

**Inspector General for Audit
Tegucigalpa, Honduras**

**Audit of USAID/Costa Rica's
Participant Training Program**

**Audit Report No. 1-515-92-002
November 19, 1991**



**Inspector General for Audit
Tegucigalpa, Honduras**

**Audit of USAID/Costa Rica's
Participant Training Program**

**Audit Report No. 1-515-92-002
November 19, 1991**

USAID/Costa Rica has an adequate system to ensure the proper selecting, processing and monitoring of participants. But its systems for planning participant training and for following-up on the activities of returned participants need improvement.

AGENCY FOR INTERNATIONAL DEVELOPMENT

U. S. MAILING ADDRESS:
RIG/T
APO. MIAMI 34022

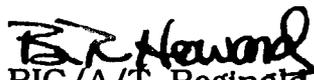
OFFICE OF THE REGIONAL INSPECTOR GENERAL
AMERICAN EMBASSY
TEGUCIGALPA - HONDURAS

TELEPHONES:
32-9987 - 32-3120
FAX No. (504) 31-4465

November 19, 1991

MEMORANDUM

TO: USAID/Costa Rica Director, Ronald F. Venezia

FROM: 
RIG/A/T, Reginald Howard

SUBJECT: Audit Report No. 1-515-92-002, Audit of USAID/Costa Rica
Participant Training Program

Enclosed are five copies of the subject report. In preparing this report, we reviewed your comments on the draft audit report. A summation of your comments has been included after each finding and your comments in their entirety as Appendix II to this report.

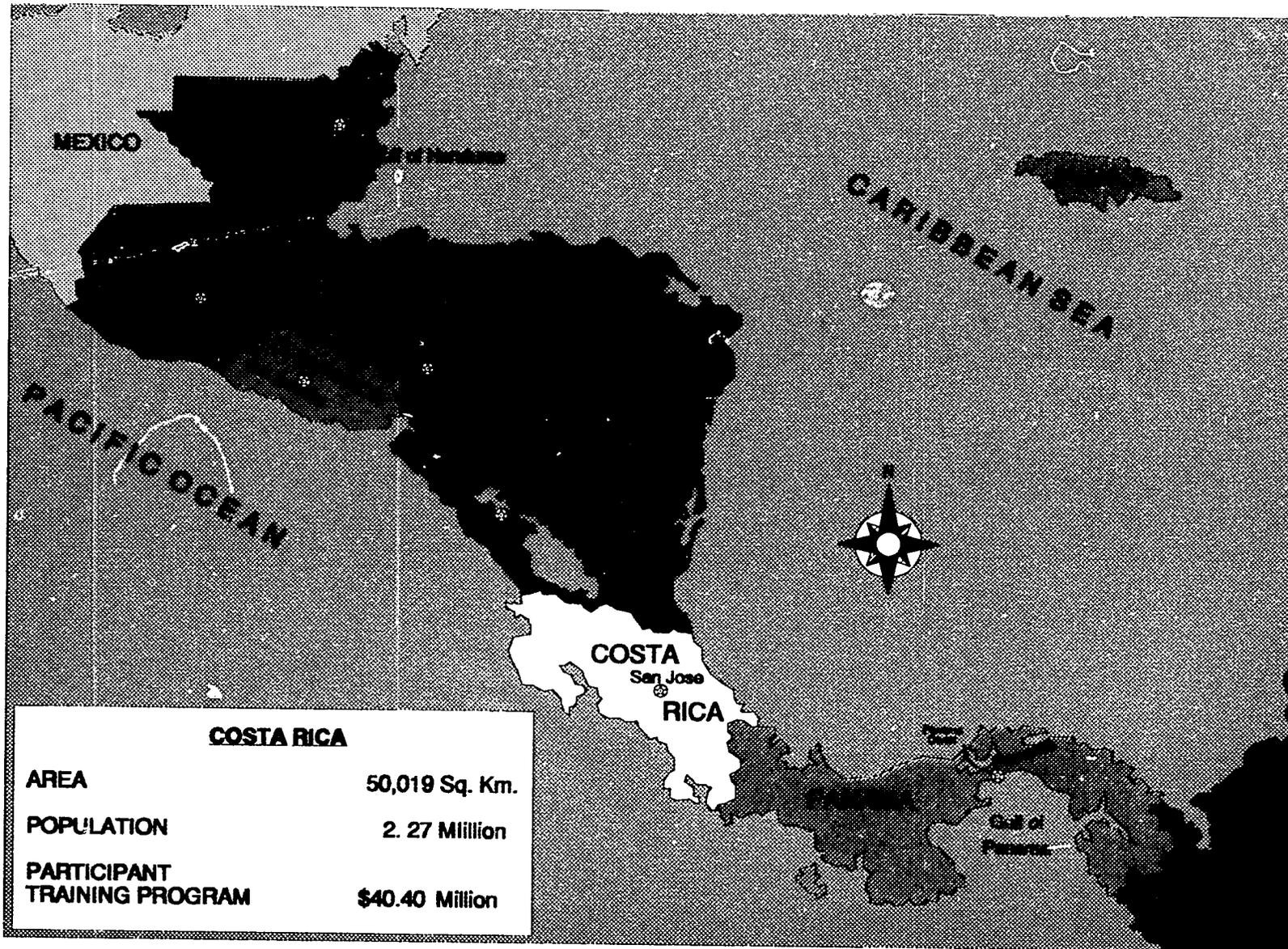
The report contains four recommendations. Recommendation numbers 1, 2, and 3 are resolved and can be closed after we receive and review evidence that actions have been satisfactorily implemented. Recommendation number 4 is closed. Please advise this office within 30 days of actions planned or taken to implement the recommendations.

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

Enclosure: a/s

Table of Contents

	<u>Page</u>
EXECUTIVE SUMMARY	1
INTRODUCTION	1
Background	1
Audit Objectives	1
REPORT OF AUDIT FINDINGS	3
Did USAID/Costa Rica have a system to plan participant training in accordance with A.I.D. policies and procedures?	3
The Country Training Plan Needs To Be Revised To Reflect Current Conditions	3
Did USAID/Costa Rica have a system to ensure the proper selecting, processing, and monitoring of participants in accordance with A.I.D. policies and procedures?	5
Did USAID/Costa Rica establish a follow-up system in accordance with A.I.D. policies and procedures to ensure that participants returned to Costa Rica and utilized their training?	6
Information Needs To Be Collected on Short-Term Participants on one Project	7
A Centralized Database Needs To Be Established for Long-Term Participants on all Projects	8
Required Reports Have Not Been Submitted	10
REPORT ON INTERNAL CONTROLS	13
REPORT ON COMPLIANCE	17
APPENDIX I - SCOPE AND METHODOLOGY	19
APPENDIX II - MANAGEMENT COMMENTS	21
APPENDIX III - REPORT DISTRIBUTION	25



EXECUTIVE SUMMARY

Participant training refers to the A.I.D.-funded training of host country personnel in the United States and in other countries. It is A.I.D.'s policy to encourage participant training in order to develop the leadership, management, and technical skills of private and public sector personnel in these host countries.

As of March 31, 1991, the USAID/Costa Rica Participant Training Program consisted of three large projects with participant training components. This \$40.4 million program has trained over 2,400 participants since 1984.

We audited USAID/Costa Rica's participant training program in accordance with generally accepted government auditing standards (see Appendix I) and found the following:

- USAID/Costa Rica's Country Training Plan is out-of-date and needs to be revised (see page 3).
- USAID/Costa Rica needs to collect information on returned short-term participants on one project (see page 7).
- USAID/Costa Rica needs to establish a centralized database for long-term participants on all projects (see page 8).
- USAID/Costa Rica needs to submit required annual reports to the Office of International Training (see page 10).

The report contains four recommendations. It also presents our assessment of internal controls and reports on USAID/Costa Rica's compliance with applicable laws.

A draft of this report was provided to USAID/Costa Rica officials for comment. Their comments are included as Appendix II to this report. The Mission stated that it was in agreement with all four recommendations and that it was taking action to resolve the problems which we reported.

Office of the Inspector General

Office of the Inspector General
November 19, 1991

INTRODUCTION

Background

Participant training refers to A.I.D.-funded training of host country personnel in the United States and other countries. It is A.I.D. policy to encourage participant training in order to develop the leadership, managerial, and technical skills of selected private and public sector personnel in these host countries.

Participant training activity is a significant part of the USAID/Costa Rica development program. The USAID/Costa Rica Training Division--staffed by six employees--coordinates all participant training activity. As of March 31, 1991, it was coordinating three large projects with participant training components. This \$40.4 million program has sent over 2,400 participants to training since 1984.

<u>Title</u>	<u>Project Start Date</u>	<u>Project Assistance Completion Date</u>	<u>Life of Project Funding</u>	<u>Percentage of Project Dealing with Participants</u>	<u>Number of Participants in Training As of 3/31/91</u>
Central American Peace Scholarships (CAPS I) Project Nos. 597-0001 and 515-0242	August/85	September/93	\$20.4	100	1,930
Central America Scholarship (CAPS II) Project No. 515-0254	May/90	September/98	\$15.0	100	60
Private Sector Development Project No. 515-0212	September/84	September/91	\$ 5.0	67	455

Audit Objectives

The Regional Inspector General for Audit/Tegucigalpa audited USAID/Costa Rica's participant training program to answer the following audit objectives:

1. Did USAID/Costa Rica have a system to plan participant training in accordance with A.I.D. policies and procedures?
- 1 -

2. Did USAID/Costa Rica have a system to ensure the proper selecting, processing, and monitoring of participants in accordance with A.I.D. policies and procedures?
3. Did USAID/Costa Rica establish a follow-up system in accordance with A.I.D. policies and procedures to ensure that participants returned to Costa Rica and utilized their training?

In answering these audit objectives, we tested whether USAID/Costa Rica (1) followed applicable internal control procedures and (2) complied with certain provisions of laws. Our tests were sufficient to provide reasonable--but not absolute--assurance of detecting abuse or illegal acts that could significantly affect the audit objectives. However, because of limited resources, we did not continue testing when we found that, for the items tested, USAID/Costa Rica 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/Costa Rica 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/Costa Rica have a system to plan participant training in accordance with A.I.D. policies and procedures?

USAID/Costa Rica has a system to plan participant training in accordance with A.I.D. policies and procedures except that its Country Training Plan needs to be revised to reflect current conditions. But the other aspects of the system are sound. The planning responsibilities of project officers, the USAID/Costa Rica Training Division and other entities are defined in mission orders. The Mission has also coordinated closely with A.I.D./Washington when planning its portion of regional participant training programs.

The Country Training Plan Needs To Be Revised To Reflect Current Conditions

A Country Training Plan is a critical planning and control tool for a mission's participant training program. Our audit found that the USAID/Costa Rica Country Training Plan had not been comprehensively revised for several years. Although there have been subsequent changes in the participant training program environment, neither A.I.D./Washington nor the Mission considered a such a revision necessary. As a consequence, the document is not current, and USAID/Costa Rica may no longer be able to plan participant training effectively.

Recommendation No. 1: We recommend that USAID/Costa Rica revise its Country Training Plan to reflect current A.I.D. policies and procedures as well as current Mission training objectives.

A.I.D. Handbook 10, Supplement 3A states that the Country Training Plan (Training Plan) is to provide information about training needs and resources in priority development areas and to present a five-year projection of training activities for a mission. It also states that the Training Plan can be an important planning tool for the mission director, program officer, and those more directly involved in training-related activities. Moreover, the Training Plan can be used by A.I.D./Washington to gain a broader perspective of development training needs.

The Mission's Training Plan--prepared in 1985--was not current, and therefore was no longer an effective planning tool. As a consequence, the document neither reflects A.I.D. procedures nor current Mission participant training philosophies.

Since 1985, there have been significant changes in the participant training program environment. Some areas where changes have occurred are:

- Political Environment in Latin America. A significant portion of the participant training efforts outlined in the USAID/Costa Rica Training Plan appears to have been intended to counter efforts of the Soviet bloc, i.e. in 1982, Costa Ricans made up 30 percent of the Central Americans trained in the Soviet Union and Eastern bloc countries. Recent events, however, indicate that such efforts may no longer be major foreign aid concerns of the United States.
- State of Development in Costa Rica. The basic Training Plan considered serious economic conditions as well as severe budget restrictions in Costa Rica, and advocated participant training approaches within such an economic environment. But in its Action Plan for fiscal years 1992-1993, USAID/Costa Rica noted that there have been economic gains during the last decade, and that Costa Rica's prospects for achieving self-sustaining growth in the 1990's are good.
- A.I.D. Policy and Procedures. Policy Determination No. 8 establishes A.I.D. policy for participant training fulfillment of Foreign Assistance Act provisions. It states the purposes and uses of participant training, describes types of training programs, and articulates certain areas of policy emphasis. But in 1988, it was partially revised to reflect increased emphasis on providing opportunities for women. And A.I.D. Handbook 10--which sets forth implementing guidance on participant training--was completely revised in 1988 and contains many other changes in policies and procedures.

USAID/Costa Rica officials pointed out that the Mission has been responsive to specific A.I.D./Washington requests to include brief Training Plan updates with Action Plans. They stated that their Training Plan has not been comprehensively revised because A.I.D./Washington had not requested such a revision, but that the Mission has nevertheless attempted to reflect at least some of the above changed conditions in the periodic updates.

We observed that these updates have often simply focused on providing statistical status reports on the major training projects. Moreover, the updates have not been requested or submitted on a regular basis. For example, USAID/Costa Rica included an update in its Fiscal Year 1991-

1992 Action Plan submitted in December 1989, but did not include one in its subsequent 1992-1993 Action Plan submitted in December 1990.

We believe that only by substantially revising its Training Plan to reflect current policies, conditions, and methodologies can USAID/Costa Rica adequately plan its participant training program in the future.

Management Comments and Our Evaluation

USAID/Costa Rica agreed with the audit recommendation. It advises that in October 1991, A.I.D./Washington notified all IAC missions to submit a new five year Country Training Plan as an attachment to a new Country Development Strategy Statement. USAID/Costa Rica plans to submit a revised Country Training Plan to A.I.D./Washington in accordance with these instructions.

Based on USAID/Costa Rica comments, Recommendation No. 1 is resolved upon issuance of this report. It can be closed upon our receipt of notification that a revised Country Training Plan has been prepared and transmitted to A.I.D./Washington.

Did USAID/Costa Rica have a system to ensure the proper selecting, processing, and monitoring of participants in accordance with A.I.D. policies and procedures?

For the items tested, USAID/Costa Rica has established a system to ensure the proper selecting, processing, and monitoring of participants except for the monitoring of their work activities after they return to Costa Rica. (See the following Audit Objective).

The Central American Peace Scholarships (CAPS) program represents the major Participant Training Activity at USAID/Costa Rica. CAPS is divided into four categories: short-term, high school, undergraduate, and graduate. Each category has a specialized set of selection criteria but the basic criteria for all CAPS participants are the same and relate to leadership, work experience, academic record, rural background, and financial need. The Mission's selection system considers each of these criteria. For example, the Mission concluded that judging an individual's potential for leadership is a delicate task and requires an in-depth knowledge of the candidate. For this reason, the Mission encourages nominations from Costa Rican institutions which continue to work with the USAID/Costa Rica Training Division through the pre-screening stage. After approval, the Training Division prepares the processing documents for the CAPS participants.

Regarding other projects which have participant training components, participant selection is subject to collaboration and agreement between USAID/Costa Rica and the appropriate host country institution. Participant selection in these cases is to be in accordance with training needs as identified in bilateral project agreements. The project officer reviews proposed selectees to ensure that both they and the training requested fall within the scope of the project and contribute to meeting the project's purpose and output targets. The project officer, together with the Project Implementation Committee, then approves the selectees. The project officer coordinates training arrangements with the Training Division and is responsible for preparing the processing documents.

The Training Division coordinates the processing documents for all projects. That Division also handles: all documentation required by the A.I.D./Washington Office of International Training, arrival notifications, advances provided to participants, travel arrangements, and pre-departure orientations.

The placement and supervision of participants in the United States is taken care of by A.I.D./Washington contractors or by organizations contracted directly by the Mission. The Training Division monitors the progress of participants via periodic reports submitted by these contractors and organizations.

Did USAID/Costa Rica establish a follow-up system in accordance with A.I.D. policies and procedures to ensure that participants returned to Costa Rica and utilized their training?

USAID/Costa Rica had a system to ensure that participants returned to Costa Rica but did not have an adequate monitoring system to determine whether participants utilized their training after their return. USAID/Costa Rica did not know if all returned long-term and short-term participants have been utilizing their training in a developmental field and consequently whether or not A.I.D. training funds have been effectively spent.

We identified three areas where the USAID/Costa Rica follow-up system for returned participants is lacking: (1) information needs to be collected on short-term participants on one project; (2) a centralized database needs to be established for long-term participants on all projects; and (3) procedures need to be established to ensure that required annual reports are submitted to A.I.D./Washington.

Information Needs To Be Collected on Short-Term Participants in One Project

It is A.I.D. policy that information be systematically collected to assess the Participant Training Program. USAID/Costa Rica did not have an adequate procedure to assure that information concerning the work activities of over 400 short-term participants under the Training for Private Sector Development Project is systematically collected. Such information was not collected because the implementing entity was not sufficiently aggressive in obtaining it. Consequently, USAID/Costa Rica is limited in its ability to assess the effectiveness of participant training under the Project.

Recommendation No. 2: We recommend that USAID/Costa Rica work with the Coalicion Costarricense de Iniciativas de Desarrollo to improve its procedures to determine if short-term participants have considered their training useful and to collect information concerning their subsequent work activities.

A.I.D. Handbook 10, Chapter 34 states that it is A.I.D. policy that information should be systematically collected to assess and describe the value of the Participant Training Program. It also states that such information should be used: (1) to make adjustments and improvements as needed in the management and implementation of participant training projects and (2) for impact evaluations during and after the life of such projects to determine if the training contributed to the long-range development goals of the host country.

USAID/Costa Rica did not have an adequate procedure to assure that information concerning over 400 short-term participants under the Training for Private Sector Development Project is systematically collected. The Project has a large component for short-term training consisting of observation study, seminars, and on-the-job internships in the United States. The average duration of this training is one month.

USAID/Costa Rica has relied upon the implementing entity (Coalicion Costarricense de Iniciativas de Desarrollo) to follow-up on returned short-term participants. But the implementing entity's attempts to establish contact with returned short-term participants have not been entirely successful. To illustrate: After confirming the return of participants from short-term training, the implementing entity has been sending them questionnaires to determine whether the participants considered their training useful. Implementing entity personnel told us that only about 15 of the 200 short-term participants they had contacted during previous months responded to the questionnaires. The implementing entity did not follow-up with those participants who had not responded.

Without information concerning post-training work activity of short-term participants, USAID/Costa Rica can not easily assess the overall effectiveness of this Project's significant short-term training component. To ensure that funds are effectively spent, USAID/Costa Rica should work with the implementing entity to ensure that information is systematically collected on the work activities of returned participants to determine whether they have been able to utilize their training. Such information will also facilitate later evaluations of the Project.

Management Comments and Our Evaluation

USAID/Costa Rica concurs with this finding and recommendation. It advises that it has been working with the implementing entity to improve its system to collect information on the post-training work activities of returned participants under the Project. The Mission believes that telephone communication is the most practical way to collect such information. The Mission plans to continue to hold the implementing entity responsible for collecting and maintaining up-to-date information on the returned participants. The Mission plans to formalize this follow-up system in an extension document for the Project.

Based on USAID/Costa Rica actions, Recommendation No. 2 is resolved upon issuance of this report. It can be closed upon our receipt of the project document which formally establishes the revised follow-up system.

A Centralized Database Needs To Be Established for Long-term Participants on all Projects

A.I.D. procedures require missions to maintain a centralized database to track their long-term participant trainees. Such a database was not maintained by USAID/Costa Rica for all projects containing long-term participant training components. USAID/Costa Rica only maintains a database for its Central American Peace Scholarships projects, but that database is incomplete. The required centralized database was not established because USAID/Costa Rica Training Division personnel were unfamiliar with the A.I.D. procedures requiring it. As a result of not having the required database, the Mission may be unable to effectively carry out its follow-up responsibilities on its long-term participants.

Recommendation No. 3: We recommend that USAID/Costa Rica:

- 3.1 consult with the A.I.D./Washington Office of International Training to clarify the requirements and methodology applicable to establishing a centralized database system for long-term participant trainees, and**

3.2 establish and maintain a centralized database for all long-term participant trainees.

A.I.D. Handbook 10, Chapter 33, requires A.I.D. missions to establish and maintain a centralized and up-to-date database in collaboration with the host government and, when appropriate, with 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 participant's current employment, position title, and individual address. 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.

In its Management Action Plan (May 1991), A.I.D. emphasized the importance of centralized--and standardized--database systems in its management process. That document states:

Information systems must support decision making and control. Agency information systems are fragmented and many bureaus have information systems that do not communicate with Agency-wide systems. Duplicate data collection efforts often are undertaken. As a result, information cannot be quickly exchanged, and there are profound difficulties in assigning priorities, analyzing costs or assessing program and project performance.

USAID/Costa Rica did not maintain a centralized database for all long-term participants. Instead, it used a database to collect some information on participants in the Central American Peace Scholarships (CAPS) projects.

Although USAID/Costa Rica maintains a database on participant trainees under the CAPS I and CAPS II projects, the database which it uses does not include some information required by the A.I.D. handbook. Specifically, its CAPS Information System (CIS) does not identify the returned participant's current title or employment status. Mission personnel stated that the CIS, in its present form, does not have a provision to capture this information and that it would be necessary for them to amend the format of the database to include it.

USAID/Costa Rica does not maintain a database at all for returned long-term participants under the Training for Private Sector Development Project. We interviewed three of 23 long-term returned participants who had been in Costa Rica for a year or more. We inquired as to whether the Mission has been in contact with them and has been obtaining information on their current title, employment and address. All three of these returned participants stated to us that USAID/Costa Rica had been in brief contact with them to confirm their initial return to Costa Rica, but had not

maintained recurring contact to obtain the required employment information. From our interviews, we conclude that the information was not obtained and a database not established because responsible personnel were unaware of the applicable A.I.D. handbook requirements.

We discussed ways to establish the required database with Mission personnel at the completion of our audit. Mission personnel stated that A.I.D. procedural guidance in this area is not clear. To illustrate: the Mission has been using the CAPS Information System (CIS) to maintain certain information on CAPS participants and is considering expanding that system to include participants from all projects. But the A.I.D. Handbook states that the Participant Training Management System (PTMS) may be effectively used for such recordkeeping. Consequently, we have a concern that a mission could establish a database system which would not be compatible with an Agency-wide system. Therefore, we believe that the Mission should consult and coordinate with the A.I.D./Washington Office of International Training when implementing our recommendation to establish and maintain a centralized database.

Management Comments and Our Evaluation

USAID/Costa Rica concurs with this finding and recommendation. It advises that it has begun coordinating the establishment of the centralized database with A.I.D./Washington and is awaiting a response on the best means of implementing it.

Based on USAID/Costa Rica actions, Recommendation No. 3 is resolved upon issuance of this report. It can be closed upon our receipt of documentation that a centralized database has been established.

Required Reports Have Not Been Submitted

Although it is required by A.I.D. procedures, an annual report on the activities of returned participants has not been submitted to A.I.D./Washington by USAID/Costa Rica since 1985. The annual reports have not been submitted because the Mission Director has not appointed a follow-up officer who would have been responsible for preparing the reports. As a consequence of not having the reports, A.I.D./Washington may not have sufficient management information to evaluate the Participant Training Program.

Recommendation No. 4: We recommend that USAID/Costa Rica:

- 4.1 establish a procedure to ensure that Returned Participants Follow-up Activities Reports are prepared and filed annually, and**

4.2 assign a Mission employee to serve as follow-up officer.

A.I.D. Handbook 10, Chapter 35 requires the Mission Director to (1) assign a Mission employee to serve as follow-up officer with responsibilities for general follow-up activities and recordkeeping, and (2) approve the Returned Participants Follow-up Activities Report which is to be prepared annually under the direction of the follow-up officer and is to be based on current and historical mission/host country records.

USAID/Costa Rica had not submitted a Returned Participants Follow-up Activities Report to the A.I.D./Washington Office of International Training since 1985. The reports were not prepared because the Mission did not have a follow-up officer who would have been the person responsible for preparing them and ensuring their submission. More fundamentally, because the Mission did not have a centralized database (see the preceding finding) it did not have an adequate recordkeeping system from which to prepare the reports. As a result of not receiving these reports, A.I.D./Washington may not have sufficient management information to evaluate the Participant Training Program.

Management Comments and Our Evaluation

USAID/Costa Rica concurs with this finding and has implemented our recommendation. It established a procedure to ensure that a Returned Participants Follow-up Activities Report is prepared and filed annually, and has appointed an employee to serve as follow-up officer.

Based on USAID/Costa Rica actions, Recommendation No. 4 is closed upon issuance of this report.

REPORT ON INTERNAL CONTROLS

Scope of Our Internal Control Assessment

We have audited USAID/Costa Rica's Participant Training Program for those projects with active participant training components as of March 31, 1991, and have issued our report thereon dated November 19, 1991.

We conducted our audit in accordance with generally accepted government auditing standards, which require that we plan and perform the audit to fairly, objectively and reliably answer the objectives of the audit. Those standards also 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.

In planning and performing our audit, we considered A.I.D.'s internal control structure to determine our auditing procedures in order to answer each of the three audit objectives and not to provide assurance on the internal control structure.

For the purposes of this report, we have classified significant internal control policies and procedures applicable to each of the audit objectives 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. In doing this work, we found certain problems that we consider reportable under standards established by the Comptroller General of the United States. 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 judgement, could adversely affect USAID/Costa Rica'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.

General Background on 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 Integrity 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 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 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 related costs of internal control policies and procedures. The objectives of internal control policies and procedures for federal foreign assistance programs 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. The management of A.I.D., including USAID/Costa Rica, is responsible for establishing and maintaining adequate internal controls.

Conclusions for Audit Objective One

The first audit objective relates to Mission planning of participant training activities. In performing our audit of planning, we considered the relevant internal control policies and procedures cited in A.I.D. Handbooks 3 and 10. For the purposes of this report, we have classified the relevant policies and procedures into the following categories: the Country Training Plan development process and the participant training project design process.

We found one reportable condition relating to the Country Training Plan development process:

- USAID/Costa Rica did not have a current and comprehensive Country Training Plan.

Conclusions for Audit Objective Two

This objective relates to general Mission oversight of the program. In planning and performing this activity, we considered the relevant internal control policies and procedures cited in A.I.D. Handbooks 3 and 10. For the purposes of this report, we have classified policies and procedures into the following categories: the participant selection process, the Project Implementation Order/Participants (PIO/P) development process, the pre-departure preparation process, the post-departure participant support process, and the monitoring process.

We did not find any reportable conditions for this objective.

Conclusions for Audit Objective Three

The third objective deals with the Mission's monitoring of participants after the completion of their training. In planning and performing our audit of this activity, we considered the relevant internal control policies and procedures cited in A.I.D. Handbooks 3 and 10. For the purposes of this report, we have classified the relevant policies and procedures into a category called the post-training follow-up process.

We found four reportable conditions relating to follow-up procedures:

- USAID/Costa Rica did not have a procedure to ensure that information is systematically collected on work activities of returned short-term participants.
- USAID/Costa Rica did not establish or maintain a centralized database for all long-term participants.
- USAID/Costa Rica did not have a procedure to ensure that required reports have been submitted to A.I.D./Washington.
- USAID/Costa Rica did not have a follow-up officer for its participant training activities.

REPORT ON COMPLIANCE

Scope of Our Compliance Assessment

We have audited USAID/Costa Rica's Participant Training Program for those projects with an active participant training component as of March 31, 1991, and have issued our report thereon, dated November 19, 1991.

We conducted our audit in accordance with generally accepted government auditing standards, which require that we plan and perform the audit to fairly, objectively and reliably answer the audit objectives. Those standards also 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/Costa Rica's compliance with the Foreign Assistance Act and the Federal Manager's Financial Integrity Act. This report summarizes our conclusions on USAID/Costa Rica's compliance with those provisions of these laws which are specifically applicable to our three audit objectives. Our purpose, however, was not to provide an opinion on USAID/Costa Rica's overall compliance with such laws.

General Background on Compliance

Noncompliance is a failure to follow requirements, or a violation of prohibitions, contained in statutes, regulations, contracts, grants and binding policies and procedures governing entity conduct. Noncompliance constitutes an illegal act when the source of the requirement not followed or prohibition violated is a statute or implementing regulation. 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 furnishing excessive services to beneficiaries or performing what may be considered improper practices, which do not involve compliance with laws and regulations. Compliance with laws and regulations, applicable to the Participant Training Program is the overall responsibility of USAID/Costa Rica's management.

Conclusions

The results of our tests of compliance indicate that, with respect to the items tested, USAID/Costa Rica complied, in all significant respects, with the provisions referred to in the third paragraph of this report. With respect to items not tested, nothing came to our attention that caused us to believe that USAID/Costa Rica, had not complied, in all significant respects, with those provisions.

SCOPE AND METHODOLOGY

Scope

We audited USAID/Costa Rica's Participant Training Program in accordance with generally accepted government auditing standards. We conducted the audit from April 17, 1991, through June 7, 1991, and covered the systems and procedures relating to project inputs financed by A.I.D. for projects with active participant training components as of March 31, 1991. We conducted our field work in the offices of USAID/Costa Rica, and at the office of one of the implementing entities.

The audit objectives did not cover the following areas:

- The audit was limited to covering whether USAID/Costa Rica has established and followed the necessary management systems to effectively and efficiently implement the areas covered under the audit objectives. Therefore our audit covered only the systems and procedures at the Mission and not at the host country, grantee or contractor levels.
- The audit did not attempt to assess or evaluate the adequacy of USAID/Costa Rica staffing levels for the Participant Training Program.

Methodology

The methodology for each audit objective follows:

Audit Objective One

To accomplish the first objective, we (1) reviewed the Country Training Plan, mission orders, project papers and other project design documents and (2) obtained the views of mission personnel about the effectiveness of the overall planning system. We then gathered information concerning the current participant training environment in Costa Rica and assessed the adequacy of the planning system in view of the current environment.

Audit Objective Two

To accomplish the second objective, we (1) reviewed mission orders and project agreements, (2) delineated the roles of project officers, contractors and grantees, the USAID/Costa Rica Training Division, Mission Director, and others, (3) tested the system for selecting, processing, and monitoring participants, and (4) physically observed a pre-departure orientation.

To test procedures for selecting and processing, we statistically sampled 60 Project Implementation Order/Participant (PIO/P) forms from a universe of 511 processed during the period September 1985 through March 1991. The PIO/P is the official A.I.D. processing document, and formally initiates participant training for Costa Ricans. It serves as a control to ensure proper programming, accurate counting of participants, and timely committing of project funds. A PIO/P may cover a single participant as in the case of specialized academic training or may cover groups of participants as in the case of large technical training programs.

We tested PIO/Ps for the following attributes: (1) whether participants were selected in accordance with established criteria, (2) whether participants were given English language proficiency tests, (3) whether participants were given pre-departure medical examinations, and (4) whether participants attended a pre-departure orientation program.

To test procedures for monitoring, we obtained and reviewed copies of grantee and contractor progress reports to the Mission. We reviewed these reports to see if they included information on project progress, achievements attained, and problems encountered.

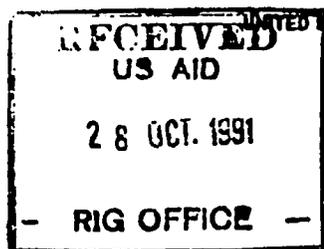
Audit Objective Three

For the third objective, we (1) reviewed mission orders and project agreements, (2) interviewed implementing entity as well as mission personnel on the procedures they used to follow-up on participants, (3) contacted a sample of returned participants, and (4) requested copies of follow-up activities reports to A.I.D./Washington.

From a universe of 187 returned long-term participants under the three projects included in our audit, we judgmentally selected 12 for interview. We judgmentally selected them considering factors such as area of study and the date they returned to Costa Rica. We interviewed them concerning their impressions of the USAID/Costa Rica Participant Training Program, their current employment, and the extent of Mission follow-up contacts with them since their return to Costa Rica.



AGENCY FOR INTERNATIONAL DEVELOPMENT



UNITED STATES A. I. D. MISSION TO COSTA RICA

October 25, 1991

APO. Miami, FL 34020

Telephone: 20-45-45

Telex 3550 AIDCR KR

Fax: (506) 20-34-34

MEMORANDUM

TO: Reginald Howard, RIG/A/T, USAID/Tegucigalpa

FROM: Ronald F. Venezia, Director, USAID/Costa Rica *Ronald F. Venezia*

SUBJECT: Draft Audit Report: USAID/Costa Rica's Participant Training Program

The Mission has reviewed the subject draft audit report. We do not disagree with any of the information, comments, or recommendations presented therein. Indeed we believe that the report fairly reflects the excellent implementation process of a large and complex training portfolio. We are confident that the recommendations of the audit will enable us to continue this record of excellence.

The Mission agrees with the four recommendations presented in the subject report and has taken steps to resolve or close each of them. Specific comments are presented below:

RECOMMENDATION No. 1: We recommend that USAID/Costa Rica revise its Country Training Plan to reflect current A.I.D. policies and procedures as well as current Mission training objectives.

Mission Response: USAID/Costa Rica agrees with the recommendation. For the 1992-94 Action Plan exercise, the Mission was instructed by LAC/EHR not to prepare a CTP update because guidance for the writing of a new CTP was pending. The guidance was distributed during the Education and Training Officers' Conference held on October 1-4, 1991 and states that "all LAC Missions will submit a new five year Country Training Plan (CTP) as an attachment to the CDSS." USAID/Costa Rica has begun to write the CTP and will submit it to AID/W as per the guidance.

The Mission requests that this recommendation be classified as "Opened Resolved", and that it be "Closed" upon the submission of the CTP to AID/W.

RECOMMENDATION No. 2: We recommend that USAID/Costa Rica work with the Coalicion Costarricense de Iniciativas de Desarrollo [CINDE] to improve its procedures to determine if short-term participants have considered their training useful and to collect information concerning their subsequent work activities.

Mission Response: USAID/Costa Rica agrees with this recommendation. All participants under CINDE-implemented training activities complete a written evaluation upon their return to Costa Rica. The data from the evaluation provide feedback to CINDE and the Mission to improve the program. The instrument specifically asks participants to comment on the usefulness of the training for their current and future job responsibilities.

During the month of May 1991 the Mission and CINDE discussed procedures for complying with the second part of the recommendation (to collect information concerning [participants'] subsequent work activities). The Mission worked with CINDE to establish a more systematic procedure for collecting information on the participants in order to update the CINDE database. Because the overwhelming majority of participants return to work for their previous employer (and many are owners of small businesses), telephone communication is the easiest way to collect current information on their work situations. The Mission continues to work with CINDE to implement this system, which will be formalized in the extension document of the TPSD project; CINDE will be responsible for maintaining up-to-date information on all of its returned trainees for purposes of Follow-on.

The Mission requests that this recommendation be classified as "Open Resolved", and that it be "Closed" upon the signing of the appropriate project extension document.

RECOMMENDATION No. 3: We recommend that USAID/Costa Rica: (3.1) consult with the AID/W Office of International Training to clarify the requirements and methodology applicable to establishing a centralized database system for long-term participant trainees; and (3.2) establish and maintain a centralized database for all long-term participant trainees.

Mission Response: The Mission agrees with this recommendation. The Mission has cabled OIT on this issue and is awaiting OIT response. CAPS contractor Aguirre International sent a consultant to Costa Rica in September to install the latest version of the CAPS Information System (CIS). The Mission database for CAPS is now capable of storing information cited in the audit report, such as the returned participants' current title or employment status, for purposes of Follow-on.

As the audit report suggests, CIS (which was established specifically for reporting on CAPS) is not entirely compatible with the OIT Participant Training Management System (PTMS) database. The Mission will continue to consult and coordinate with OIT regarding this issue. It is worth noting that while the Mission is asked on a quarterly basis to report its numbers using the CIS, we have never been asked by OIT for reports from PTMS. Additionally, it is important to note that there is a staffing implication for the Mission if we are required to up-date the PTMS. Currently the Training Division does not have the resources to dedicate to such a task, and Mission Staffing Projections do not contemplate additional staff in this Division.

The Mission requests that this recommendation be classified as "Open Resolved" and that it be "Closed" upon the receipt and implementation of the appropriate guidance from OIT.

RECOMMENDATION No. 4: We recommend that USAID/Costa Rica: (4.1) establish a procedure to ensure that Returned Participants Follow-up Activities Reports are prepared and filed annually; (4.2) assign a mission employee to serve as follow-up officer.

Mission Response: The Mission agrees with this recommendation. In compliance a procedure was established to assure that the Returned Participants Follow-up Activities Report is sent to OIT annually, and a completed report was prepared and filed with OIT in June 1991. This report is the responsibility of the Mission Participant Training Specialist.

In compliance with Recommendation No. 4.2, the Mission has named the Chief of the Training Division to serve as follow-on officer.

The Mission requests that this recommendation be classified as "Closed."

REPORT DISTRIBUTION

U.S. Ambassador to Costa Rica	1
D/USAID/Costa Rica	5
AA/LAC	1
LAC/CEN/CR	1
LAC/CONT	1
XA/PR	1
LEG	1
GC	1
AA/OPS	1
AA/FA	1
FA/FM	1
POL/CDIE/DI	1
FA/MCS	2
FA/FM/FPS	2
Office of the Inspector General	
IG	1
AIG/A	1
D/AIG/A	1
IG/A/PPO	2
IG/LC	1
IG/RM	12
IG/I	1
IG/A/PSA	1
IG/A/FA	1
Regional Inspectors General	
RIG/A/Cairo	1
RIG/A/Dakar	1
RIG/A/Europe	1
RIG/A/Manila	1
RIG/A/Nairobi	1
RIG/A/Singapore	1
RIG/I/Tegucigalpa	1