Irrigation/Water Manage- ment			x					1
Range Management			x					1
Resources Development/ Management	x		x					2
Technology Transfer		x						1
Women in Development	x	x	x		x			4
Language Training								
- French	x	x	x	x	x	x	x	7
- Spanish	x	x	x			x		4
- Arabic			x					1
- Chinese		x						1
- Thai				x				1
Faculty Orientation		x	x	x				3
Institution Building/ Administration	x	x	x	x	x	x	x	7
Area Studies/Inter- national Studies	x	x						2
Research Management	x							1
Electric Engineering/ System Science	x							1

**SUBJECT MATTER PROFILE STRENGTHENING GRANT PROGRAM
SELECTED UNIVERSITIES**

Subjects

	<u>UNIVERSITY</u>							<u>Total</u>
	<u>Larger</u>				<u>Smaller</u>			
	<u>A</u>	<u>B</u>	<u>C</u>	<u>D</u>	<u>E</u>	<u>F</u>	<u>G</u>	
Anthropology	x							1
Dairy Science	x							1
AID Program Processes				x	x	x		3
Arts & Science		x						1
Business Administration		x						1
Participant Training		x						1
Course Development/Teaching	x	x	x					3
TOTALS	<u>24</u>	<u>17</u>	<u>20</u>	<u>5</u>	<u>8</u>	<u>4</u>	<u>3</u>	<u>81</u>

LIST OF STRENGTHENING GRANTS BY INSTITUTION

<u>INSTITUTION</u>	<u>AMOUNT OF GRANT 12/31/83</u>
University of Kentucky	\$ 431,986
University of Minnesota	475,000
University of Missouri-Columbia	409,152
Iowa State University	474,541
University of Illinois	504,000
University of Rhode Island	481,983
University of Florida	467,956
Virginia Polytechnic Institute	409,213
Texas Technological University	419,470
Rutgers University	450,000
South Dakota State University	387,477
University of Tennessee	318,136
University of Arizona	466,676
Purdue University	603,666
Cornell University	353,435
Michigan State University	1,425,000
University of Nebraska	483,333
University of Puerto Rico	429,823
Auburn University	443,805
University of Maine-Orono	402,864
University of Maryland	475,000
Oklahoma State University	466,666
Texas A&M University	970,797
University of Vermont	463,431
University of Delaware	454,708
Kansas State University	<u>526,952</u>
Subtotal	<u>\$13,235,070</u>

LIST OF STRENGTHENING GRANTS BY INSTITUTION

<u>INSTITUTION</u>	<u>AMOUNT OF GRANT 12/31/83</u>
Montana State University	\$ 485,000
Virginia State University	231,236
North Carolina State University	342,880
Ohio State University	446,017
Tuskegee Institute	232,907
New Mexico State University	475,000
University of Hawaii-Manoa	378,734
Alabama A&M University (NM)	461,842
North Carolina A&T State University (NM)	437,877
Virginia State University (NM)	500,000
University of Wisconsin-River Falls	421,987
Washington State University	457,067
Lincoln University-Missouri (NM)	443,634
Utah State University	839,978
Southern Illinois University-Carbondale	500,000
California State Polytechnic University-Pomona	339,328
California State University-Fresno	361,840
Sam Houston State University	471,322
Colorado State University	378,726
Louisiana State University	402,790
University of Maryland-Eastern Shore (NM)	339,694
Florida A&M University (NM)	410,779
University of Idaho	375,000
University of Wisconsin-Madison	422,207
University of Arkansas-Fayetteville	273,217
University of Arkansas-Pine Bluff (NM)	166,534
Fort Valley State University (NM)	227,532
Tennessee State University (NM)	219,744
Oregon State University	125,000
University of California-Davis	175,030
Total	<u>\$24,587,972</u>

(NM) denotes a non-matching grant

TITLE XII OBJECTIVES

Title XII authorizes providing assistance to--

- strengthen the capabilities of U.S. universities in teaching, research, and extension work to implement program development under Title XII auspices;
- build and strengthen the institutional capacity and human resource skills of agriculturally developing countries;
- provide program support for long-term collaborative university research on food production, distribution, storage, marketing, and consumption;
- involve U.S. universities more fully in the international network of agricultural science; and
- provide program support for international agricultural research centers; research projects on specific problem-solving needs; and strengthening national research systems in the developing world.

SENIOR ASSISTANT ADMINISTRATOR

NOV 21 1984

MEMORANDUM

TO: RIG/A/W, E. John Eckman
FROM: S&T, N. C. Brady *ncb*
SUBJECT: Draft Audit Report - Strengthening Grants Program

The attached response to the eight recommendations contained in draft Audit Report No. 85, dated October 26, 1984, is S&T's contribution of another dimension to the draft report. We have every intention of incorporating appropriate changes in the new phase of the Strengthening Program so that A.I.D.'s contributions result in more effective partnership with the university community.

Attachment: a/s

SENIOR ASSISTANT ADMINISTRATOR

NOV 21 1984

MEMORANDUM

TO: RIG/A/W, E. John Eckman
FROM: SAA/S&T, N. C. Brady *MB*
SUBJECT: Draft Audit Report No. 85 - Strengthening Grants Program

We appreciate this opportunity, offered in your memo of October 26, to express our views on the subject Report. We understand that a copy of this memo will be appended to the final version of the Audit Report.

We have a mixed reaction to the draft Report. The recommendations made are, by and large, very useful for the phase of the Strengthening Program we are about to enter (or, more precisely, the Memorandum of Understanding/Program Support Grant - MOU/PSG - program into which the Strengthening Program has evolved). However, we do feel that the characterization of the first five years of the Strengthening Grant Program (SGP) represented in the Audit Report is very misleading. The Report reflects some incorrect assumptions about the objectives of the initial years of the program and hence is based on inappropriate criteria for evaluating its effectiveness and its administration.

Many of the criticisms, found throughout the Report, refer to activities "unrelated to the objectives of the program" or to the failure to monitor or guide the grantees adequately. To a certain extent these criticisms stem from a faulty understanding of the objectives of the program and how to determine whether an activity is or is not related to those objectives. For example, the auditors define activities to be funded under the SGP as those demonstrably related to fields of food, nutrition and agriculture; in fact, they are defined as those related to the mobilization, preparation and delivery of more effective resources (skills and knowledge) in the fields of food, nutrition and agriculture. Consequently, the high-priority strengthening of an administrative mechanism for identifying and orchestrating the appropriate mix of university resources/ personnel in response to an AID RFTP (one of the most serious and common barriers to effective university response to AID's needs) was considered irrelevant by the auditors; they felt it was not directly related to food, nutrition and agriculture. This type of assumption led to the conclusion that 60% of the activities funded under the examined programs was unrelated to the objectives of the SGP.

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Another faulty understanding relates to the evolution and maturation of the SGP concept. The initial years of the program were designed to assist the grantees to define, redefine or refine their role in the AID/Title XII program. This meant exploring various departments of the university for the relevance of, and interest in, incorporating a Title XII dimension as an element of a coherent role for the university. This initial phase was essential and served its purpose. As the process matured over these first five years, with each university getting a better picture of the kinds of problems it could address in AID's program, we are only now at the point where strengthening efforts can become more focused. However, the auditors used criteria more appropriate for the future, more focused program for evaluating these past five years of the initial, more exploratory phase. This led the auditors to conclude that there was insufficient guidance for, and monitoring of SGP activities.

Specific Recommendations

Recommendation No. 1 - The SAA/S&T make a demand analysis of AID's short and long term needs for university participation, identifying the subjects, geographic focus and special requirements. We agree that this is essential to any strengthening of university resources if those resources are to be relevant to the Agency's program. We feel that this demand analysis must be a continuous process to reflect the true realities of the demand situation which is one of constant change in specific manpower requirements. This results from changes in governments, in host country policies, in weather conditions, in programs of other donors, in the state of scientific arts and in U.S. policy objectives. It would be exceedingly counterproductive to U.S. objectives to attempt to overdetermine the demand characteristics and thereby induce an undue rigidity in supply of specialists' services available.

Indeed, a primary goal of the SGP was to create in our many universities collectively a capability to respond effectively to a demand for professional expertise made largely unpredictable by the uncertain characteristics of the world in which we live. Given a clear recognition of this central fact-of-life, it is, of course, necessary that AID keep universities as informed as possible about the general contours of foreseen demand and, particularly, of factors which we anticipate might cause significant changes in future demand. AID has abundantly supplied such information to the universities, directly or through BIFAD, through distribution of AID program documents, regional bureau presentations at workshops, announcements of project opportunities and informal contacts. More emphasis will, however, be placed in the future

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on analyzing such information and establishing strategies and priorities, than that which characterized the early years of the SGP. Such work is well underway and will be central to the administration of the MOU/PSG program. It must be emphasized that for this system to be effective, and not counter-productive, it must be continuous and encourage flexibility rather than rigidity of university supply capabilities. We strongly agree with the Report's central thesis, that no MOUs should be entered into without determining that the resources involved are central to the conduct of projected Agency programs.

Recommendation No. 2 - S&T/RUR establish a grantee report review system which will identify reports past due, acceptance or rejection of reports, and a tracking system on remedial actions to be taken. It is our view that the SGP is characterized by good compliance and timeliness in submission of annual reports. Due dates for these reports are spread throughout the year, depending upon anniversary dates of the grants, and several were delayed due to illness or change of personnel. We therefore had to obligate funds, in some cases, before reports were received. In these cases, grantees were told that they could not spend the subsequent year's funds until they had submitted a satisfactory report. This year, for example, of the 56 grantees, 45 have submitted the required reports, five have just become due, four have had to be reminded and two (minority institutions) have more serious problems in compiling the necessary data. Each case has its own extenuating circumstances. These figures are not abnormal for reporting under federal grant programs.

We do agree that a more effective tracking system for remedial actions is needed and will be installed. In fact, the evaluation criteria for new MOUs includes an examination of the extent to which the university has corrected weaknesses identified in the recently-completed peer review of the Strengthening Grants.

Recommendation No. 3 - S&T/RUR establish and carry out a plan for periodic visits to each university in the program. We accept the IG position that being limited to a review of the documents is inadequate for a program as focused as the MOU/PSG. However, such a review was appropriate for the initial years of the SGP which was very deliberately designed that way. Our plans for the MOU/PSG call for annual reviews with each grantee, normally in AID/W where all relevant parts of the Agency can participate. These will be supplemented by campus site visits particularly where significant problems are identified in the AID/W reviews.

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Recommendation No. 4 - S&T/RUR issue program evaluation guidelines which focus on actual activities at the university level, as a means of measuring how well program objectives are being achieved. When the SGP was initiated five years ago, we sent to every eligible university a copy of the "Instructions to the Reviewers for Evaluating Strengthening Grant Proposals." We have recently completed, with the help of BIFAD, guidelines which were used in the recent peer review of each grant program, including criteria used for measuring progress toward achieving program goals; these are being sent to all grantees. In addition, the guidelines for evaluating the new PSGs are currently being developed for distribution to all universities interested in applying for MOUs.

Recommendation No. 5 - - SAA/S&T, in consultation with the Grants Officer, establish a mechanism for ensuring universities receive appropriate technical guidance on acceptable matching activities and related costs. From the beginning and throughout, the guidelines and instructions have emphasized the point that the criteria for determining appropriate SG activities are the same whether A.I.D. grant funds or university matching funds are used. There are no separate rules for the use of matching funds. Because the constraints on the use of state funds vary among institutions, we allow the universities total latitude in how they mix these funds. If there are problems in the proper documentation of matching fund utilization, this would be picked up by audit. Because of our early concern over how the universities were handling this, we requested an audit on May 14, 1982 (passed to RIG/A/W on May 26, 1982) with particular emphasis on accountability for matching funds. There has been a continuing flow of information and discussion, by phone and in annual workshops, on the ways matching funds were being used. The annual reviews and site visits will assist in monitoring these activities under the PSG.

Recommendation No. 6 - SAA/S&T require that specific budgets be included in grant agreements used in the program and that budget modifications be approved by the Project Officer. The Report states that Handbook 13 requires this. SER/CM/COD tells us that it is not a requirement as such, and in view of the fact that these grants are matching grants with the university providing all indirect costs (for both the AID grant and matching funds), they agreed with the decision that it was inappropriate to have the budget (other than the overall figure) included in the grant document. However, to a degree, we anticipated this recommendation; the budgets have been and will be included in the new PSG agreements. But traditional line items (salaries, travel, etc.) do not provide the

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necessary or appropriate controls. We plan to design budgets around programmatic areas of activity with budgetary constraints on such program elements, requiring Project Officer approval for significant modifications. In other words, we agree with, and intend to incorporate the spirit of this recommendation.

Recommendation No. 7 - SAA/S&T require that the Project Officer establish procedures whereby university financial status reports are reviewed before additional funding can be approved. We, of course, agree with this. The problem in the past has been that the records in FM were out of date since the universities were very slow in submitting vouchers. Before new money was added, S&T/RUR obtained expenditure data directly from the Strengthening Grant administrators to obtain current pipeline data, accounting for the discrepancy with FM. Following our urging at the regional workshops, the universities have been more prompt, allowing us to coordinate more closely with FM, which we intend to do.

Recommendation No. 8 - SAA/S&T instruct the Project Officer to administratively approve payment vouchers based on adequate knowledge of universities' operations, as required by AID regulation. Following a clarification of the meaning of "administratively approved," the Project Officer has been regularly approving these vouchers and will continue to do so, as the recommendation states.

Clearances:

DAA/S&T, J Eriksson

S&T/PO, V Anderson

S&T/PO, GEaton

S&T/RUR, E Long

98. 11/20/84

5/R 11/19/84



BOARD FOR INTERNATIONAL FOOD AND AGRICULTURAL DEVELOPMENT
INTERNATIONAL DEVELOPMENT COOPERATION AGENCY

Agency for International Development
Washington, D.C. 20523

NOV - 7 1984

MEMORANDUM

TO: RIG/A/W - Andy Olson
FROM: BIFAD/S - *Fred Hutchinson*
SUBJECT: Draft Audit Report, Strengthening Grant Program -
"Need for Better A.I.D. Direction to Participating
Universities"

Thank you for sharing a copy of the "Draft Audit Report, Strengthening Grant Program - "Need for Better AID Direction to Participating Universities." It is obvious that your evaluation of the seven universities was thorough and comprehensive. You have made a number of useful observations and recommendations that should improve the management and effectiveness of the entire MOU/PSG program.

Attached is a copy of your report with a few specific suggestions in wording which I believe make the conclusions and intent more clear. Following are some comments. Some are a repeat from my previous memo and are offered for the record; others express some points about which I believe we still have some honest differences of opinion.

Situation Prior to the SGP

U.S. universities were substantially involved in A.I.D.'s overseas assistance programs during the 1950's and early 1960's. Their involvement decreased substantially, however, in the late 1960's and 1970's as A.I.D.'s programming moved away from institution building. AID and BIFAD concluded, when Title XII was passed, that there was a serious shortage of faculty with an interest and experience in international development. Many faculty who were involved in the 1950's had retired. Others were not interested in an overseas assignment for family and various other reasons. Young faculty felt they would hamper their chances for promotion and tenure if they took an overseas assignment. Many of the most productive faculty did not want to disrupt their research and graduate student program. Furthermore, the ability of universities to become involved as institutions had also decreased substantially. This situation was recognized in Title XII and as a result, BIFAD and AID decided that the Strengthening Grant Program (SGP) should be designed to attract a wide range of universities i.e., all qualified for the Roster, including many universities which had had little or no previous experience with AID. It was recognized that this might cause some problems, but it was felt that this was necessary to fill the perceived supply gap.

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Self-Managed Grant

As a result, BIFAD and AID designed a grant program rather than a contract program. This was done to give maximum initiative and creativity to each participating university to plan and manage its SGP in accordance with Title XII objectives. It is understandable that the conditions of the grant were somewhat vague. It was felt that each university was best able to identify its interests and strengths, to develop ways to make these available to AID and at the same time to integrate this international dimension into its domestic programs.

It was intended that this be done within the guidelines that were provided by AID and BIFAD. Since AID's long term needs had not been clearly identified, it was felt it might be very productive to solicit the ideas of faculty. It should be no surprise that some ideas were not focused precisely on AID's short run needs. However, some ideas may prove to be very relevant and useful over the long run.

A further rationale for selecting this approach was: First, only universities which met certain criteria were identified as Title XII universities, and these types of universities had demonstrated over many years their ability to conduct international agriculture programs. Second, only those universities which met additional, more rigorous criteria were designated as Roster Universities, and being on the Roster was the first criterion that had to be met to be eligible to apply for a strengthening grant. Third, after universities applied for a strengthening grant, they were often asked to revise the proposed program based on information and assistance provided by BIFAD. Fourth, AID required additional revisions before the grant was funded.

Evolution of SGP to Memorandum of Understanding/ Program Support Grants (MOU/PSG)

The first stage in most SGPs was one in which SG funds were used to generate awareness, interest and commitment to Title XII and AID. The second stage, usually in years two and three, was characterized by an increased focus on a specific subject matter area and/or geographic region, as well as on a more limited number of core faculty. During the third stage, resources were increasingly used in direct support of AID-funded projects. This evolution, which occurred at most of the universities recognized some limitations of the SGP. These were also recognized by BIFAD and AID in June 1980 with the appointment of a working group to develop the concept and transition to the MOU/PSG.

Evaluation Based on Seven Universities

Most of your comments and recommendations are based on your evaluation of seven universities with six-matching and two non-matching programs. Since the SGP is really a collection of 57 individually designed and managed programs, it is virtually impossible to select a sample of seven that are representative of all 57, especially when the population of 57 is so diverse.

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Although you are careful to confine your observations to what you found in the seven universities, some of your conclusions and all of your recommendations have significance to all universities. For these reasons, I believe it is important that you either identify the seven universities, or describe each sufficiently so the readers can determine how representative the seven are of the total 57. This is necessary in order to judge the significance of your conclusions regarding the seven universities. For example, if a small 1890 university, just getting started used 50 percent of its strengthening grant funds for administration, this is significantly different than if a large established university with an existing office for international programs used 50 percent of its strengthening grant for administration.

Relevance of SG activities to Title XII

Many of your comments regarding the relevance of SG activities to Title XII indicate that BIFAD and you have a serious disagreement on the meaning of relevance. The main purpose of the SGP was to increase the capability of universities to conduct AID-funded development programs with other than SG funds. Capability was defined by BIFAD to include not only the technical and professional capacity of individual faculty, but also the ability at each administration level to understand, adjust, and support participation in current and future AID programs. This recognized a need to develop an institutional and management capability which BIFAD believes is necessary for successful university involvement over the long run.

In the guidelines prepared by BIFAD and AID for preparing SG proposals, it was stated, "A large number of specific activities and program elements would be appropriate under the strengthening grants as long as they can be demonstrably linked to university participation in a development assistance program. The Agency for International Development seeks to encourage each institution to design its own proposed program. New or modified instructional programs, scholarly exchanges and posts for visiting specialists, establishment of core support and professional backstopping of overseas projects, small research grants and graduate fellowships, post-overseas assignment release time in order to develop recent experiences into additional teaching, research and extension uses, are illustrations of separate program elements which may be combined into an integrated program under these strengthening grants. Expenditures in support of publications, area or language study programs, professional travel, and similar undertakings would be allowable if demonstrably linked to needs and plans for their subsequent use in development assistance activities involving AID and the participating university."

Matching Funds

The underlying concept of the SGP was based on forging a long-term, continuous and dependable partnership between AID and each university. Both BIFAD and AID believed that one way to insure that partnership, was to require that each university have a financial stake in the process, i.e., by

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matching the AID grant with its own funds. I agree wholeheartedly that there is a need for clearer guidelines and assure you that BIFAD would welcome an opportunity to work with AID on this matter. What university records are sufficient should be dealt with in a full financial audit, which you have said is outside the scope of your report.

Research

Your comments on research may be the result of a misunderstanding of the proper use of strengthening grant funds for research. It was never intended by BIFAD or AID that SG funds be used to conduct research identified by AID. Rather it was felt that such research should be done under another format, and with other funds such as the Collaborative Research Support Program. BIFAD and AID did support the use of SG funds for small research projects to support graduate student theses and faculty explorations when the primary purpose of the research was to increase a faculty member's understanding of a specific country, commodity or problem. In other words, it was meant to be a learning situation which would increase the faculty member's capability to conduct research or provide technical assistance under other AID-funded projects.

Competitive bid process

The strengthening grants were meant to increase the capacity of universities to perform well under AID contracts overseas, but they were not designed to ensure contracts to any particular university. These awards are made under a competitive bidding process intended to assure that the best proposal wins.

Moreover, universities can still compete for AID contracts regardless of whether their strengthening grant was judged "actionable" or not. Some universities judged "non-actionable" have substantial AID business. Therefore, the value of these grants may not be lost to AID.

Thank you for giving me an opportunity to review and comment on your report. The success of the MOU/PSG and in fact, much of Title XII depends on how well we apply the lessons we have learned from the SGP.

STRENGTHENING GRANTS PROGRAM--
NEED FOR BETTER AID DIRECTION TO
PARTICIPATING UNIVERSITIES

LIST OF REPORT RECOMMENDATIONS

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<u>Recommendation No. 1</u>	10
<p>The Senior Assistant Administrator, Bureau for Science and Technology, in coordination with BIFAD and AID's geographic bureaus, make a demand analysis of AID's short- and long-term needs for university participation, which identifies the subjects, geographic focus and special requirements. This demand analysis should be used as the basis for awarding any further grants, entering into Memorandums of Understanding, and establishing other appropriate contractual relationships that link the capabilities of universities with AID's needs.</p>	
<u>Recommendation No. 2</u>	12
<p>The Office of Research and University Relations, S&T, establish a grantee report review system which will identify reports past due, acceptance or rejection of reports, and a tracking system on remedial actions to be taken.</p>	
<u>Recommendation No. 3</u>	12
<p>The Office of Research and University Relations, S&T establish and carry out a plan for periodic visits to each university in the program.</p>	
<u>Recommendation No. 4</u>	13
<p>The Office of Research and University Relations, S&T issue program evaluation guidelines which focus on actual activities at the university level, as a means of measuring how well program objectives are being achieved.</p>	

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<u>Recommendation No. 5</u>	16
<p>The Senior Assistant Administrator, Bureau for Science and Technology, in consultation with the Grants Officer establish a mechanism for ensuring universities receive appropriate technical guidance on acceptable matching activities and related costs.</p>	
<u>Recommendation No. 6</u>	17
<p>The Senior Assistant Administrator, Bureau for Science and Technology, require that specific budgets be included in grant agreements used in the program and that budget modifications be approved by the Project Officer.</p>	
<u>Recommendation No. 7</u>	18
<p>The Senior Assistant Administrator, Bureau for Science and Technology, require that the Project Officer establish procedures whereby university financial status reports are reviewed before additional funding can be approved.</p>	
<u>Recommendation No. 8</u>	19
<p>The Senior Assistant Administrator, Bureau for Science and Technology instruct the Project Officer to administratively approve payment vouchers based on adequate knowledge of universities' operations, as required by AID regulation.</p>	

STRENGTHENING GRANTS PROGRAM--
NEED FOR BETTER AID DIRECTION TO
PARTICIPATING UNIVERSITIES

LIST OF REPORT RECIPIENTS

Deputy Administrator	1
Senior Assistant Administrator, Bureau for Science and Technology, SAA/S&T	5
Office of Research and University Relations, S&T/RUR	5
BIFAD Support Staff	5
Chairman, BIFAD	1
Audit Liaison Office, S&T/PO	1
Assistant to the Administrator for External Affairs, AA/XA	1
Office of Press Relations, Bureau for External Affairs, XA/PR	1
Bureau For Program and Policy Coordination, PPC/EA	1
Center for Development Information and Evaluation, PPC/CDIE	2
Assistant to the Administrator for Management	1
Office of Financial Management M/FM/ASD	2
Office of Legislative Affairs, LEG	1
Office of the General Counsel, GC	1
Office of Inspector General, IG	1
RIG/A/Nairobi	1
RIG/A/Manila	1
RIG/A/Cairo	1
RIG/A/Karachi	1
RIG/A/Dakar	1
RIG/A/LA/Tegucigalpa	1
AIG/A	1
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