

AUDIT OF USAID/PAKISTAN'S PARTICIPANT TRAINING PROGRAM

AUDIT REPORT NO. 5-391-91-04
MAY 24, 1991

USAID/Pakistan has encountered serious problems in managing one of A.I.D.'s largest participant training programs. At September 30, 1990, USAID/Pakistan had spent over \$75 million, with planned expenditures totalling over \$146 million.

- USAID/Pakistan did not know whether or not 2,600 participants—for which A.I.D. paid training costs of about \$47.4 million—who should have returned from overseas training actually returned or if another 1,400 who reportedly did return used their training effectively.
 - Participant training plans were not adequately revised as evidenced by the potential to deobligate/reprogram an estimated \$27.2 million (for five of the six projects reviewed).
 - USAID/Pakistan did not consider training costs prior to placement of participants and did not adequately monitor the responsible contractor's administration of the participant training program. For example, we estimate that had USAID/Pakistan limited annual tuition rates to less than \$6,000, tuition costs for participants sent for long-term training during fiscal year 1990 would be reduced by about \$470,000.
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AGENCY FOR INTERNATIONAL DEVELOPMENT

~~-Singapore-~~

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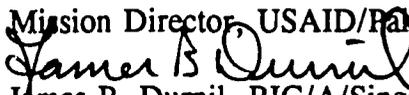
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May 24, 1991

MEMORANDUM FOR

James Norris
Mission Director, USAID/Pakistan

FROM:


James B. Durnil, RIG/A/Singapore

SUBJECT:

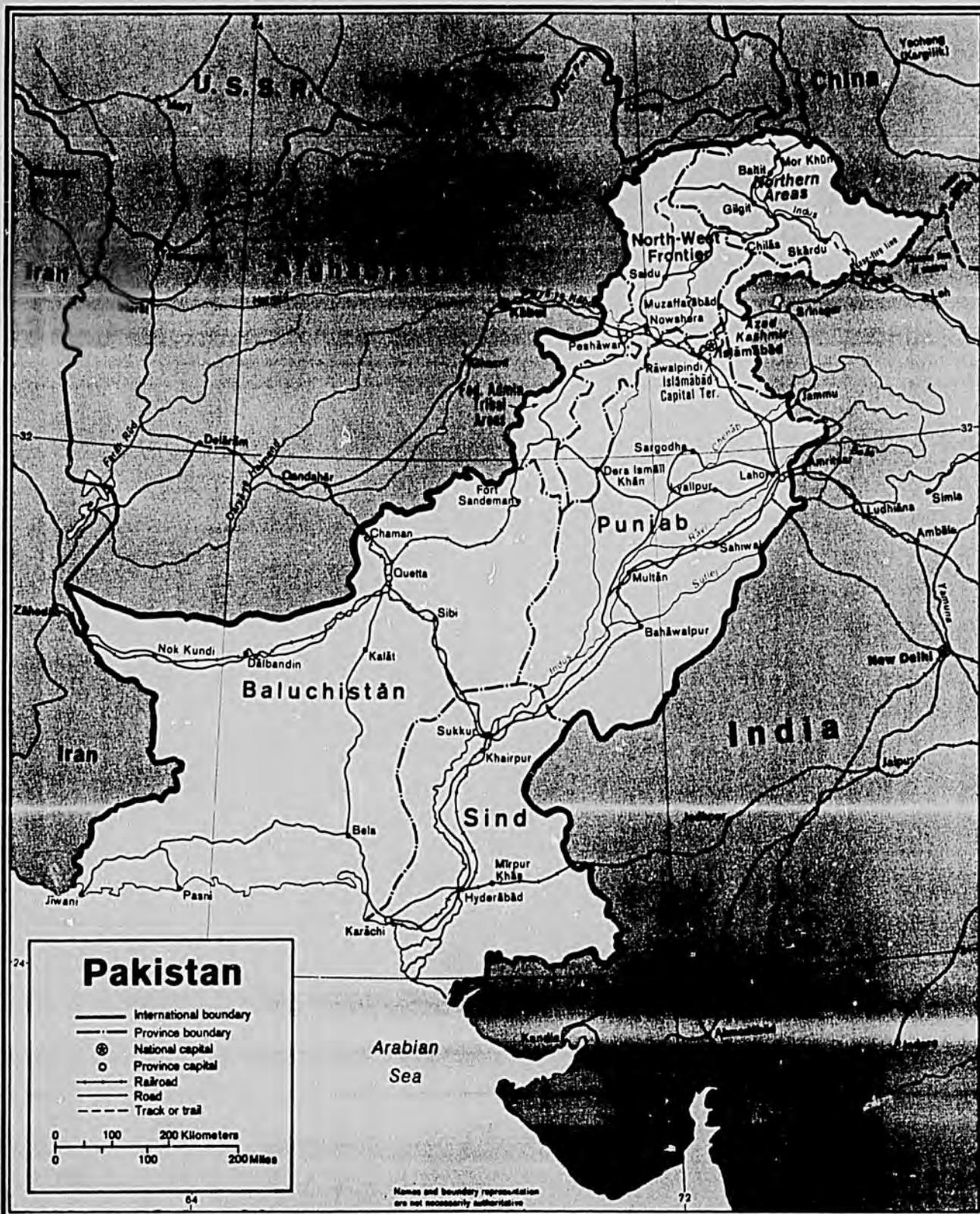
Audit of USAID/Pakistan's Participant Training
Program (Audit Report No. 5-391-91-04)

Enclosed are five copies of our audit report on USAID/Pakistan's Participant Training Program (Audit Report No. 5-391-91-04).

We have reviewed your comments on the draft report and included them as Appendix II to this report. Based on your comments, Recommendation Nos. 5.1, 6.3 and 8.1 are closed. Recommendation Nos. 1, 2, 4, 5.2, 6.1, 6.2, 8.2 and 9 are resolved and can be closed when appropriate actions are completed. Recommendation Nos. 3 and 7 are unresolved.

Please respond to this report within 30 days indicating any actions planned or taken to implement the open recommendations.

I appreciate the cooperation and courtesies extended to my staff during the audit.



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EXECUTIVE SUMMARY

It is A.I.D.'s policy to encourage participant training in order to develop the management and technical skills of selected private and public officials in recipient countries. Participant training refers to the A.I.D.-funded training of these officials in the United States and in other (third) countries.

As of September 30, 1990, USAID/Pakistan had 19 active projects with participant training components. **Total training obligations and expenditures for these components as of that date were \$146.7 million and \$75.3 million, respectively.**

Between July 8 and October 3, 1990, we audited USAID/Pakistan's participant training program in accordance with generally accepted government auditing standards (see Appendix I) and found the following:

- USAID/Pakistan maintained a centralized database to track sponsored participants, but it was not up-to-date (see pages 3 and 4).
- USAID/Pakistan followed A.I.D. procedures for planning participant training when projects were initially designed but did not adequately revise plans when implementation was delayed or other changes occurred as evidenced by the potential to deobligate/reprogram an estimated **\$27.2 million**. (see pages 4 to 8).
- USAID/Pakistan did not ensure the **place of training (country and institution) was the most cost-effective** and that payments made for training were only for allowable costs. For example, we estimate that had USAID/Pakistan limited annual tuition rates to less than \$6,000, tuition costs for participants sent for long-term training during fiscal year 1990 would be reduced by about \$470,000. (see pages 8 to 18).
- USAID/Pakistan followed A.I.D. procedures for participant training selection which set forth requirements for medical certification requirements but not for English language proficiency (see pages 18 to 22).
- USAID/Pakistan did not follow A.I.D. procedures to monitor participants' performance to ensure satisfactory progress and completion of training (see pages 22 to 27).

- **USAID/Pakistan did not ensure that participants returned from their training and that those who did return used their training effectively. For example, failure to follow up on participants meant that USAID/Pakistan did not know whether or not 2,600 participants—for which A.I.D. paid training costs of about \$47.4 million—who should have returned from overseas training actually returned to Pakistan (see pages 27 to 31).**

The report contains nine recommendations. It also presents our assessments of internal controls (see page 32) and reports on USAID/Pakistan's, the Government of Pakistan's and the participant training contractor's compliance with applicable laws, regulations, and contractual obligations (see page 37).

A draft of this report was provided to USAID/Pakistan officials for comment. In responding to the draft report, they generally concurred with the findings and recommendations. However, their comments were not totally responsive to the recommendations to ensure that costs are appropriately considered prior to placement of participants in training institutions. USAID/Pakistan also did not agree with our finding and recommendation on the need to establish procedures to ensure sufficient information is received to monitor the progress of participants in training. USAID/Pakistan's comments are summarized after each finding and included as Appendix II to this report.

Office of the Inspector General

Office of the Inspector General
May 24, 1990

INTRODUCTION

BACKGROUND

It is A.I.D.'s policy to encourage participant training in order to develop the managerial and technical skills of selected private and public officials in recipient countries. Participant training refers to the A.I.D.-sponsored training of these officials in the United States and other (third) countries.

At the beginning of each fiscal year, USAID/Pakistan and the Government of Pakistan develop a participant training plan which identifies the needs for the coming year. The plan sets forth the number of training positions available for each project, a description of the courses, and the relevant academic prerequisites. The Government of Pakistan nominates candidates for the positions listed in the plan. The nominations are approved by USAID/Pakistan and then referred to the technical assistance contractor who processes the nominee. The contractor is also responsible for placing the participants in the most cost effective and appropriate training programs, and for monitoring the participants' progress.

As of September 30, 1990, USAID/Pakistan had 19 projects with active participant training components. Total participant training obligations and expenditures for these components as of that date were \$146.7 million and \$75.3 million, respectively.

AUDIT OBJECTIVES

The Office of the Regional Inspector General for Audit/Singapore audited USAID/Pakistan's participant training programs to answer the following audit objectives:

- Did USAID/Pakistan maintain a centralized and up-to-date database to track sponsored participants?
- Did USAID/Pakistan follow A.I.D. procedures for planning participant training and are plans being revised when delays or other changes occur?

- Did USAID/Pakistan ensure that the place of training (country and institution) is the most cost-effective and payments made are for only allowable costs?
- Did USAID/Pakistan follow A.I.D. procedures for the selection of participant training candidates as to medical certification and English language proficiency?
- Did USAID/Pakistan follow A.I.D. procedures monitor participants' performance to ensure satisfactory progress and completion of training?
- Did USAID/Pakistan ensure that participants returned from training and were assigned to work where they could effectively utilize their training?

In answering these audit objectives, we tested whether USAID/Pakistan, the Government of Pakistan, and/or the technical assistance contractor responsible for participant training (1) followed applicable internal control procedures and (2) complied with certain provisions of laws regulations, and contractual obligations. Our tests were sufficient to provide reasonable—but not absolute—assurance of detecting abuse or illegal acts that could affect the audit objectives. However, because of limited time and resources, we did not continue testing when we found that, for the items tested, USAID/Pakistan, the Government of Pakistan, and/or the technical assistance contractor followed A.I.D. procedures and complied with legal requirements. Therefore, we limited our conclusions concerning these positive findings to the items actually tested. But when we found problem areas, we performed additional work

- to conclusively determine that USAID/Pakistan, the Government of Pakistan, and/or the technical assistance contractor was not following a procedure or not complying with a legal requirement,
- to identify the cause and effect of the problems, and
- to make recommendations to correct the condition and cause of the problems.

Appendix I contains a complete discussion of the scope and methodology for this audit.

REPORT OF AUDIT FINDINGS

Did USAID/Pakistan maintain a centralized and up-to-date database to track sponsored participants?

USAID/Pakistan maintained a centralized database to track sponsored participants, but it was not up-to-date.

USAID/Pakistan relies on a technical assistance contractor to maintain a centralized database to keep track of A.I.D.-sponsored participants. This database identifies approximately 4,600 participants who were sent overseas for training since 1983. The database contains various fields of information such as participant's name, training period, place of training, date returned, address and employment position. However, we noted that several pertinent fields of information had not been input and periodically updated to the system.

An Up-To-Date Database Needs to be Maintained

A.I.D. procedures require missions to maintain an up-to-date database to track its A.I.D.-funded participant trainees. However, such a database is not currently maintained by USAID/Pakistan because certain relevant information such as the participant's return date and current employment position have not been input and periodically updated to the system. As a result, USAID/Pakistan is unable to effectively carry out its monitoring responsibilities on participants.

Recommendation No. 1: We recommend that USAID/Pakistan ensure that all required information is input and periodically updated to the centralized database on participant trainees.

A.I.D. Handbook 10, Chapter 33, requires A.I.D. missions to maintain a centralized and up-to-date database in collaboration with the host government and, when appropriate, the private sector which lists their A.I.D.-funded participant trainees. The database should be able to maintain up-to-date records on the participants' current employment, position title, and individual addresses. The records are to be maintained for a minimum of at least three years (for participants who have been in training for three months or longer) and are to be used for follow-up activities.

Although USAID/Pakistan maintains a centralized database on participant trainees, it does not include some pertinent information. For example, for most participants the database does not identify the date the participants returned to Pakistan and their current employment position. As discussed later in the report (see pages 27 to 31), USAID/Pakistan does not have an effective system to obtain this type of data.

Without an adequate centralized and up-to-date database, USAID/Pakistan's monitoring capabilities are restricted. For example, it is not able to properly conduct its follow-up activities to determine if the participants are utilizing their training effectively. Consequently, USAID/Pakistan needs to ensure the required information is input and periodically updated to the centralized database on participant trainees.

Management Comments and Our Evaluation

USAID/Pakistan concurred with the finding and has already initiated action to input the required information to the centralized database on participant trainees (up to date by November 1991).

Based on USAID/Pakistan's comments, Recommendation No. 1 is resolved and will be closed when the required information is input to the centralized database.

Did USAID/Pakistan follow A.I.D. procedures for planning participant training and are plans being revised when delays or other changes occur?

USAID/Pakistan followed A.I.D. procedures for planning participant training when projects were initially designed but did not adequately revise plans when implementation was delayed or other changes occurred.

We reviewed six projects which had active participant training components. As of September 30, 1990, total obligations and expenditures for these components were \$121.7 million and \$62.3 million, respectively.

Our review showed that USAID/Pakistan followed A.I.D. procedures in planning participant training during the design stages of the projects. However, although initial design documents for these projects revealed annualized training targets and cost throughout the project period, USAID/Pakistan did not follow A.I.D. procedures in reviewing and updating these training plans and the plans for all six projects contain aspects which need revisions. The planned and actual expenditures for training under the six projects reviewed (as of September 30, 1990) are as follows:

Planned and Actual Expenditures for Training (in \$000)

| <u>Project Number</u> | <u>Planned</u> | <u>Actual</u> |
|---------------------------|----------------|---------------|
| 391-0467 | 14,430 | 10,915 |
| 391-0474 | 53,626 | 33,996 |
| 391-0488 | 5,380 | 4,147 |
| 391-0489 | 7,148 | 7,012 |
| 391-0491 | 4,427 | 2,963 |
| 391-0492 | 17,650 | 3,516 |

USAID/Pakistan and the Government of Pakistan also developed an annual training plan. However, participants were filling on average only 45 percent of the courses offered for each of the last three years.

Training Plans Need to be Revised

A.I.D. policy requires that training plans be updated if there are delays or other reasons which make the original plans invalid. Appropriate revisions of training plans have not been made for the six projects reviewed primarily because USAID/Pakistan did not adequately consider funding requirements. If these plans are not periodically revised, USAID/Pakistan will not be able to measure its own achievements against realistic targets and will not be able to effectively manage its project funds as evidenced by the potential to deobligate/reprogram an estimated \$27.2 million for five of the six projects reviewed.

Recommendation No. 2: We recommend that USAID/Pakistan:

- 2.1** revise its participant training plans for the six projects reviewed to include realistic targets, timeframes, and funding requirements based on current expected achievements;
- 2.2** determine if training plans for projects not reviewed are still valid and, if not, make appropriate revisions;
- 2.3** deobligated or reprogram funds identified as not needed based on the revised plans;
- 2.4** establish procedures requiring training plans to be periodically reviewed and revised if they are no longer applicable; and
- 2.5** establish procedures for assuring that the Government of Pakistan nominates qualified candidates in a timely manner or that action is considered to reprogram funds.

A.I.D. Handbook 3, Chapter 9, recognizes that projects take place within a dynamic environment and revisions to training plans will be the norm rather than the exception. If mission management is to effectively monitor the achievement of project objectives under changing conditions, it will have to make adjustments in its implementation methods, plans and schedules. The Handbook also stresses the need for budgets to be reviewed and updated as soon as additional information becomes available to provide a current picture of expenditure to be made.

A.I.D. Handbook 19, Chapter 2, stipulates that unliquidated obligations should be reviewed periodically using certain criteria and any excess funds should be deobligated promptly. One criterion is

"When the project implementation has not progressed on scheduled, consideration is given to renegotiating the agreement and adjusting the obligation downward as required."

... our analysis shows potential to deobligate/reprogram an estimated \$27.2 million under five projects ...

Although USAID/Pakistan did revise the training plans for four of the six projects reviewed, there were still certain aspects of the plans for all six projects which needed revisions. For example, our analysis shows potential to deobligate or reprogram an estimated \$27.2 million under five projects (as shown below):

Estimated Funding Requirements (in \$000)

| <u>Project Number</u> | <u>Obligations</u> | <u>Expenditures To Date</u> | <u>Estimated Additional Expenditures</u> | <u>Potential for Deobligation/Reprogram</u> |
|-----------------------|--------------------|-----------------------------|--|---|
| 391-0467 | 15,450 | 10,915 | 3,979 | 556 |
| 391-0474 | 54,481 | 33,996 | 14,711 | 5,774 |
| 391-0489 | 10,300 | 7,012 | 1,363 | 1,925 |
| 391-0491 | 4,428 | 2,963 | 368 | 1,097 |
| 391-0492 | <u>29,000</u> | <u>3,516</u> | <u>7,616</u> | <u>17,868</u> |
| | <u>113,659</u> | <u>58,402</u> | <u>28,037</u> | <u>27,220</u> |

Examples of problems with the current plans are noted below:

- The Agriculture Sector Support Program (Project No. 391-0492) was approved in September 1987 with an expected completion date of September 1993. In September 1990, the completion date was extended to September 1995 but the

training plan has not been revised even though it is no longer applicable. The plan provides that (as of September 30, 1990) about 656 participants should have been sent for overseas training, whereas only 177 had been sent. Of the total obligations for training of \$29.0 million, the plan provided that (as of September 30, 1990) \$17.7 should have been spent whereas only \$3.5 million had been spent. The USAID/Pakistan project officer attributed these delays in sending participants and spending to the inability of the Government of Pakistan to nominate qualified candidates in a timely manner. Based on the current training plan, we estimate that training costs under the project will total about \$11.1 million—resulting in potential to deobligate/reprogram \$17.9 million.

- The Development Support Training Project (Project No. 391-0474) was approved in March 1983 and is to be completed by January 1993. Although the training plan was revised (in June 1990), USAID/Pakistan did not recalculate funding requirements. As of September 30, 1990, obligations and expenditures for training were \$54.5 million and \$34.0 million, respectively. Based on the revised training plan and estimated remaining (maximum) costs for participants currently in training, we estimate that training costs under the project will total about \$48.7 million—resulting in the potential to deobligate/reprogram \$5.8 million.
- The Food Security Management Project (Project No. 391-0491) was approved in February 1984 and was to be completed by June 1989. Although the completion date was extended to June 30, 1991, the training plan has not been revised even though it is no longer applicable. Of the \$4.4 million obligated, only \$3.0 million had been expended (as of September 1990). USAID/Pakistan officials stated that they do not plan to send anymore participants to training. The project does, however, have 13 participants still in training for which we estimate will cost at the most an additional \$368,000. Therefore, we estimate that there is potential to deobligate/reprogram approximately \$1.1 million.

USAID/Pakistan officials attributed the delays in sending participants to training and related spending to the inability of the Government of Pakistan to nominate qualified candidates for training. The annual training plan for fiscal year 1990 developed by USAID/Pakistan and the Government for the six projects reviewed offered a total of 1,373 training slots (541 long-term and 832 short-term) but the database maintained by the participant training contractor and data provided by another contractor responsible for one of the projects showed that only 500 (155 long-term and 345 short-term)—or 36 percent of those planned were sent. Similar shortages were experienced in the previous two years.

Without realistic plans, USAID/Pakistan cannot accurately measure its achievements or prioritize its activities on projects given the current funding levels. Therefore, USAID/Pakistan needs to revise the training and financial plans of projects based on

realistic schedules and establish procedures for updating plans as needed. USAID/Pakistan should also deobligate/reprogram unneeded funds identified by the revised plans, and establish procedures for ensuring that the Government of Pakistan nominates qualified candidates in a timely manner. If the Government of Pakistan is unable to correct the problem of a slow nominating process, USAID/Pakistan should take appropriate action, such as reprogramming funds.

Management Comments and Our Evaluation

USAID/Pakistan concurred with the finding and recommendations. In response to Recommendation Nos. 2.1, 2.2 and 2.3, USAID/Pakistan stated the training plans for all projects will be updated (estimated completion by June 30, 1991) as part of the Mission's fiscal year 1991 obligation/deobligation activities. Concerning Recommendation Nos. 2.4 and 2.5, USAID/Pakistan stated that it was preparing a Mission Order to formalize procedures to routinely review and revise all project training plans and to assure that the Government of Pakistan nominates qualified candidates in a timely manner.

Based on USAID/Pakistan's comments, Recommendation No. 2 is resolved and will be closed when the training plans are updated and any funds not needed are deobligated or reprogrammed and when the recommended procedures are established.

Did USAID/Pakistan ensure that the place of training (country and institution) is the most cost-effective and payments made are for only allowable costs?

USAID/Pakistan does not ensure the place of training (country and institution) is the most cost-effective and that payments made for training were for only allowable costs.

Once participant training candidates are nominated by the Government of Pakistan and approved by USAID/Pakistan, the participant training contractor has been assigned responsibility to ensure participants are placed in the most appropriate and cost-effective training programs. USAID/Pakistan is not directly involved in the payment process—it receives an advice of charge by A.I.D./Washington when a payment is made. As of September 30, 1990, total participant training obligations and expenditures under active projects were \$146.7 million and \$75.3 million, respectively.

Although we could not thoroughly review decisions on the placement of participants and propriety of A.I.D. payments (because supporting documents were at the participant training contractor's home office in the United States), we did identify serious

weaknesses in USAID/Pakistan's assurance that places selected for training were the most cost effective and that A.I.D. payments for participant training were for only allowable costs (authorized, reasonable and allocable).

Excessive Training Costs

A.I.D. policies require that cost must be considered when making decisions on the place of training (country and institutions). USAID/Pakistan officials did not consider costs because they did not effectively monitor the participant training contractor's placement of participants and they believed training should be done in the United States if at all feasible. Although we could not quantify the amount of excess cost, the potential for savings is substantial as indicated by our estimate that training costs could have been reduced by about \$472,000 had USAID/Pakistan limited annual tuition fees to less than \$6,000 for participants sent for long-term training in fiscal year 1990.

Recommendation No. 3: We recommend that USAID/Pakistan:

- 3.1 require the technical assistance contractor to submit for USAID/Pakistan's approval the contractor's procedures for selecting the place of training and containing training costs (e.g., the contractor develops a list of accredited training institution along with related cost data for frequently requested degree programs and uses the list when selecting the place of training); and**
- 3.2 establish procedures to ensure that costs are appropriately considered by USAID/Pakistan prior to approving placement of participants (procedures which include, at a minimum, requiring the contractor to provide the names of at least three institutions for placement with related cost data, reviewing cost data provided by the contractor along with that identified in a current publication on tuition costs of U.S. colleges, and justifying any cases when a participant is not placed in less costly training programs/schools—e.g., where annual tuition costs are less than \$6,000).**

A.I.D. Handbook 10, Chapter 2, states that cost must be considered when making decisions on placing participants at training facilities and locations. However, there are no prescribed procedures on the missions' responsibilities in this process. Also, the guidance in Handbook 10 is vague on whether to use third country or U.S. training. For example:

- Supplement 1A states: "A.I.D. has no implicit preference for one form of training over another, but it does expect that the option of training more cost-effectively in local or third country institutions be explored before relatively expensive training in U.S. institutions is recommended".
- Chapter 8 states: "It is A.I.D. policy to encourage participant training to take

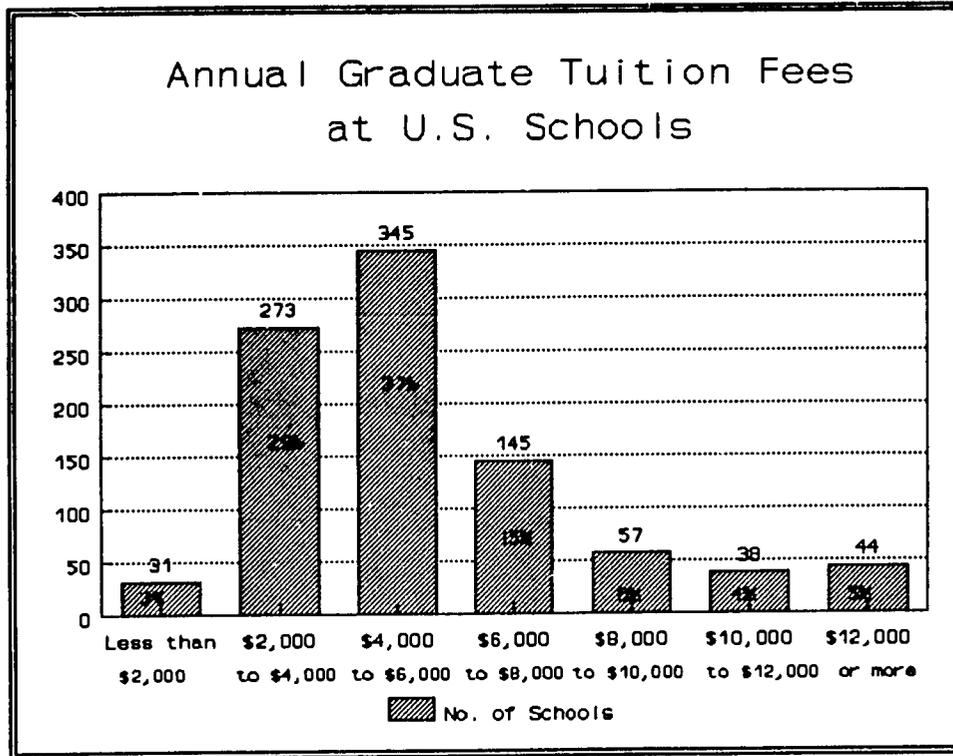
place in the United States, unless training in a third country has greater development value and is more cost effective."

Regardless if there is inadequate or vague guidance on how to consider costs when deciding where to place participants, in our opinion costs need to be considered to ensure that A.I.D. funds are efficiently spent as required by Section 101 of the Foreign Assistance Act.

USAID/Pakistan did not consider costs prior to the placement of participants at specific training institutions and did not monitor the participant training contractor's efforts for containing costs and identifying relevant third country training institutions. In fact, USAID/Pakistan and its participant training contractor's office in Pakistan did not consistently obtain cost data on training institutions being considered. The contractor's officials in Pakistan said that their home office in the United States is responsible for considering costs when placing participants in training institutions.

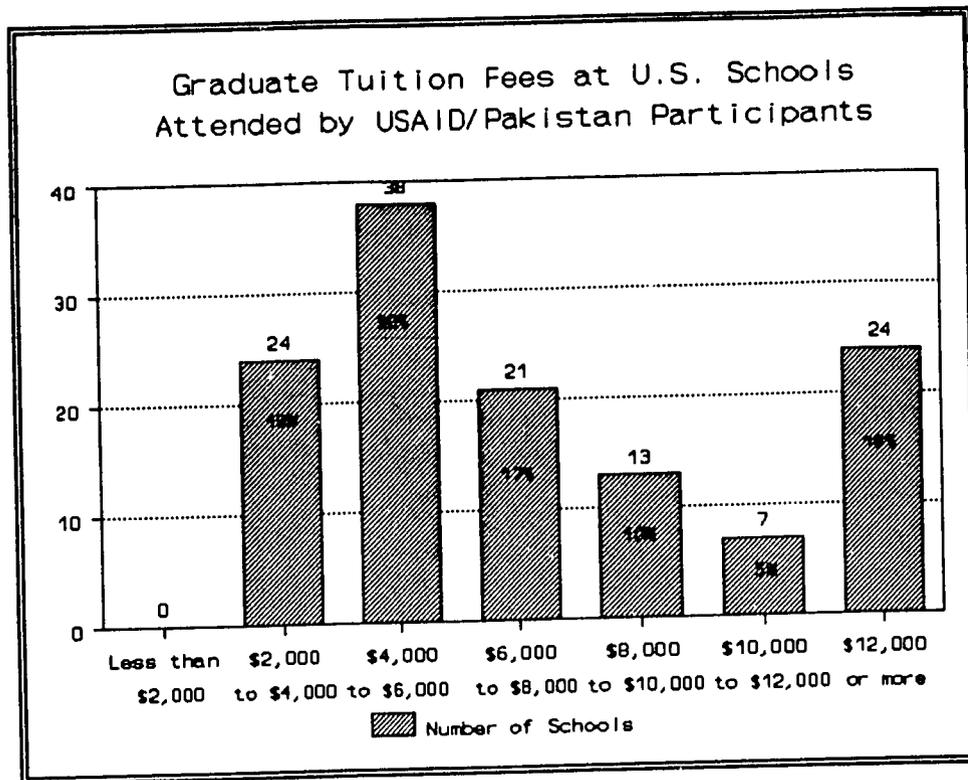
One area for potential savings is the use of less expensive instead of high-priced schools in the United States.

Although we could not quantify the potential for reducing costs because necessary data was not available in Pakistan, available information indicate there could be significant savings in three areas. One area for potential savings is the use of less expensive instead of high-priced schools in the United States. A Guide to U.S. Colleges for Students from Other Countries revealed that there were significant differences in the annual tuition costs for graduate programs at 933 schools—these costs ranged from \$720 to \$18,250. (The average annual tuition cost was \$5,649). A breakout of the ranges of tuition costs is shown below:



As shown above, 649 schools—or 69 percent of those listed—had annual tuition rates of less than \$6,000.

To determine the tuition price range of schools where USAID/Pakistan's participants are being sent, the participant training contractor provided us a list of participants who were sent for long-term training (11 months or longer) in fiscal year 1990 along with the school attended. Using the above mentioned guide, we identified the tuition fees of these schools. As illustrated below, 65 of the 127 participants (for which we could identify tuition costs) were sent to schools where the annual tuition costs were more than \$6,000—including 24 participants (19 percent) who were sent to schools where the annual tuition costs were more than \$12,000.



Based on the length of authorized training for those participants sent to schools with annual tuition fees of more than \$6,000, we estimate that had they attended less expensive schools (annual tuition fees of less than \$6,000), the training costs would be reduced by approximately \$472,000—or about 26 percent of the total estimated tuition costs for the long-term participants sent in fiscal year 1990.

The second area for potential cost savings is the use of U.S. institutions which reduce or waive fees for A.I.D.-sponsored participants. A previous A.I.D. Inspector General audit (Audit Report No. 9-000-87-7; dated September 29, 1987) on A.I.D.'s participant training program identified that some training institutions offer A.I.D.-sponsored participants reduced or waive fees but that A.I.D. was not taking advantage of these opportunities to reduce costs. As an example, the report noted that for nine universities, the average annual tuition paid and offered were \$5,751 and \$2,034, respectively—or a saving of \$3,717 (65 percent) per participant.

A third area for potential savings is the use of third country training. USAID/Pakistan officials said it was their policy to use third country training only when such training is not available in the United States. They said they preferred U.S. training because of the benefits to U.S./Pakistan relations that come from exposing Pakistan participants to U.S. culture and institutions. They also said they believed it has been A.I.D.'s policy in recent years to prefer U.S. to third country training regardless of cost.

As mentioned previously, A.I.D.'s policy on the use of third country training is vague.

While we recognize that cost is not the only factor used in choosing the place of training and that training in the United States does offer some intangible benefits, we believe that third country training should be considered when it meets the training objectives and is less costly. One example when more costly U.S. training was used: Although the contractor had arranged for a participant to attend a 12-month technical course in the Philippines at a cost of \$15,000, the participant arranged his own admission and USAID/Pakistan agreed to a similar course in the United States at a cost of \$22,000.

The contractor responsible for administering USAID/Pakistan's participant training program also identified the benefits of third country training. In a March 1990 memo to USAID/Pakistan, the contractor stated that its research has shown some of the best and most appropriate programs are in third countries, especially for technical and agriculture. This memo also stated that developing programs at U.S. institutions for some of the very specific training objectives may not be very cost effective in the long run.

The above three areas for potential savings should have been identified and implemented by the participant training contractor. The contract required the contractor to

- explore ways to contain training costs so that the benefits of studying in third countries and the U.S. can be expended to the maximum number of Pakistanis who are involved in the country's development efforts, and
- identify relevant third country training programs because they are usually cheaper than U.S. training and potentially more relevant in course context and interchange between professors and other trainers.

Due to the magnitude of USAID/Pakistan's participant training program, we believe it is essential that USAID/Pakistan consider costs prior to approving the placement of participants in training institutions. Also, the technical assistance contractor should comply with the contract requirements to explore ways to contain training costs and should provide at least three choices, whenever possible, of schools for each participant with attendant cost data. (An A.I.D. Office of International Training official said that its contractors are required, whenever possible, to provide missions with three choices of institutions with attendant cost data).

Inefficient and Questionable Use of A.I.D. Funds

Federal and A.I.D. policies require that A.I.D. funds be spent efficiently and only for allowable costs. USAID/Pakistan did not ensure these requirements were met because it did not adequately monitor the contractor's administration of the participant training program and review the contractor's claims for reimbursement of costs incurred. These problems resulted in USAID/Pakistan not having information to effectively manage its

participant training program, A.I.D. funds not being spent efficiently, and questionable payments to the contractor.

Recommendation No. 4: We recommend that USAID/Pakistan:

- 4.1 require the contractor to report when it is first known that a candidate/participant does not have the required course prerequisites, is placed in an inappropriate course to meet his training objectives, or will not complete training within the scheduled timeframe;**
- 4.2 establish procedures to ensure extensions to training and increased costs for participant training are properly approved; and**
- 4.3 establish and implement procedures (e.g. requiring periodic audits) to reasonably assure costs claimed by the contractor for participants' training are allowable.**

The Foreign Assistance Act (Section 101) requires that all A.I.D. funds be efficiently spent for authorized purposes. Thus, A.I.D. Handbook 19 requires that missions ensure that A.I.D. funds under bilateral projects be spent efficiently and only for allowable (authorized, reasonable and allocable) costs. The contractor responsible for administering USAID/Pakistan's participant training program is responsible for placing participants in appropriate courses, monitoring their progress, and notifying USAID/Pakistan when problems occur or costs are going to exceed allocated amounts.

USAID/Pakistan did not ensure that these requirements were met. In addition to our other findings discussed in this report where A.I.D. funds were not spent efficiently and effectively, this finding concerns additional waste and questionable costs attributed to USAID/Pakistan's inadequate monitoring of the contractor's administration of the participant training program and review of the contractor's claims for reimbursement.

...the contractor's report on participant costs show that as of July 1990, costs exceeded the allocated amount for 295 participants (out of 1,600 participants reported)—with total expenses exceeding the allocated amounts by \$1.2 million.

Our review identified many cases where, in our opinion, the contractor did not fully comply with contract requirements. One requirement which the contractor did not comply with was obtaining USAID/Pakistan's approval when the costs of training exceeds the amount allocated in un-funded project implementation orders for specific

participants. Each order states that the contractor should not exceed this amount for the participant without USAID/Pakistan approval. We found that the costs for individual participants routinely exceed the allocated amount without the contractor notifying USAID/Pakistan or obtaining proper USAID/Pakistan's approval. In fact, the contractor's report on participant costs show that as of July 1990, costs exceeded the allocated amount for 295 participants (out of 1,600 participants reported)—with total expenses exceeding the allocated amounts by \$1.2 million. Examples of these cases under the un-funded project implementation orders are noted below (excluding airfare):

- USAID/Pakistan allocated \$19,800 in January 1987 for a participant to attend an 11-month masters degree program in the United States. No additional funds were approved by USAID/Pakistan but the total A.I.D. payments for this training was \$33,579. The reason for the additional payments was that the participant attended a more expensive school.
- USAID/Pakistan allocated \$18,000 in May 1987 for a participant to pursue a 10-month master degree program. Although A.I.D. paid \$26,700 for this participant's training, there was no evidence that the additional cost (\$8,700) was authorized by USAID/Pakistan.
- A participant was nominated for a 12-month masters degree program in Manila in May 1987 and USAID/Pakistan approved an allocation of \$14,000. The participant secured a placement in an expensive school (annual tuition of \$18,250) in the United States and commenced training in September 1987. Although the actual expenditure totalled \$30,898, there was no evidence that USAID/Pakistan had approved more than \$19,800.

We also found some cases where A.I.D. funds were not efficiently or effectively spent due to the inappropriate placement of participants. For example:

- **Students did not meet course prerequisites and therefore their training was extended.** For example, a participant started training in September 1987 and was scheduled to complete a 24-month master degree program in August 1989 (at a cost of \$43,200). The contractor notified USAID/Pakistan in April 1989—18 months after the participant commenced training and four months before his scheduled completion—that the participant had to take five pre-requisite courses that he did not have when he was placed and therefore needed a 3-month extension (to November 1989). In this case, the contractor stated no additional funds would be required, but in December 1989, the contractor notified USAID/Pakistan that \$48,948 had already been spent and another five-month extension (to May 1990) was needed which would increase the training cost to \$53,300.

- **Students were not placed in appropriate courses and could not use their training.** For example, a participant was sent for a 9-month course in Agricultural Economic because she did not qualify for a Masters Degree in Marketing Management. Although she apparently attended courses arranged by the contractor, she did not receive any grades and attended other courses she selected. She stated the courses arranged by the contractor were not useful. A.I.D. paid \$14,400 for her training.
- **Students may not have been eligible.** For example, a participant held a U.S. green card but a memo found in the training contractor's files states that someone who holds a green card is not eligible for A.I.D.'s participant training program. Although this participant had difficulties in his courses and the contractor recommended that he be terminated after A.I.D. spent \$38,000, the participant refused to leave the U.S. and A.I.D. could not make him because he had a green card. The participant continued in his studies and A.I.D. eventually agreed to pay an additional \$10,000 for courses already taken and monthly maintenance if the participant agreed to leave the U.S. and repay and the \$10,000. Apparently, the participant returned to Pakistan but did not repay the \$10,000.

In addition, USAID/Pakistan has little assurance that payments made to the contractor for participants' training are for only allowable costs. Although it receives an advice of charge (along with a total amount for participants' training costs) from A.I.D./Washington when payments are made, it does not review these costs for reasonableness and has no information on the breakout of costs (e.g., tuition, living allowance and book allowance) for individual participants. Furthermore, although USAID/Pakistan has requested a closeout audit of a previous contract (with total estimated costs of \$66.7 million and an expiration date of February 1989) for participant training with this same contractor, no audits have been requested of the \$18.8 million in training costs claimed (as of February 1990) under the current contract.

Although we did not attempt to quantify the extent A.I.D. funds were spent inefficiently or for unallowable costs, it is probably substantial based on the results of our limited review. Therefore, USAID/Pakistan needs to take a number of actions to increase controls over the administration of its participants training program and to assure payments were/are made for only authorized, reasonable, and allocable costs.

Management Comments and Our Evaluation

Although USAID/Pakistan accepted Recommendation Nos. 3.1 and 3.2, the actions identified in its comments are not totally responsive to the recommendations. Accordingly, these recommendations are **unresolved**.

Concerning Recommendation No. 3.1, USAID/Pakistan requested the technical assistance

contractor to develop a list of the most frequently used training institutions along with related data and to use this list when selecting the place of training. USAID/Pakistan did not, however, require the contractor to submit for USAID/Pakistan's approval the contractor's procedures for selecting the place of training and containing training costs. In our opinion, USAID/Pakistan should be aware of and approve such procedures.

In response to Recommendation No. 3.2, USAID/Pakistan stated it accepted the recommendation but did not indicate what actions would actually be implemented to ensure that costs are appropriately considered by USAID/Pakistan prior to approving placement of participants. Furthermore, USAID/Pakistan believes the audit report uses tuition costs as the primary basis of verifying whether or not USAID/Pakistan and the contractor have met their obligations to contain costs. USAID/Pakistan also notes that while undergraduate tuition costs are contained within a ceiling of \$7,500 per year, A.I.D. Handbook 10 does not specify a ceiling for graduate tuition costs. We (the auditors) do not mean to imply that tuition costs are the primary basis for placing participants. But, we continue to believe that USAID/Pakistan should have procedures to ensure that tuition costs are at least considered prior to approving the placement of participants and that there is justification when participants are placed in schools with annual tuition costs over a certain amount (e.g. \$6,000). In our opinion, such procedures would better ensure that A.I.D. funds are efficiently spent as required by Section 101 of the Foreign Assistance Act.

Concerning Recommendation No. 4.1, USAID/Pakistan directed the contractor to implement a procedure to report to USAID/Pakistan as quickly as possible when there are any significant program changes and when participants are taking inappropriate courses. Thus, this recommendation is resolved and will be considered for closure when we obtain a copy of the procedures.

In response to the finding and recommendation (Recommendation No. 4.2) on the need to establish procedures to ensure extensions to training and increased costs for participants' training are properly approved, USAID/Pakistan stated that it will work with the technical assistance contractor to maintain improved records to document the decisions of responsible USAID/Pakistan officials. Thus, Recommendation No. 4.2 is resolved and will be closed when USAID/Pakistan provides documentary evidence that the recommended action is completed.

Concerning Recommendation No. 4.3, USAID/Pakistan noted that the technical assistance contractor has an independent annual audit conducted to ensure that proper internal controls are in place and that payments made by the contractor are authorized, reasonable, and allowable. While these audits do provide some assurance that A.I.D. payments made to the contractor are for only allowable costs, we believe USAID/Pakistan should provide guidance to the contractor on the scope of work for the independent auditors. Based on USAID/Pakistan comments, Recommendation No. 4.3 is resolved and the A.I.D. Office of Inspector General will work with USAID/Pakistan

toward closing this recommendation.

Did USAID/Pakistan follow A.I.D. procedures for the selection of participant training candidates as to medical certification and English language proficiency.

USAID/Pakistan followed procedures for participant training selection which set forth requirements for medical certification but did not follow A.I.D. procedures for testing English language proficiency.

To test the participant selection process, we reviewed in detail the files of 20 randomly selected participants from a population of 73 participants who had been processed for training between April 1 and June 30, 1990. For these participants, we found that all 20 had the proper medical certifications. Nevertheless, we did identify concerns in the significant A.I.D. payments (\$960,000 during a 2-1/2 year period ended June 1990) for medical claims for participants under USAID/Pakistan training programs. English proficiency tests had been administered to and had been passed by the seven participants in our sample going for long-term academic training, but these tests had not been administered to the other 13 participants in our sample who had gone for short term technical training.

Concern Over Medical Claims

Where patterns of undetected illness emerge or where local medical conditions warrant, A.I.D. missions should consider adding other tests to those included in the standard A.I.D. medical examination of participants. USAID/Pakistan was not aware of A.I.D. payments for medical treatment for its participants because it did not obtain such information from A.I.D.'s Office of International Training. As a result, USAID/Pakistan did not know that these payments totalled about \$960,000 (over the 2-1/2 year period ended June 30, 1990) and therefore did not consider actions to reduce future medical costs.

Recommendation No. 5: We recommend that USAID/Pakistan

- 5.1 request A.I.D.'s Office of International Training to periodically provide reports of medical claims for participants under USAID/Pakistan programs, and**
- 5.2 determine if there are patterns of illness which should be diagnosed by the examining physician or if additional medical tests should be included in the**

medical examination.

Health benefits for A.I.D.-funded participants studying in the U.S. are provided by the A.I.D. Health and Accident Coverage program, an A.I.D. self-funded medical health plan. The program was established for the purpose of paying the usual, reasonable and customary charges for allowable medical services required by A.I.D.-funded participants.

To determine the extent of A.I.D. payments for USAID/Pakistan's participants, we requested this data from the A.I.D. Office of International Training. The information received identified that between January 1, 1988, and June 30, 1990, A.I.D. had paid out about \$960,000 in medical costs for 1,011 participants studying under USAID/Pakistan's participant training program—including 72 participants for which payments were more than \$2,000 each.

A.I.D. Handbook 10, Chapter 13, states that the A.I.D. Office of International Training provides A.I.D. missions with reports of medical claims to identify patterns of illness which should be, but evidently have not been, diagnosed by the examining physician. This Chapter also prescribes that the missions should consider other tests (in addition to the standard medical examination and certification procedures) where patterns of undetected illness emerge or where local medical conditions warrant.

USAID/Pakistan officials were not aware of the extent A.I.D. payments have been made for participants' medical costs in the United States. They said that this type of data would be useful but it has not been sent to them.

Our analysis of the data provided by the A.I.D. Office of International Training show some illnesses identified occur quite frequently or are costly. Examples include:

| <u>Type of Illness</u> | <u>No. of Participants</u> | <u>Total Cost</u> |
|---------------------------|----------------------------|-------------------|
| Abdominal Pain | 78 | \$28,762 |
| Calculus of Urinary Tract | 21 | \$41,988 |
| Calculus of Gallbladder | 4 | \$35,911 |
| Heart Problems | 28 | \$116,775 |
| Ulcer | 43 | \$40,218 |

Although we cannot identify any specific actions to reduce A.I.D. costs based on our analysis, we believe USAID/Pakistan should periodically obtain this type of data from A.I.D.'s Office of International Training and consider if the illness should be diagnosed by the examining physician or whether other medical tests should be routinely made (e.g., stress tests to detect heart problems).

English Proficiency Tests Should be Given to Participants Going for Short-Term Technical Training

A.I.D. regulations require that participants demonstrate adequate proficiency in English if they are to be trained in courses conducted in English. USAID/Pakistan participants, however, have been sent for short term technical training without demonstrating the required English proficiency because A.I.D. requirements have not been enforced. Without adequate language skills, the expected benefits from training may not be derived, and as a result, A.I.D. funds may not be effectively and efficiently spent.

Recommendation No. 6: We recommend that USAID/Pakistan:

- 6.1 require English proficiency tests for all appropriate participants receiving technical training; and**
- 6.2 ensure only those participant training candidates who achieve the required English language proficiency are allowed to attend training unless adequate justification for a waiver is documented; or**
- 6.3 obtain an exception from the requirement that all appropriate participants be tested for English proficiency from the A.I.D. Office of International Training.**

A.I.D. Handbook 10, Chapter 12, states:

Missions are to ensure that all participants, except those accompanied by an official interpreter and those whose programs are not conducted in English, have obtained the minimum required English proficiency scores (on either one of the two approved tests) ... prior to departure.

Although Supplement 12A of A.I.D. Handbook 10 states that participants whose English proficiency is below the minimum should not be sent for training until they take intensive English language training and obtain the required minimum scores, it also states that flexibility is required to meet program needs. For example, although English language ability are always to be considered, four other considerations include: "... demands made by the participant's proposed technical training, the facility available for remedial language study, the pressure of time, and other important program considerations". The A.I.D. Handbook does not provide for test waivers except when interpreters accompany participants.

A.I.D. Handbook 10, Chapter 36, states that exceptions to the above policy are authorized only when essential to the participant training program or where special circumstances make such exceptions in the best interest of A.I.D.-sponsored participant training. Exceptions will be approved only by the Director of A.I.D.'s Office of

International Training (OIT) or his authorized representative.

Although A.I.D.'s policy requires participants attending academic and long term technical training to take an approved English language proficiency test and achieve a passing score, USAID/Pakistan has adopted a policy that allows participants to attend short term technical training (less than 3 months) without demonstrating the required minimum levels of English proficiency. USAID/Pakistan has not received an exception from A.I.D.'s policy requiring English proficiency tests for all participants attending training courses taught in English.

In our sample of 20 participants, everyone had attended courses conducted in English and were not accompanied by an interpreter. However, only the 7 candidates attending long term academic training had received a passing score on one of the two acceptable tests while the other 13 participants who attended short term technical training had not taken the test.

USAID/Pakistan officials said they did not require English proficiency tests for short term technical training because English is spoken by most middle managers in the public and private sector. Many upper level managers are offended when asked to have their English tested. According to the mission, if there is any indication that a participant is deficient in English, the training would be canceled. We were told that cases where English deficiency has interfered with training are very unusual.

One could raise the question: Is there any definite relationship between English proficiency and the benefits derived from training? According to A.I.D. Handbook 10, Supplement 12A, such a relationship does exist and the English language proficiency requirements contained in the Handbook were derived from linguistic research and program experience.

In our opinion, USAID/Pakistan should comply with A.I.D. requirements to test all participants prior to sending them for overseas training (unless they are accompanied by official interpreters or if the course is not conducted in English). If USAID/Pakistan wants to maintain their present policy of excluding all short term technical training participants from English proficiency tests, the mission should apply for an exception to A.I.D. policy to the Director, Office of International Training, as set forth in Chapter 36 of A.I.D. Handbook 10.

Management Comments and Our Evaluation

USAID/Pakistan generally concurred with the findings and recommendations. Concerning Recommendation No. 5.1; USAID/Pakistan has requested A.I.D.'s Office of International Training to periodically provide reports of medical claims for participants under USAID/Pakistan programs. Based on USAID/Pakistan's action, Recommendation No. 5.1 is closed.

In response to Recommendation No. 5.2, USAID/Pakistan stated that it maintains a comprehensive medical clearance system which includes additional testing for frequently reported illnesses or potential problems frequently identified by its medical doctors. Based on USAID/Pakistan's comments, Recommendation No. 5.2 is resolved and will be considered for closure when USAID/Pakistan provide documentary evidence to support its determination concerning patterns of illnesses.

In response to Recommendation Nos. 6.1 and 6.2, USAID/Pakistan stated that a Mission Order will be issued requiring all participants to take an English language test prior to departure for training and this requirement will be monitored by the USAID/Pakistan Human Resources Development Officer. USAID/Pakistan believed Recommendation No. 6.3 should be withdrawn because all participants will be tested and no exceptions will be made.

Based on USAID/Pakistan's comments, Recommendation No. 6.3 is closed. Recommendation Nos. 6.1 and 6.2 are resolved and will be considered for closure when we receive a copy of the Mission Order.

Did USAID/Pakistan follow A.I.D. procedures to monitor participants' performance to ensure satisfactory progress and completion of training?

USAID/Pakistan did not follow A.I.D. procedures to monitor participants' performance to ensure satisfactory progress and completion of training.

Under the 19 projects reviewed, 717 participants should have returned from training between January 1 and December 31, 1989. From this population, we judgmentally selected 49 participants to determine if their progress was satisfactorily monitored and if there was evidence they successfully completed their courses. Our review revealed the following:

- Sixteen students had short-term training (less than five months). For short-term training, periodic progress reports were not specifically required by A.I.D. procedures. For the remaining 33 students, files for 20 contained sufficient information to evaluate progress, while files for 13 did not.
- Of the 49 participants selected, two had been terminated from the program and two were reported to be still in training, leaving 45 for review. Out of these 45 participants, we could verify from the files maintained in Pakistan that 4 had successfully completed their courses while no documentation was available for

the other 41. We subsequently obtained documentation (from a sample of 14 of the 41 participants) that an additional three had successfully completed their courses.

Participants' Performance Needs to be Monitored

A.I.D. Handbook 10 prescribes that periodic progress reports be submitted to A.I.D. missions to evaluate participants' progress. USAID/Pakistan has not been receiving these reports and evaluating progress because it has not established procedures for these purposes. Consequently, it has not been monitoring the progress of A.I.D.-funded participants and was not in a position to identify when problems occur to effectively resolve (including termination of training) problems of poor performance and to ensure A.I.D. funds are effectively spent.

Recommendation No. 7: We recommend that USAID/Pakistan establish procedures to ensure sufficient information is received to monitor the progress of participants in training.

A.I.D. Handbook 10, Chapter 26, states that A.I.D. missions are responsible for monitoring the progress of participants through the use of periodic academic reports (Form A.I.D. 1380-69, Academic Enrollment and Term Report) and other communication from contractors. The Handbook also states that contractors are responsible for obtaining these reports for each academic participant and provide it to the A.I.D. mission at the end of each term. The Handbook further states that missions should work closely with contractors to identify potential academic problems. (The Handbook also states that this form may be used to monitor technical participants who are enrolled in programs of five months or longer.)

USAID/Pakistan does not receive periodic reports to determine the progress of its participants because it depends on its participant training contractor to obtain these reports and notify USAID/Pakistan when a participant's progress is not satisfactory to complete his training as scheduled. However, while the reports and other information on the participant's progress may have been obtained by the contractor, the contractor did not always notify USAID/Pakistan in a timely manner when progress was not satisfactory. This problem occurred because USAID/Pakistan did not have procedures to ensure the contractor obtained progress reports and notified USAID/Pakistan in a timely manner when problems arose.

...we found several instances where delays in the distribution of information made it difficult for USAID/Pakistan to make timely decisions on participants' problems and funding requirements.

In our sample of 33 participants, we found that the files maintained by the contractor in Pakistan for 13 participants did not contain sufficient data to adequately monitor the participants progress. In addition, we found several instances where delays in the distribution of information made it difficult for USAID/Pakistan to make timely decisions on participants' problems and funding requirements. This problem was due to the contractor's policy to wait until the final semester of a participants training before notifying USAID/Pakistan that an extension was needed. Examples of poor performance which were not revealed in a timely manner include:

- A participant started training in September 1987 and was scheduled to complete a 36-month doctorate program in August 1990 (at a cost of \$64,800). The contractor first notified USAID/Pakistan in September 1990 that \$77,427 had already been spent on this participant's training and that he needed a 1-year extension to complete the program at a total cost of \$103,200. USAID/Pakistan tentatively approved (on September 30, 1990) a 3-month extension and was going to send a letter to the Government of Pakistan requesting concurrence for the one-year extension.
- A participant started training in August 1988 and was scheduled to complete an 18-month masters degree program in February 1990 (at a cost of \$32,400). The only academic record available in the contractor's files was for one semester in 1989. The contractor first notified USAID/Pakistan in February 1990 that the participant needed a 6-month extension (at an additional cost of \$13,960) because a masters degree usually takes longer than 18 months and due to academic problems experienced by the participant.

Without timely information on participants' progress, USAID/Pakistan cannot identify problems of unsatisfactory progress and take appropriate corrective actions to ensure A.I.D. funds are efficiently and effectively spent.

Proof of Course Completion on Returning Participants Needs to be Obtained

Although A.I.D. policy requires proof of course completion, no documentation was available in many cases to substantiate that the participants had successfully completed the courses. This occurred because USAID/Pakistan did not require the institution or the

participant training contractor to submit certificates of completion for all participants. As a result, we were not able to determine if some USAID/Pakistan participants received the full benefits of training A.I.D. paid for.

Recommendation No. 8: We recommend that USAID/Pakistan:

- 8.1 require the participant training contractor or the training institution to demonstrate that the participants have completed their training by producing a course completion certificate or degree certificate; and**
- 8.2 establish procedures to award a "Certificate of Achievement" to every participant who successfully completes A.I.D.-sponsored participant training program or receive a waiver of this requirement from the A.I.D Office of International Training.**

A.I.D. Handbook 10, Chapter 35, states it is A.I.D.'s policy to issue "Certificates of Achievement" to every participant who successfully completes an A.I.D.-sponsored participant training programs in order to give personal recognition to the participant and to create a favorable climate for continued follow-up activities. It follows that proof of successful completion must first be obtained. Furthermore, A.I.D. Handbook 10, Chapter 26, states that contractors responsible for monitoring participants' performance should also specify whether or not a certificate and/or course grade was given.

USAID/Pakistan did not obtain proof of course completion for participants. It relied on the participant training contractor to obtain such proof but our review of the contractor's files in Pakistan did not contain evidence (e.g., copies of diplomas or certificates) that participants successfully completed their training. For example, of the 45 participants we reviewed, the contractor's files supported that only four of the 45 had successfully completed their courses while no documentation was available for the other 41.

According to the contractor's officials, proof of completion documents were on file at its home office in the United States. We therefore requested that the contractor obtain from its home office proof of completion for 14 of the 41 participants. The home office was able to provide proof of completion for 3 of the 8 academic training participants but not for the other 5 academic trainees or for the 6 technical training participants. Subsequent to receiving the home office response, the contractor's officials in Pakistan said it was their office's policy to obtain copies of final transcripts and diplomas for academic training but not to obtain copies of certificates for technical training since certificates are not always given out.

USAID/Pakistan did not have a program to issue "Certificates of Achievement" to participants who successfully completed their training program because they felt (1) the diplomas or degrees that should have been awarded by the training institution was sufficient and (2) it was not feasible to have award ceremonies due to geographical

constraints. In our opinion, these are not valid reasons for not implementing the A.I.D. policy to issue the certificates. Furthermore, USAID/Pakistan did not obtain a waiver on this requirement from the A.I.D. Office of International Training as required by A.I.D. Handbook 10, Chapter 36.

If proof of course completion are not available, USAID/Pakistan cannot verify that the participants had received the planned benefits from the training. Therefore, USAID/Pakistan should require the participant training contractor or the training institution to demonstrate when participants have successfully completed their training by producing a course completion or degree certificate. USAID/Pakistan should also issue "Certificates of Achievements" to participants who successfully complete their training or obtain a waiver from the A.I.D. Office of International Training.

Management Comments and Our Evaluation

USAID/Pakistan did not agree with our finding and recommendation on the need to establish procedures to ensure sufficient information is received to monitor the progress of participants in training. Accordingly, Recommendation No. 7 is considered unresolved.

USAID/Pakistan believes the contractor and USAID/Pakistan have adequate procedures to monitor participant progress. For example, USAID/Pakistan noted that academic participants are required to submit to the contractor an Academic Enrollment and Term Report after the completion of each term and the contractor forwards the report (along with a separate memorandum of any unusual circumstances) to the respective USAID/Pakistan project officer. The reports are to be retained in the participants' case files in Islamabad, Pakistan. USAID/Pakistan also cited other monitoring efforts carried out by the contractor and reports which are suppose to be sent to the respective USAID/Pakistan project officer for both academic and technical training.

Although the contractor may be required to carry out the monitoring cited in USAID/Pakistan's comments, this report supports that the files maintained by the contractor in Pakistan did not contain sufficient data (e.g., Academic Enrollment and Term Report) to adequately monitor the participants progress and the contractor did not submit reports on problems in a timely manner to USAID/Pakistan. Furthermore, as noted in this report, the contractor's policy was to wait until the final semester of a participants training before notifying USAID/Pakistan that an extension was needed.

In our opinion, USAID/Pakistan needs to establish procedures to ensure sufficient (and timely) information is received to monitor the progress of participants in training. Otherwise, USAID/Pakistan will not be able to identify and effectively resolve problems of poor performance and to ensure A.I.D. funds are effectively spent.

USAID/Pakistan concurred with the finding that there was a need to obtain proof of

course completion on returning participants and to award a "Certificate of Achievement" to every participant who successfully completes an A.I.D. sponsored participant training program. Concerning Recommendation No. 8.1, USAID/Pakistan instructed the participant training contractor to obtain certificates of completion on participants (assuming the participants meet the program requirements) and to retain these certificates in the contractor's files. In response to Recommendation No. 8.2, USAID/Pakistan stated that issuing these certificates appears useful as a part of its participant follow-up program and has requested certificates from the A.I.D. Office of International Training.

Based on USAID/Pakistan's comments, Recommendation No. 8.1 is closed. Recommendation No. 8.2 is resolved and will be considered for closure when USAID/Pakistan begins to issue "Certificates of Achievements" to successful participants.

Did USAID/Pakistan ensure that participants returned from training and were assigned to work where they could effectively utilize their training as required?

USAID/Pakistan did not ensure that participants returned from their training and did not ensure participants were assigned to work where they could effectively utilize their training.

Since USAID/Pakistan's participant training program began in 1983, a total of 4,000 A.I.D.-funded participants should have returned to Pakistan from overseas training for which A.I.D. has paid approximately \$78.8 million (as of September 30, 1990). Our audit disclosed that USAID/Pakistan did not know whether or not most (2,600) of these participants actually returned and did not ensure any participants were using their training in development fields as required by the project agreements.

Need to Ensure Participants Return and Use Their Training

A.I.D. policy requires that A.I.D.-funded participants return to their home country and work in development-related activities for which the training was authorized. Notwithstanding these requirements, USAID/Pakistan did not know whether or not most participants who should have returned from overseas training actually returned or if those that did return used their training effectively. These problems occurred because USAID/Pakistan does not have effective systems to ensure participants return to Pakistan when the training is completed and use their training as required. As a result, much of A.I.D. funds spent for training may not have been effectively spent—including approximately \$47.4 million A.I.D. paid for the training of 2,600 participants whom

USAID/Pakistan did not know whether or not they returned to Pakistan upon completion of their training.

Recommendation No. 9: We recommend that USAID/Pakistan:

- 9.1 take appropriate action to determine whether or not the 2,600 participants identified in the report actually returned to Pakistan;**
- 9.2 establish and implement procedures to ensure participants return to Pakistan when they complete overseas training and use their training as required by A.I.D. policy and the project agreements;**
- 9.3 in consultation with the A.I.D. Regional Legal Counsel, identify and take appropriate action against the Government of Pakistan or the participants when the participants did not return from overseas training or did not use their training as required by the project agreements;**
- 9.4 if there is a pattern of unsatisfactory utilization of trained participants, determine whether the needs assessment and trainee selection process are adequate; and**
- 9.5 establish a participant training evaluation system as required by A.I.D. Handbook 10.**

The Foreign Assistance Act (Section 101) requires that A.I.D. funds be spent efficiently and effectively for development activities in the recipient country. Thus, A.I.D. Handbook 10, Chapter 33, states that it is A.I.D. policy that upon completion of their training program, A.I.D.-sponsored participants are obligated to return to their home countries to apply their skills in development-related activities for which the training was authorized. Chapter 33 also stipulates that missions must be able to identify A.I.D.-sponsored participants who do not return home at the end of their training programs and should take all feasible steps to ensure that returned participants work in positions where their training is utilized effectively. It is also A.I.D. policy (Handbook 10, Chapters 34 and 35) that every A.I.D. mission will:

- provide general follow-up activities on returned participants;
- establish a Participant Training Evaluation System which requires participants to fill out a series of questionnaires and provides information for A.I.D. to ascertain whether the participant training programs were administered in compliance with A.I.D. policies and accomplished their training objectives; and
- maintain and update records for a minimum of three years on former participants who were trained for periods of three months or longer.

To assure compliance with the A.I.D. policies, USAID/Pakistan issued its Mission Order PAK-17-7 which requires its training office to establish follow-up and evaluation systems on the use of returned participants. Also, project agreements generally include a provision that requires the Government of Pakistan to make every reasonable effort to ensure that participants return to Pakistan and use their training in development-related activities for a specific length of time. Furthermore, each project agreement provides that A.I.D. may require a refund from the Government of Pakistan if A.I.D.-funded resources are not effectively used.

USAID/Pakistan did not know whether or not most participants have returned to Pakistan upon completion of training and if those that have returned were placed in positions where they effectively used their training.

USAID/Pakistan did not know whether or not most participants have returned to Pakistan upon completion of training and if those that have returned were placed in positions where they effectively used their training. These problems occurred because USAID/Pakistan did not follow A.I.D. procedures for monitoring participants upon their completion of training.

USAID/Pakistan has not developed a system to confirm that participants have returned when their training was completed. Although not required by the contract, the technical assistance contractor responsible for administering USAID/Pakistan's participant training program has attempted to confirm that participants have returned by sending out questionnaires to their last known place of work after the estimated training completion date. This effort, however, has not been successful because in most cases the questionnaires were not sent or the participants did not respond. The contractor's database on participants shows that (since 1983) 4,000 participants should have completed training and returned to Pakistan (as of September 30, 1990) but the contractor has confirmed that only 1,400 participants have actually returned and 10 (for which A.I.D. paid training costs of more than \$250,000) have not returned as required. **Thus, USAID/Pakistan did not know whether or not the remaining 2,600 participants have returned to Pakistan—training for which A.I.D. has paid an estimated \$47.4 million.**

Concerning participants who have returned, USAID/Pakistan does not have a follow-up program to assure that the participants effectively use their training. To determine if participants were using their training when they returned to Pakistan, we judgmentally selected 24 participants for interviews. These participants were listed in the participant training contractor's database as having an estimated completion date in 1989 and

working (prior to training) in one of three large Pakistan cities: Islamabad, Karachi, or Lahore. Six of those selected were not interviewed because: two were still attending school in the United States, two had moved to other cities, and two (for which A.I.D. paid training costs of \$56,410) could not be located by the contractor and USAID/Pakistan officials. Of the 18 which were interviewed, 16 indicated they were using their training for which it was authorized. The remaining two were not using their training as noted below:

- A private sector participant completed a 24-month course to obtain a masters degree in Business Administration and returned to Pakistan in August 1989. He told us that the company he worked for went out of business prior to his return and since he could not get a job in Pakistan, he went to the United Arab Emirates to work. He said he was on holiday in Pakistan at the time of our audit. (This training cost \$36,200)
- A private sector participant attended a 9-month course in Agricultural Economics because she did not qualify for a Masters Degree in Farm and Livestock Management. She said that although she attended the courses paid for by A.I.D., they were not useful in her work (management of her father's cattle farm). She added that she attended some courses that were useful but these were arranged by her and not paid for by A.I.D. She said she did not receive a grade for any courses attended. (This training cost \$14,400)

The extent of the above problems could not be quantified partly because USAID/Pakistan has not implemented the Participant Training Evaluation System as prescribed by A.I.D. Handbook 10, Chapter 34. As part of this system, USAID/Pakistan is responsible for administering a series of questionnaires (e.g., upon the participant's return to Pakistan, six months after their return, then two years after their return, and regularly thereafter). Although the participant training contractor does send out a letter in an attempt to confirm participants return, its efforts have not been successful and no effort has been made by the contractor or USAID/Pakistan to follow up on participants to assure they effectively use their training after their return.

A.I.D. Handbook 10, Chapter 33, prescribes a number of actions which missions can take should the number of nonreturnees be high or begin to hamper development efforts. These actions include: bonding participants; suspending long-term training, U.S. training or all training; conducting overseas training only on a reimbursable basis; and not entering into any new project agreements which sponsor participant training. In addition, A.I.D. Handbook 19, Chapter 10, states:

Where the terms and conditions of the bilateral training project are not met, due to the participant's failure to return to his/her home country upon completion of training or other nonperformance, A.I.D. will pursue recovery from the host country of the funds and other resources utilized

in providing training as provided by existing policy.

Furthermore, A.I.D. Policy Determination No. 8, Participant Training states:

Where patterns of unsatisfactory return rates or subsequent employment are identified, particular attention should be given to whether the needs assessment and trainee selection processes are appropriate and to whether project design and institutional assessments have adequately considered the professional incentives and support systems needed to attract, retain, and utilize key staff effectively.

Without a follow-up program, USAID/Pakistan does not know whether or not participants are returning from training and placed in positions where they utilize their training. To ensure that funds are effectively spent, USAID/Pakistan should establish (1) procedures to ensure participants return to Pakistan and use their training as required and (2) a participant training evaluation system. In addition, USAID/Pakistan should take appropriate action to determine whether the 2,600 participants identified in the report actually returned to Pakistan and, in coordination with the Regional Legal Counsel, determine and take appropriate action to recover A.I.D. costs when training was not effectively utilized.

Management Comments and Our Evaluation

USAID/Pakistan generally concurred with the finding and recommendations. Concerning Recommendation Nos. 9.1 and 9.2, USAID/Pakistan agreed to determine whether or not the 2,600 participants identified in the report actually returned to Pakistan and will initiate a more comprehensive participant follow-up program to ensure participants return to Pakistan and appropriately use their training. In response to Recommendation No. 9.3, USAID/Pakistan stated that it will provide a semi-annual report on participants who do not return to Pakistan (or do not use their training) to the A.I.D. Regional Legal Advisor for review and recommendation. USAID/Pakistan noted that any action taken as a result of this recommendation will be limited to and based on the applicable provisions of each project agreement. Concerning Recommendation Nos. 9.4 and 9.5, USAID/Pakistan stated it was in the process of establishing a participant training evaluation system and would take appropriate corrective action if it was determined that there is a pattern of unsatisfactory utilization of training participants.

Based on USAID/Pakistan's comments, all five parts of Recommendation 9 are resolved and will be closed when USAID/Pakistan provides documentary evidence that the recommended actions have been completed.

REPORT ON INTERNAL CONTROLS

We have audited USAID/Pakistan's participant training program for those projects with active participant training components as of September 30, 1990, and have issued our report thereon dated May 24, 1991.

Scope of Our Internal Control Assessment

We conducted our audit in accordance with generally accepted government auditing standards which require that we:

- assess the applicable internal controls when necessary to satisfy the audit objectives; and
- report on the controls assessed, the scope of our work, and any significant weaknesses found during the audit.

We limited our assessment of internal controls to those controls applicable to the audit objectives and not to provide assurance on the auditee's overall internal control structure.

For the purposes of this report, we have classified significant internal control policies and procedures applicable to each audit objective by categories. For each category, we obtained an understanding of the design of relevant policies and procedures and determined whether they have been placed in operation—and we assessed control risk. We have reported these categories as well as any significant weaknesses under the applicable section heading for each audit objective.

General Background on Internal Controls

The management of A.I.D., including USAID/Pakistan, is responsible for establishing and maintaining adequate internal controls. Recognizing the need to re-emphasize the importance of internal controls in the Federal Government, Congress enacted the Federal Manager's Financial Integrity Act (the Integrity Act) in September 1982. This Act, which amends the Accounting and Auditing Act of 1950, makes the heads of executive agencies and other managers as delegated legally responsible for establishing and maintaining adequate internal controls. Also, the General Accounting Office (GAO) has issued "Standards for Internal Controls in the Federal Government" to be used by agencies in establishing and maintaining such controls.

In response to the Integrity Act, the Office of Management and Budget (OMB) has issued guidelines for the "Evaluation and Improvement of Reporting on Internal Control Systems in the Federal Government." According to these guidelines, management is required to assess the expected benefits versus the related costs of internal control policies and procedures. The objectives of internal control policies and procedures for Federal foreign assistance are to provide management with reasonable—but not absolute—assurance that resource use is consistent with laws, regulations, and policies; resources are safeguarded against waste, loss, and misuse; and reliable data is obtained, maintained, and fairly disclosed in reports. Because of inherent limitations in any internal control structure, errors or irregularities may occur and not be detected. Moreover, predicting whether a system will work in the future is risky because (1) changes in conditions may require additional procedures or (2) the effectiveness of the design and operation of policies and procedures may deteriorate.

In doing our audit, we found certain problems that we consider reportable under standards established by the Comptroller General of the United States. (Note: USAID/Pakistan did not report any of these problems in its October 1989 internal control assessment, an assessment required by the Integrity Act). Reportable conditions are those relating to significant deficiencies in the design or operation of the internal control structure which we become aware of and which, in our judgment, could adversely affect USAID/Pakistan's ability to assure that resource use is consistent with laws, regulations, and policies; resources are safeguarded against waste, loss, and misuse; and reliable data is obtained, maintained, and fairly disclosed in reports.

Conclusion for Audit Objective One

The first audit objective concerns the maintenance of a centralized and up-to-date database to track sponsored participants. In planning and performing our audit of USAID/Pakistan's database, we considered the applicable internal control policies and procedures cited in A.I.D. Handbook 10.

We noted one reportable condition relating to the centralized database system:

- USAID/Pakistan did not maintain an up-to-date database to track participants.

Conclusion for Audit Objective Two

The second audit objective relates to the planning of participant training. In planning and performing our audit, we considered the applicable internal control policies and

procedures cited in A.I.D. Handbook 3.

We noted one reportable condition relating to the planning process:

- USAID/Pakistan did not appropriately revise training plans when delays and other changes occurred.

Conclusion for Audit Objective Three

This objective relates to the cost effectiveness in the selection of training institutions and the authorization, reasonableness, and allowability of participant training costs. In performing this objective, we considered requirements of the Foreign Assistance Act and the applicable internal control policies and procedures cited in A.I.D. Handbooks 10 and 19.

We noted two reportable conditions relating to cost effectiveness of participant training:

- USAID/Pakistan did not have adequate procedures for considering costs prior to placement of participants.
- USAID/Pakistan did not adequately monitor the participant training contractor's administration of the participant training program and review the contractor's claims for reimbursement of costs incurred.

Conclusion for Audit Objective Four

This objective relates to the selection of candidates to be sent for participant training. In planning and performing our audit, we considered the applicable internal control policies and procedures cited in A.I.D Handbook 10. For the purpose of this report, we have classified the relevant policies and procedures into the following categories: English proficiency, and medical certification.

We noted one reportable condition relating to the selection of candidates:

- USAID/Pakistan has sent candidates for short-term participant training without testing or any other assurance that the candidate met established requirements for English proficiency.

Conclusion for Audit Objective Five

This objective relates to the monitoring of participants' performance to ensure satisfactory progress and course completion. In planning and performance our audit of the monitoring of participants' performance, we considered the applicable internal control policies and procedures cited in A.I.D. Handbook 10.

We noted two reportable conditions relating to the monitoring of participants' performance:

- USAID/Pakistan did not receive periodic reports on the progress of participants.
- USAID/Pakistan did not receive documentation to show that participants had satisfactorily completed their courses.

Conclusion for Audit Objective Six

This objective relates to the requirement of follow-up procedures to monitor returned participants to ensure their obligations to work in their development fields are being honored and their training is being utilized. In planning and performing our audit of the follow-up procedures, we considered the applicable internal control policies and procedures cited in A.I.D. Handbooks 10 and 19.

We noted two reportable condition relating to the requirement for follow-up procedures:

- USAID/Pakistan has not established adequate procedures to ensure participants return to Pakistan upon completion of training.
- USAID/Pakistan has failed to establish an adequate follow-up system to monitor returned participants to ensure they fulfill their obligations to work in their development area and utilize the training they received.

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A material weakness is a reportable condition in which the design or operation of the specified internal control elements does not reduce to a relatively low level the risk that

errors or irregularities in amounts that would be material in relation to the financial reports on project funds being audited may occur and may not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of internal controls would not necessarily disclose all matters that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe that the reportable conditions described under the five audit objectives are material weaknesses.

REPORT ON COMPLIANCE

We have audited USAID/Pakistan's participant training program for those projects with an active participant training component as of June 30, 1990, and have issued our report thereon dated May 24, 1991.

Scope of Our Compliance Assessment

We conducted our audit in accordance with generally accepted government auditing standards which require that we:

- assess compliance with applicable requirements of laws and regulations when necessary to satisfy the audit objectives (which includes designing the audit to provide reasonable assurance of detecting abuse or illegal acts that could significantly affect the audit objectives) and
- report all significant instances of noncompliance and abuse and all indications or instances of illegal acts that could result in criminal prosecution that were found during or in connection with the audit.

We tested USAID/Pakistan's, the participants training contractor's, and the Government of Pakistan's compliance with certain provisions of Federal laws and regulations, and contractual obligations. However, our objective was not to provide an opinion on overall compliance with such provisions.

General Background on Compliance

Noncompliance is a failure to follow requirements, or a violation of prohibitions, contained in statutes, regulations, contracts, grant and binding policies and procedures governing an organization's conduct. Noncompliance constitutes an illegal act when there is a failure to follow requirements of laws and implementing regulations, including intentional and unintentional noncompliance and criminal acts. Not following internal control policies and procedures in the A.I.D. Handbooks generally does not fit into this definition and is included in our report on internal controls. Abuse is distinguished from noncompliance in that abusive conditions may not directly violate laws or regulations. Abusive activities may be within the letter of laws and regulations but violate either their spirit or the more general standards of impartial and ethical behavior.

Compliance with laws, regulations, and contractual obligations applicable to the participant training program is the overall responsibility of USAID/Pakistan's management.

Conclusions on Compliance

The results of our tests of compliance disclosed the following significant instances of noncompliance:

- Audit Objective No. 3 - The contractor did not appropriately contain participant training costs as required by the contract and USAID/Pakistan did not ensure A.I.D. funds were efficiently spent as required by Section 101 of the Foreign Assistance Act.
- Audit Objective No. 6 - USAID/Pakistan did not ensure A.I.D. funds were spent efficiently and effectively (i.e., participants return to Pakistan and use their training) as required by Section 101 of the Foreign Assistance Act.

Except as described above, the results of our tests of compliance indicate that, with respect to the items tested, USAID/Pakistan and the Government of Pakistan complied in all significant respects, with the provisions referred to in the fourth paragraph of this report. With respect to items not tested, nothing came to our attention that caused us to believe the USAID/Pakistan, the Government of Pakistan and the participant training contractor had not complied, in all significant respects, with those provisions.

SCOPE AND METHODOLOGY

Scope

We audited USAID/Pakistan's participant training program in accordance with generally accepted government auditing standards. We conducted the audit from July 8 through October 4, 1990 and covered the systems and procedures relating to project inputs financed by A.I.D. for projects with active participant training components as of September 30, 1990. As noted below, we conducted our field work in the offices of USAID/Pakistan and at the office in Islamabad (Pakistan) of a contractor who is responsible for the overall administration of USAID/Pakistan's participant training program.

The audit objectives did not cover the following areas:

- Except to determine if the training plans were valid, we did not cover the participant training program component of the Transformation and Integration of Provincial Agriculture Network (TIPAN) Project (No. 391-0488) because participant training under that project was not managed by the technical assistance contractor responsible for administrating USAID/Pakistan's participant training program.
- The audit could not conclusively determine the extent the contractor did not comply with certain requirements of the contract (i.e., containing costs) and if A.I.D. payments were made for only allowable costs. These issues could not be determined because pertinent documentation concerning these issues was not available in Pakistan, but was reportedly maintained at the contractor's home office in the United States.
- The audit did not evaluate the accuracy or completeness of data on the number of participants sent to training, in training, and returned from training. We relied on the information in the participant training database as well as other related documents and discussions with USAID/Pakistan and the participant training contractor officials.

Methodology

The methodology for each audit objective follows.

Audit Objective One

To accomplish the first audit objective, we determined if a centralized and up-to-date database of participant information existed. We examined the computerized central data system used as an information base for participants. We held extensive interviews with USAID/Pakistan officials and their technical assistance contractor to determine what information was available to them and the source of that information.

Audit Objective Two

To accomplish the second audit objective, we reviewed the project papers for the projects we selected to determine the targets (timeframes, trainees, and budgets) for the participant training program. We then interviewed USAID/Pakistan officials and reviewed financial reports to determine if the training programs were on schedule or had been revised. If the training program had deviated from the plans, we analyzed available data to estimate the remaining funding requirements for the projects (through the completion date) and potential to deobligate/reprogram excess funds.

Audit Objective Three

To accomplish the third objective, we determined whether USAID/Pakistan had adequate controls to ensure (1) the places of training are the most cost effective and (2) that payments were made only for allowable costs. We interviewed USAID/Pakistan and the participant training contractor officials in Pakistan to determine their procedures to ensure that costs are considered when placing participants and A.I.D. payment are made for only allowable costs. We obtained information from the A.I.D. Office of International

Training in Washington as to A.I.D.'s policy on using third country training as a means of controlling training costs and A.I.D.'s requirements for considering costs when choosing training institutions. We also reviewed a Guide to U.S. Colleges for Students from Other Countries (obtained from the U.S. Information Service in Singapore) to obtain data on tuition costs for graduate degrees at U.S. institutions and compared these against training costs estimated and paid by USAID/Pakistan. Furthermore, we assessed the training institutions where participants were sent in fiscal year 1990 to determine the tuition costs of those institutions. We selected 39 participants and reviewed their file maintained by the contractor to determine problems with the cost of training. We also analyzed costs allocated in project implementation orders for participants and compared this to actual costs.

Audit Objective Four

To accomplish the fourth objective, we determined whether the selection process for candidates adhered to the English proficiency and medical certification. We selected a sample of 20 participants from a population of 73 participants who had been processed for training between April 1 and June 30 1990. Participants processed before April 1 were processed under a different set of procedures and so were not included in our population. We examined the training file of each of the 20 participants selected to obtain documentation indicating whether English proficiency had been tested and medical certificates obtained. We also reviewed medical costs incurred by A.I.D. under its participant health and accident coverage program for USAID/Pakistan participants who incurred such costs between January 1, 1988 and June 30, 1990 to determine if costs and payments appeared appropriate.

Audit Objectives Five and Six

To accomplish the fifth and sixth objectives, we determined whether (1) participant performance was adequately monitored, (2) completion of courses was verified, and (3) a follow-up program for returned participants was operating. Under the 19 projects reviewed, 717 participants should have returned from training between January 1 and December 31, 1989. From this population, we judgmentally selected 49 participants to determine if their progress was satisfactorily monitored and if there was evidence they

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successfully completed their courses. Finally, we selected 24 participants, of which 18 were interviewed to determine if they were assigned to work where they effectively used their training. To determine if participants returned to Pakistan when they completed their training, we also analyzed data prepared by the participant training contractor on participants sent, in-training, and confirmed as return to Pakistan.



UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT
MISSION TO PAKISTAN

Cable: USAIDPAK

HEADQUARTERS OFFICE
ISLAMABAD

Office of the Director

30 APR 1991

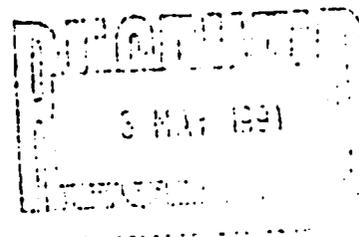
MEMORANDUM

From James A. Norris, Mission Director, USAID/Pakistan
To James B. Durnil, RIG/A/Singapore
Sub: Draft Audit Report on USAID/Pakistan's Participant Training Program

Enclosed is our response to the RIG/Singapore's draft audit report on USAID/Pakistan's Participant Training Program.

Thank you and Mr. Whitney Glenn for meeting with our staff in Washington to discuss the report. We found the meetings worthwhile for understanding several points and being able to clarify our procedures and systems. We also appreciate the additional time allowed for our responding to the Report since we were all impacted by the recent Gulf War.

We look forward to receiving the final report.



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MISSION RESPONSE TO RECOMMENDATIONS
Islamabad, Pakistan

AUDIT OBJECTIVE: DID USAID/PAKISTAN MAINTAIN A CENTRALIZED AND UP-TO-DATE DATABASE TO TRACK SPONSORED PARTICIPANTS?

RECOMMENDATION NO. 1: We recommend that USAID/Pakistan ensure that all required information is input and periodically updated to the centralized database on participant trainees.

RESPONSE: Mission accepts recommendation and is working with contractor to ensure all current and returning participant data is entered into PTP (Pakistan Training Program) system; data input to be up todate by November 1, 1991.

Comment: Since 1983, HRD/Pakistan's technical assistance contractor in the field has maintained a database, which became fully automated in 1988, on all participants authorized for training. Prior to 1988, USAID/HRD monitored the pre-Participant Training Management System (PTMS), and the PTMS information, project number; and the contractor's field office system monitored additional predeparture information i.e., date PIO/P and nomination was received by the contractor and date forwarded to the Home Office; estimated completion date, degree level being pursued; non-academic participant financial claim form (date, claim amount and amount paid); and evaluation dates and forms.

In April of 1990, HRD/Pakistan and the contractor merged all participant training-related functions. At that time, the contractor designed a more comprehensive tracking system, merging HRD's and the contractor's existing systems and adding several fields. However, when the approximately 14,000 HRD and contractor files were merged (7,000 from each office), several fields in the new computerized system necessarily remained blank because the participants had completed training prior to the creation of the new fields. Staff was not available for this labor-intensive task of copying hard files to the computerized database. Therefore, some fields in the program for completed participants whose files were merged are empty. The "return" field is one of these. Thus, any report generated solely from the computerized database will not give complete data for pre-1988 participants.

USAID/Pakistan is in agreement with the Auditors and are in the process of in-putting this information into the data-base; data input to be up todate by November, 1991.

AUDIT OBJECTIVE: DID USAID/PAKISTAN FOLLOW A.I.D. PROCEDURES FOR PLANNING PARTICIPANT TRAINING, AND ARE PLANS BEING REVISED WHEN DELAYS OR OTHER CHANGES OCCUR?

RECOMMENDATION NO. 2.1: We recommend that USAID/Pakistan: revise its participant training plans for the six projects reviewed to include realistic targets, timeframes, and funding requirements based on current expected achievements.

RESPONSE: Mission accepts recommendation and is in the process of revising all project training plans to ensure compliance with Pressler close-out process, including obligation/deobligation of funds as appropriate.

Comment: There are two different training plans being referred to in the Report. First is the Mission's annual Participant Training Plan (Public and Private Sector) jointly planned with Government of Pakistan officials or with representatives of the private sector. This training plan is periodically updated during the fiscal year through the issuance of amendments. These amendments are distributed to all parties, including the concerned project officer, the participant training office of the Mission and the implementing contractor.

The second type of training plan is the participant training plan initially developed at the Project Paper (PP) stage based on an assessment of training needs and project objectives, and is a part of the approved PP. This second plan is updated on an as needed basis and is implemented through PIO/Ts. These PIO/Ts contain detailed budgets, the number of participants to be trained by type (academic or technical), and are used to control the issuance of PIO/Ps (non-funded) by the contractor for approval and implementation of the training plan.

As Mission obligation/deobligation activities for FY91 are finalized, during May 1991, training plans for all projects will be updated (estimated completion by June 30, including time for GOP concurrence).

RECOMMENDATION NO. 2.2: We recommend that USAID/Pakistan: determine if training plans for projects not reviewed are still valid and, if not, make appropriate revisions.

RESPONSE: See response to Recommendation 2.1.

RECOMMENDATION NO. 2.3: We recommend that USAID/Pakistan: deobligate or reprogram funds identified as not needed based on the revised plans.

RESPONSE: See response to Recommendation 2.1.

RECOMMENDATION NO. 2.4: We recommend that USAID/Pakistan: establish procedures requiring training plans to be periodically reviewed and revised if they are no longer applicable.

RESPONSE: Mission accepts recommendation and is preparing a Mission Order to formalize internal operation of system to routinely review and revise all project training plans.

Comment: Project Officers and Office Chiefs approve all PIO/Ts and therefore periodically update Project Paper Training Plans and review USAID/GOP progress on implementation. Progress on implementation of the project training plans is monitored during preparation for the quarterly Project Implementation Review (PIR) meetings with Project Development and Monitoring staff. The Mission Order will standardize this process; Mission Order to be circulated and cleared during May 1991. (Attachment A).

RECOMMENDATION NO. 2.5: We recommend that USAID/Pakistan: establish procedures for assuring that the Government of Pakistan nominates qualified candidates in a timely manner or that action is considered to reprogram funds.

RESPONSE: See response to recommendation 2.4; this will be included in the same Mission Order. (Attachment A).

Comment: Given the impact of the Pressler Amendment, the Mission has taken significant steps to deobligate and reprioritize the remaining funds in all USAID projects. As a part of project completion, all project training plans are being reviewed, revised and discussed with counter parts. We are also in the process of reducing the number of pending nominations and during the past several months have downgraded the size of the annual Participant Training Plan.

AUDIT OBJECTIVE: DID USAID/PAKISTAN ENSURE THAT THE PLACE OF TRAINING (COUNTRY AND INSTITUTION) IS THE MOST COST-EFFECTIVE AND PAYMENTS MADE ARE FOR ONLY ALLOWABLE COSTS?

RECOMMENDATION NO. 3.1: We recommend that USAID/Pakistan: require the technical assistance contractor to submit for USAID/Pakistan's approval procedures for selecting the place of training and containing training costs (e.g., the contractor develop a list of accredited training institutions along with related cost data for frequently requested degree programs and use the list when selecting the place of training).

RESPONSE: Mission accepts recommendation to develop list for most frequently used training programs; list to be submitted to Mission by July 15, 1991 and will be used by contractor after that date. (Attachment B).

Comment: This list will be developed by the contractor based on past placements for the Mission. Separate lists will be developed for academic and technical programs. The list will be distributed to all Project Officers, selected counter parts in the GOP and will be updated (at least annually) and used by the contractor when selecting and recommending training programs.

RECOMMENDATION NO. 3.2: We recommend that USAID/Pakistan: establish procedures to ensure that costs are appropriately considered by USAID/Pakistan prior to approving placement of participants (procedures which include, at a minimum, requiring the contractor to provide the names of at least three institutions for placement with related cost data, reviewing cost data provided by the contractor along with that identified in a current publication on tuition costs of U.S. colleges, and justifying any cases when a participant is not placed in the least costly training program/school-e.g., where annual tuition costs are less than \$6,000).

RESPONSE: Mission accepts recommendation, as Mission approval is now obtained prior to placement of all participants through the use of the Training Implementation Plans (TIP).

Comment: In regard to contractor's responsibilities for containing costs, *Handbook 10*, Chapter Two states that

The costs of participant training are to be contained and training programs and training components of projects are to be developed and managed (by OIT or a contractor) to assure both quality and cost-effectiveness.

As a standard for measuring costs, the audit report employs a \$6,000 graduate tuition average calculated from A Guide to U.S. Colleges for Students from Other Countries. The draft report did not appear to take into consideration several factors: AID/contractor placements are required to attend school year round (not simply the 9-month academic year); special fees are often associated with specialized fields of study; frequently there are only a limited number of institutions offering graduate work in highly specialized fields.

In the analysis of academic placements made by the contractor, the auditors measured tuition costs paid by USAID/Pakistan against the figure of \$6,000/year which they state as the national average for graduate tuition as indicated by a review of the publication A Guide to U.S. Colleges for Students from Other Countries. In their own analysis of reasonable graduate tuition costs, our contractor attempted to replicate this figure by reference to the same guide as well as to Peterson's Guide to Graduate Education. From a sampling of over 600 graduate institutions our contractor found that depending on the field of study, graduate tuition costs ranged from a low of approximately \$1000/year to a high of over \$26,000/year, making an average figure misleading. Queries to the National Association of Foreign Students and Advisors (NAFSA), Institute for International Education (IIE), the Council of Graduate Schools and the USAID Office of International Training (OIT) indicated that a national annual average tuition figure for graduate studies is not codified.

Using an annual tuition average as an indicator of cost is misleading. For instance, in some cases, nominations are received for one year Master's degree programs in fields such as Public Administration or Business Management. Our experience in placing participants in one year programs has shown that annual tuition fees are higher than the average two year program. However, programs are generally cost effective because of the amount of money saved in monthly maintenance payments, books and insurance costs incurred in the second year of a two-year program.

The audit report uses tuition costs as the primary basis of verifying whether or not USAID and the contractor have met the obligation to contain costs. Handbook 10 does not specify a ceiling for graduate tuition allowed and does not address graduate tuition costs specifically. (Undergraduate tuition costs are contained within a ceiling of \$7,500/year.)

In the draft report, the Auditors cite cases where they indicate program cost exceeded that authorized by USAID. It is important to recognize, in relation to these cases, that administration for their placement and monitoring was governed by the pre-1988 edition of Handbook 10. The requirements for providing information to the Mission on a placement and obtaining Mission approval changed in 1988. The 1988 edition of Handbook 10 increased the information to

be provided to Missions with the TIP prior to the participant's arrival. USAID/Pakistan's contractor changed their procedures in 1988 and have since then provided a TIP for Project Officer approval prior to commencement of the training program. This procedure will continue to be followed.

RECOMMENDATION NO. 4.1: We recommend that USAID/Pakistan: require the contractor to report when it is first known that a candidate/participant does not have the required course prerequisites, is placed in an inappropriate course to meet his training objectives, or will not complete training within the scheduled timeframe.

RESPONSE: Mission accepts this recommendation and will direct the contractor to implement a procedure that will highlight any significant program changes, timeframe variations and when participants are taking inappropriate courses and report these changes as quickly as possible to the project officers. (Attachment C).

Comment: The participant training contractor routinely reports on participant status through Academic Enrollment and Term Reports (AETR), periodic campus or training site visit reports and information memos to project officers. In the past these methods have reported any program variations to the Project Officers, however the significance of the change may not have always been noticed in the memo or report. The Mission is requesting the contractor to implement new reporting procedures which would highlight any significant program changes, e.g. placing a box or shading around any information of this type in a report.

RECOMMENDATION NO. 4.2: We recommend that USAID/Pakistan: establish procedures to ensure extensions to training and increased costs for participant training are properly approved.

RESPONSE: Mission accepts this recommendation. Mission will work with contractor to maintain improved records to document the decisions of the Project Officer and HRD officer.

RECOMMENDATION NO. 4.3: We recommend that USAID/Pakistan: establish and implement procedures (e.g. requiring periodic audits) to reasonably assure costs claimed by the contractor for participants' training are allowable.

RESPONSE: Mission accepts this recommendation.

Comment: The contractor's Washington staff approve payments to be made to participants. These are reviewed by senior contractor finance staff to ensure payments are allowable. In cases where exceptional allowance approval for payments is needed, an Exceptional Allowance Request, supported by the required documentation is submitted to the OIT Allowance Committee for approval. Payment is made once OIT approval has been received.

The contractor has an independent annual audit conducted by Peat Marwick to ensure compliance with government financial regulations and that proper internal controls are in place. These audits are available from the contractor. They ensure that payments made by the contractor are authorized, reasonable and allowable.

In addition, the Mission will request the contractor to randomly sample 50 case, annually to determine if allowable and reasonable allowances have been paid to the participants. A report of this study will be submitted to the Mission by November first each year of the contract.

AUDIT OBJECTIVE: DID USAID/PAKISTAN FOLLOW A.I.D. PROCEDURES FOR THE SELECTION OF PARTICIPANT TRAINING CANDIDATES AS TO MEDICAL CERTIFICATION AND ENGLISH LANGUAGE PROFICIENCY?

RECOMMENDATION NO. 5.1: We recommend that USAID/Pakistan: request A.I.D.'s Office of International Training to periodically provide reports of medical claims for participants under USAID/Pakistan programs.

RESPONSE: Mission accepts this recommendation and has cabled OIT for medical claims reports. (Attachment D).

RECOMMENDATION NO. 5.2: We recommend that USAID/Pakistan: determine if there are patterns of illness which should be diagnosed by the examining physician or if additional medical tests should be included in the medical examination.

RESPONSE: Mission believes this recommendation be closed. The Mission maintains a comprehensive medical clearance system which includes additional testing for frequently reported illnesses or potential problems frequently identified by our medical doctors; these tests include treadmill stress tests, renal x-ray examinations and gastric analysis.

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Comment: The 73 participants who were selected in the sample all had claims exceeding \$2,000 per incident. Upon review of these records the Audit team determined that a vast majority of the participants with large claims were participants who entered training before the current extensive medical clearance procedure was initiated by OIT. Mission believes this demonstrates that the medical procedure implemented in compliance with *Handbook 10* (effective date September 1, 1988) has significantly reduced the size and frequency of large medical claims on the Health and Accident Coverage program.

While the amount of payments cited in the audit report \$960,000 appears significant, the Mission is not aware of any study which places this dollar figure in perspective against the number of participants supported by USAID/Pakistan (Some claims may come from participants placed and monitored by the Mission but funded by the Government of Pakistan). According to *Handbook 10* it is OIT's responsibility to provide "the missions with reports of medical claims to identify patterns of illness", however since no report has been received at the Mission in over 24 months, the Mission is requesting such reports be sent per attached cable.

Since the establishment of the medical clearance procedure the Mission has routinely monitored disease and medical problems reported by participants and examining physicians during the predeparture medical exam process. The Mission employed a fulltime physician for several months to establish a reporting system, work with the contract doctors and develop additional examination procedures for borderline cases. The additional procedures are based on disease and illness patterns which appeared frequently on reports and the Mission followed through by establishing additional tests, i.e. treadmill stress tests for abnormal or questionable EKG readings, renal x-ray examinations for nominees with a history of kidney stones and gastric analysis for participants with history of stomach problems. In all cases, *Handbook 10* Medical Fitness Standards for Applicants guidelines are followed, but for borderline cases, the Mission routinely authorizes additional exams in order to reduce the possibility of future medical claims.

RECOMMENDATION NO. 6.1: We recommend that USAID/Pakistan: require English proficiency tests for all appropriate participants receiving technical training.

RESPONSE: Mission accepts recommendation. A Mission Order will be issued before May 15, 1991 requiring all participants to take an English language test prior to departure for training. (Attachment E).

Comment: USAID/Pakistan has sent participants on short term technical training programs of three months or less without requiring an English language proficiency test. The Mission so instructed the implementor in its contract 391-0474-C-9154-00, dated 19 December 1988, Section C, page C-6:

Candidates for overseas training less than three months in duration will not be required to take the TOEFL test. All candidates nominated for more than three months must score a minimum of 500 on the TOEFL exam. (Copy attached.)

USAID and its participant training contractor ensure that for training programs of longer than three months only candidates who achieve the required English language proficiency are allowed to attend training. The minimum English language proficiency levels required by the Mission and Handbook 10 are:

TYPE OF PROGRAM/MINIMUM TOEFL SCORE REQUIRED

| | Mission | Handbook |
|---|---------|----------|
| Non-degree program of 3 months or more | 500 | 450 |
| MA/MS | 525 | 500 |
| PHD | 550 | 500 |

Any exceptions to these minimums have to be approved by the Chief of the office concerned. The exceptions are frequently based on interviews, project working knowledge of counter-part performance, case worker meetings with nominees and documented performance in English language schools or training programs (many Pakistanis have previously attended programs in England, if not in the U.S.).

Per contract directive USAID/Pakistan and its participant training contractor have worked with the above procedures since the outset

of the Development Support Training Project II. This contract directive was preceded by Mission policy in effect prior to 1988. The policy and directive are based on these facts:

- English is the language of Government in Pakistan (GOP),
- many participants are senior-level career officers in the GOP or leaders and owners of private sector businesses, and
- participants have received all their education in college through English language instruction.

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Because of these country-specific factors, requiring English language proficiency tests for this group has been contrary to cost effectiveness. The resources necessary to administrate a large number of English Language tests (given the cost of the instruments, administrators' salaries and travel) was considered not cost-effective to the Mission. In addition, the contractor during the past seven years has had very few complaints or identified problems (less than 5 cases can be remembered) with training providers concerning the level of English language for participants cleared by the Mission.

Given the planned phasing out of Mission activities and the related reduction of participant training, the Mission agrees with the report auditors and will require through a Mission Order that an English language test be administered to all participants prior to departure for training, including three months or less.

RECOMMENDATION NO. 6.2: We recommend that USAID/Pakistan: ensure only those participant training candidates who achieve the required English language proficiency are allowed to attend training unless adequate justification for a waiver is documented.

RESPONSE Mission accepts recommendation. A Mission Order will be issued before May 15, 1991 requiring all participants to take an English language test prior to departure for training. (Attachment E).

Comments: See comments to Recommendation No. 6.1. Once the Mission Order is issued it will be monitored by the HRD Officer.

RECOMMENDATION NO. 6.3: We recommend that USAID/Pakistan: obtain an exception from the requirement that all appropriate participants be tested for English proficiency from the A.I.D. Office of International Training.

RESPONSE: Mission believes this recommendation should be withdrawn since we now require all participants to be tested prior to departure for training.

AUDIT OBJECTIVE: DID USAID/PAKISTAN FOLLOW A.I.D. PROCEDURES TO MONITOR PARTICIPANTS' PERFORMANCE TO ENSURE SATISFACTORY PROGRESS AND COMPLETION OF TRAINING?

RECOMMENDATION NO. 7: We recommend that USAID/Pakistan establish procedures to ensure sufficient information is received to monitor the progress of participants in training.

RESPONSE: Mission believes there are adequate procedures in place and that this recommendation should be closed.

Comments: The participant training contractor, in compliance with *Handbook 10*, maintains an extensive monitoring system, part of which was previously described in our response to Recommendation 4.1. Mission believes our system, as described below, exceeds the requirements and is comprehensive for project and Mission management of participants while in training.

Academic Monitoring - The contractor and mission use the following procedures to monitor participant progress.

1. **Programs of Study** which outline the proposed course of study and research for academic programs are required to be submitted by the participant within the first two terms of the training program or the maintenance allowance is withheld until compliance is complete. Prerequisite and remedial courses are included as are any anticipated special research requirements which could affect the program end-date. The Program of Study is sent for review to USAID Project Officers.

Project Officers send comments or questions to the contractor if they do not feel the program of study will fully accomplish the training objective. The contractor then works with the participant and his or her advisor to revise the program. The Project Officer is to be notified if any problem or resistance is encountered.

2. **Academic Enrollment and Term Report (AETR)** forms and grade reports are requested by the contractor from participants enrolled in academic programs. Participants are required to submit these reports shortly after the completion of each term. When submission of grades and AETRs is late without sufficient reason, the contractor withholds maintenance payments from participants until receipt of necessary documentation is received. The contractor adds any additional comments to the AETR form or if unusual circumstances, writes a separate memorandum. The AETR and supporting documentation are forwarded first to the project officer and then are retained in the participants' case file in Islamabad.

3. **Regular contact with the participants' advisors** also helps assess progress. Once a participant has been assigned an advisor, the contractor sends the advisor an outline of the allowances and reporting requirements for the USAID scholarship. When problems are identified, USAID/Pakistan is made aware of these as they

relate to participant progress or any anticipated need for additional funding, e.g., program extensions through fax, telex and use of a courier service for original documents. Our contractor uses action requests and information Memos as the mechanism to advise USAID of progress or issues not covered in the reports mentioned above. With graduate programs there are many factors that can lead to last minute requests, (e.g., not passing a qualifying exam, transfer of a research advisor, data collection for particular research (i.e., growing seasons), etc.).

4. Reports from annual campus visits by the contractor's staff address academic progress as well as social and cultural adjustment issues. Copies of these reports are sent to the project officer and retained in the participant file in Islamabad.

Technical Monitoring - Although as the auditors note *Handbook 10* does not specifically require periodic progress reports for technical participants, our contractor is required to monitor the progress of all technical participants. The following is a description of how this is done.

1. Contractor staff are in frequent contact with staff at institutions where technical participants are enrolled. Institutions are made aware of the need to keep the contractor informed of any problems or concerns which arise during the training.

2. Any modifications to the training program, either at the request of the participant or the training provider, must be discussed with the contractor and approved by USAID. Action Request memos are prepared by the contractor for submission to project officers when changes in the training are requested.

3. Our contractors staff frequently receive reports on technical participant progress from institutions, and institutional contacts are instructed to keep staff advised of any participants who either fail to make progress in their training or who fail to attend courses. For technical participants in programs with a duration longer than five months, a Progress Report Form (an adaptation of the AETR), is requested to be completed by the participant and the program advisor. These reports are sent to the project officer and retained in the participant files in Islamabad.

RECOMMENDATION NO. 8.1: We recommend that USAID/Pakistan: require the participant training contractor or the training institution to demonstrate that the participants have completed their training by producing a course completion certificate or degree certificate.

RESPONSE: Mission accepts this recommendation. Routinely these certificates have been retained in the participants' file in Washington, DC and a report of completion sent to the field. We will direct the contractor to send the original certificate to the field and retain a copy in Washington. (Attachment F).

RECOMMENDATION NO. 8.2: We recommend that USAID/Pakistan: establish procedures to award a "Certificate of Achievement" to every participant who successfully completes an A.I.D. sponsored participant training program or receive a waiver of this requirement from the A.I.D. Office of International Training.

RESPONSE: Mission accepts this recommendation and has requested the certificates from OIT. (Attachment D).

Comments: The size of the Pakistan program in the past (some years over 1,500 participants) made this activity appear too difficult to implement. However, given the reduced size of the current and future program, it now appears to be manageable and useful as a part of our participant follow-on program.

AUDIT OBJECTIVE: DID USAID/PAKISTAN ENSURE THAT PARTICIPANTS RETURNED FROM TRAINING AND WERE ASSIGNED TO WORK WHERE THEY COULD EFFECTIVELY UTILIZE THEIR TRAINING AS REQUIRED?

RECOMMENDATION NO. 9.1: We recommend that USAID/Pakistan: take appropriate action to determine whether or not the 2,600 participants identified in the report actually returned to Pakistan.

RESPONSE: Mission accepts this recommendation. Very few Pakistani participants have not returned. The 2,600 number comes primarily from missing data in the computer database. Mission is taking corrective action to have the data reentered into the database (for years 1988 - 91) and will initiate a more comprehensive participant follow-on program which will increase our knowledge of returnees.

Comments: From Project start-up through fiscal year 1987, the tracking system for returned participants was operated on an "exception driven" basis. During this period, participants were primarily government employees. If a participant did not return,

the GOP would query the Mission or the contractor. A memorandum to the effect of non-return was put in the participant's file and OIT notified. The GOP holds a \$50,000 bond on each GOP participant against his/her return. During the initial years of this project, there were five confirmed non-returnees.

This system changed when AID/OIT issued a worldwide mandate to USAID Missions requiring "return" information on all participants sent for training from FY 1988 forward. Information on each participant was to be submitted to OIT in one of three categories - "return confirmed", "non-returnee," or "unknown".

The system now in place includes several steps for both academic and technical participants.

ACADEMIC PARTICIPANTS: The steps which are followed by the contractor when academic participants are nearing completion of their training include:

1. Sixty days prior to completion:
Verification with academic advisor that participant will complete requirements; notification to participant of their end of training responsibilities, including the request for a final transcript indicating award of degree and submission of a signed grade release form so the final transcript can also be requested by the contractor following the participant's departure.
2. 45 - 30 days prior to completion:
A second letter reminds them of the above expected information and informs them that the return ticket will not be issued until they provide a current address in Pakistan and the other documents mentioned above.
3. Within 30 days of completion:
The participant is informed to send the used return ticket to the contractor's Islamabad office, if this is not received, the contractor sends "welcome home" letter, which requests the participant to confirm their return.
4. Within 60 days of completion:
If the first letter is not returned, a second letter is sent, this time to the employer requesting confirmation of return.
5. Within 90 days of completion:
If the employer does not respond, a third and final letter is sent to the participant informing him/her that they will be reported to OIT and INS as a "non-returnee" if they do not respond. If no response is received within 30 days they are entered in the database as non-returnee and reported to OIT.

The steps for technical participants are similar. Since most technical participants have a round trip ticket issued prior to departure, the contractor's Washington office does not have to issue this to them. However, prior to departure from Islamabad and during the arrival orientation, technical participants are instructed that upon returning to Pakistan they are to submit the used airline ticket and settle any outstanding allowance or maintenance bills. If the participant does not contact the contractor, Steps 3 - 5 (academic participant steps) above are followed by the contractor.

In addition, returnees are also confirmed when they contact the contractor's offices, the project officer or HRD/Pakistan and sent follow-up evaluation questionnaires. Returned participants often contact one of these four contractor offices (Islamabad, Karachi, Lahore, Quetta) upon their return for a variety of reasons and the participant is recorded as returned in the database, based on information memos prepared by the person contacted. Between late 1988 and April 1990, the Mission routinely mailed out follow-up questionnaires to all returned participants. Due to the multiple activities involved in the April/May 1990 merger of participant training functions with those of the contractor, this activity was dropped and will now be reinitiated per Handbook 10.

Due to two separate databases being merged, the resulting single database was expanded and designed to include fields for confirmation of returned participants. In the process of merging the two databases, some information was inadvertently corrupted, including the contractor's fields on evaluation responses. The contractor has been re-entering data for all participants departing after October 1, 1988 into the system, the previous confirmed returns from time period prior to 1988 are in the hard files and are retained in off-site storage.

Of the 2,600 participants whose return the auditors could not verify from the records, most are from the period 1983 through 1987 when return confirmation was handled on the "exception driven" system. The remaining were either confirmed by the exception driven basis or had returned before the participant tracking system had programmed the "Return Confirmed" field. In this latter case, as with some other confirmed returns prior to April 1990, the "Return Confirmed" will be in the participant's hard files.

The auditors point out that the system isn't adequate in confirming a participant's return. For future participants we plan to incorporate our follow-up program with the participants return to Pakistan. We will continue to send out the three letters already mentioned. However, upon confirming the return, we will incorpo

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rate them in our follow-up database and maintain communication with them. If we do not hear from a returnee after the letters are sent, we will have our contractor's regional representative visit the participant's residence or place of employment to confirm whether or not he/she did in fact return.

RECOMMENDATION NO. 9.2: We recommend that USAID/Pakistan: establish and implement procedures to ensure participants return to Pakistan when they complete overseas training and use their training as required by A.I.D. policy and the project agreements.

RESPONSE: Mission accepts this recommendation and is implementing a limited follow-up program (given the reduced Mission budget and future project activities). (Attachment G).

Comments: The procedures and methods being used by the Mission and the contractor to ensure that participants have returned have been described in the comments section of our response to Recommendation No. 9.1.

The Mission is in the process of formally establishing its follow-on program for returned participants. The Mission has directed its contractor to implement a more active follow-on program, however this program will be much more limited than we had planned for, since the Mission is under the Pressler Amendment phase-out.

RECOMMENDATION NO. 9.3: We recommend that USAID/Pakistan: in consultation with the A.I.D. Regional Legal Counsel, identify and take appropriate action against the Government of Pakistan or the participants when the participants did not return from overseas training or did not use their training as required by the project agreements.

RESPONSE: Mission accepts this recommendation, with the understanding that any action taken as a result of this recommendation will be limited to and based on each pertinent project agreement and the applicable provisions of those agreements to participant training.

Comments: The Office of the Regional Legal Advisor (RLA) will work with the Human Resource Development Office to implement this recommendation. Based on non-returnee reports to OIT and responses to return participant questionnaires, which will be sent out through our follow-up program, HRD will make a semi-annual report (September and March) to the RLA for review and recommendation.

The RLA will review the report findings and recommend appropriate action for the Mission to undertake in accordance with applicable terms of each PROAG (Project Agreement) in coordination with the involved U.S.A.I.D. offices. For instance, in the case of public sector participants, a first step will be to determine if the GOP has taken the appropriate actions to collect the bonds posted for all government employees. Whether U.S.A.I.D. has any "appropriate action against" participants directly will depend upon the express commitments by participants as contained in project records.

RECOMMENDATION NO. 9.4: We recommend that USAID/Pakistan: if there is a pattern of unsatisfactory utilization of trained participants, determine whether the needs assessment and trainee selection process are adequate.

RESPONSE: Mission accepts this nomination. Based on evaluation of the returns to our pre-departure and returnee questionnaires determine if a pattern exists, if so we will work with the GOP and the private sector to revise our systems. (Attachment G).

Comments: As a part of our follow-up and evaluation program, the Mission has directed the contractor to routinely mail out pre-departure questionnaires to a randomly selected group of nominees and to mail follow-up questionnaires to all academic returnees and routinely to a randomly selected group of technical participants. The contractor will analyze the returns and make recommendations to the Mission at least on a semi-annual basis. These findings will be discussed with our counter parts in the public and private sectors to identify the necessary changes in our systems.

RECOMMENDATION NO. 9.5: We recommend that USAID/Pakistan: establish a participant training evaluation system as required by A.I.D. Handbook 10.

RESPONSE: Mission accepts this recommendation and is implementing a formative evaluation system in conjunction with its follow-up program. (Attachment G).

Comments: As described in our Comments to Recommendation No. 9.4, the Mission is directing our contractor to establish the basis for our evaluation system in conjunction with our follow-up program.

Mission Response to Report on Internal Controls

Mission responses to reportable conditions for internal controls relating to various Audit Objectives have been provided in the related sections dealing with Audit Recommendations. Mission believes that Internal Control issues will be resolved upon Mission's actions on the closure of final Audit Recommendations.

Mission Response to Report on Compliance

Mission Response

Mission believes compliance to Audit Objectives 3 and Audit Objective 6 will be achieved and adhered to, once required Mission actions on various Audit Recommendations are completed.

Note: The documents attached to USAID/Pakistan's comments are not included in this report.