Regional Inspector General for Audit
Singapore

AUDIT OF USAID/SRI LANKA'S PARTICIPANT TRAINING PROGRAM

Audit Report No. 5-383-94-007
March 18, 1994

U.S. AGENCY FOR
INTERNATIONAL
DEVELOPMENT

March 18, 1994

MEMORANDUM

TO: David A. Cohen, Mission Director, USAID/Sri Lanka

FROM: Richard C. Thabet, RIG/A/Singapore

SUBJECT: Audit of USAID/Sri Lanka's Participant Training Program (Audit Report No. 5-383-94-007)

Enclosed are five copies of the subject audit report. We concluded that the Mission generally followed USAID policies and procedures in implementing the participant training program and in monitoring its activities. We did, however, note that procedures for assessing the effectiveness of participant training, pre-departure orientation of participants, and following up on returned participants should be improved.

Your comments to the draft were very responsive and greatly facilitated the completion of the report. The comments are summarized after each finding and included in their entirety as Appendix II. Based on your comments, all recommendations, except Recommendation No. 3.2, are resolved. Recommendation No. 3.2 will be resolved when USAID/Sri Lanka and the Inspector General have agreed on the amount of funds to recover from the Government of Sri Lanka for participants who did not fulfill their work obligations after training and a firm plan of action.

Please provide us information 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.

Attachments: a/s

EXECUTIVE SUMMARY

Background

The participant training program refers to USAID-sponsored training of foreign nationals in the United States or countries other than the host country. USAID's policy is to encourage participant training for the development of managerial and technical skills of selected private and public officials in recipient countries.

From November 1978 through September 1993, USAID/Sri Lanka administered a participant training program that provided training to over 2,100 participants. The audit focused on 11 projects with participant training components that were active during the period October 1991 through September 1993. These projects had commitments of about $13.8 million and expenditures of about $12.1 million.

Audit Objectives

The Office of the Regional Inspector General for Audit/Singapore conducted an audit of USAID/Sri Lanka's controls over its participant training program to answer the following audit objectives:

- What did USAID/Sri Lanka obligate and expend participant training funds for and did it achieve the intended purposes?
- Did USAID/Sri Lanka and its contractors follow USAID policies and procedures in implementing the participant training program to provide adequate pre- and post-departure support for participants?
- Did USAID/Sri Lanka monitor and evaluate participant training program activities and provide adequate post-training follow-up for participants in accordance with USAID policies and procedures?

Summary of Audit

The audit concluded that USAID/Sri Lanka followed USAID policies and procedures in implementing the participant training program; and in monitoring and evaluating its activities.

We found, however, that USAID/Sri Lanka needs to: (1) establish clear project objectives for participant training; (2) improve pre-departure orientation procedures; (3) implement follow-up procedures to maintain contact with returned participants; and (4) aggressively follow up on Bills for Collection related to participant training.

Summary of Recommendations

The audit report contains four recommendations. We recommend that USAID/Sri Lanka:

- strengthen project design procedures to ensure that all projects include a clear definition of project objectives (see page 9);

- implement procedures to ensure that: (1) a "Participant Pre-departure Checklist" is completed for all participants and included in their files; and (2) site inspections are performed to ensure that contractors manage participant training activities in accordance with the requirements of USAID Handbook 10 (see page 15);

- strengthen follow-up procedures by placing a high priority on maintaining contact with returned participants, and issue a Bill for Collection to the Government of Sri Lanka (GSL) for $174,998 to recover the cost of training participants who returned to Sri Lanka and left the project without fulfilling their work obligations (see page 19); and

- strengthen accounts receivable follow-up procedures related to participant training and collect or otherwise resolve the delinquent $159,300 Bill for Collection (see page 22).

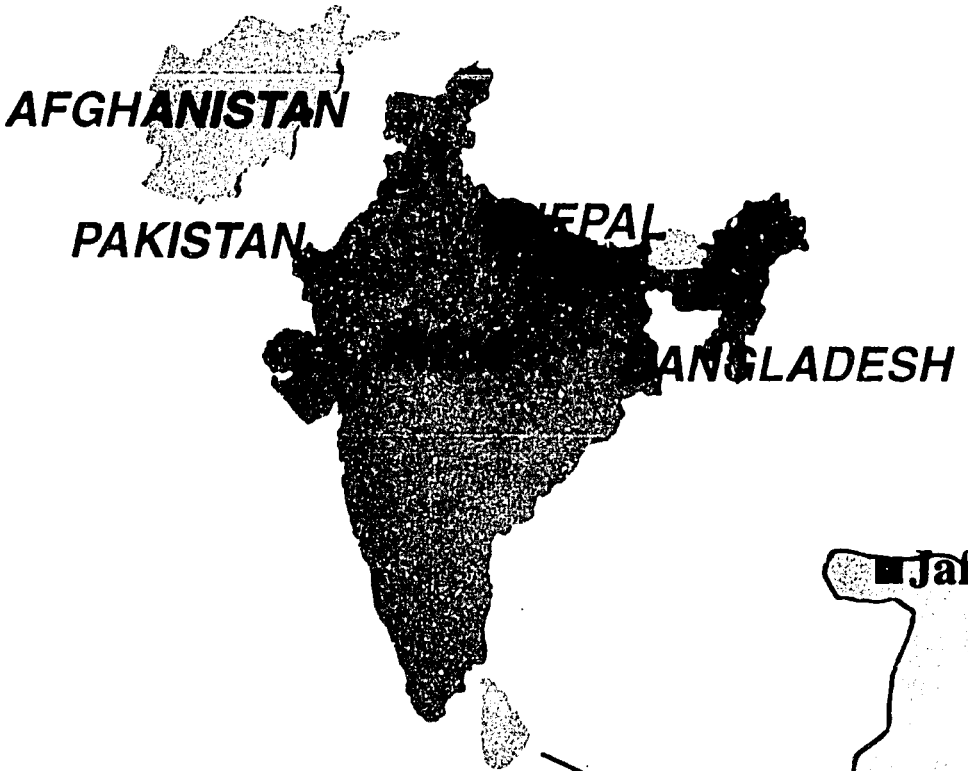
Management Comments and Our Evaluation

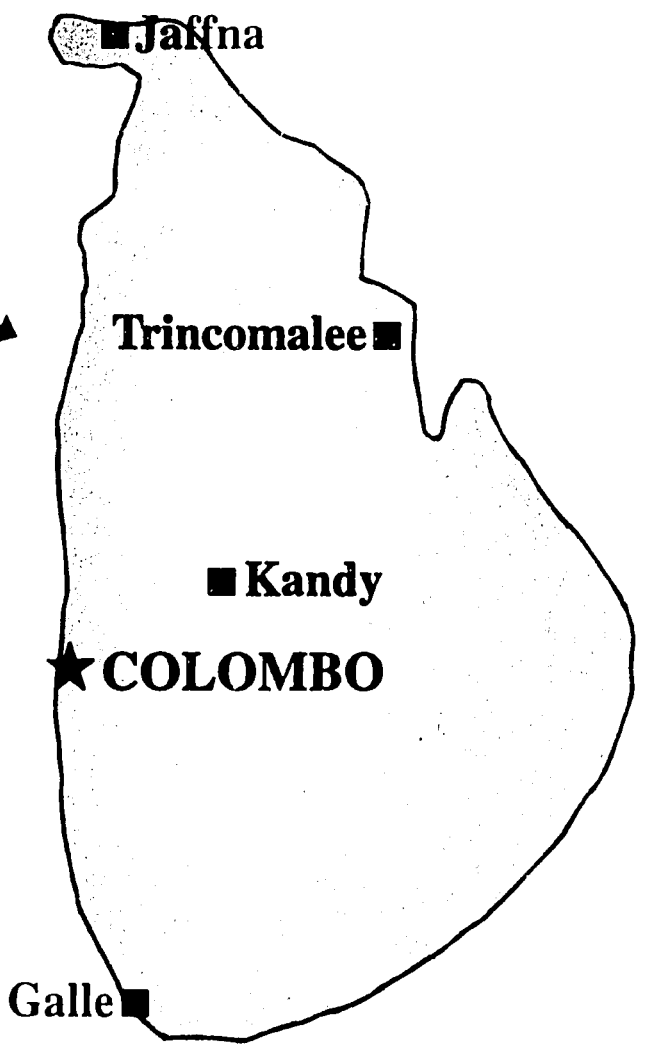
In responding to the draft report, USAID/Sri Lanka officials generally concurred with the findings and recommendations. In addition to proposing specific actions to resolve and close the recommendations, Mission officials provided suggestions for improving the quality of the report. We appreciate the Mission's efforts in this regard because they helped make this report a better product. For instance, they suggested that the overall conclusion concerning the effectiveness of the participant training program be modified to be more consistent with the positive and negative aspects presented in the discussion section. The Office of Inspector General agreed with all their suggestions and modified the report accordingly. Based on USAID/Sri Lanka's comments, all recommendations except Recommendation No. 3.2 are resolved. This recommendation will be resolved when USAID/Sri Lanka and the Inspector General have agreed on the amount of funds to recover from the Government of Sri Lanka for participants who did not fulfill their work obligations after training as well as a firm plan of action. The Mission comments are summarized after each finding and included in their entirety as Appendix II.

Office of the Inspector General

Office of the Inspector General
March 18, 1994

ASIAN SUBCONTINENT





Sri Lanka

Area: 24,959 sq. mi.

Population: 17 million

Capital: Colombo

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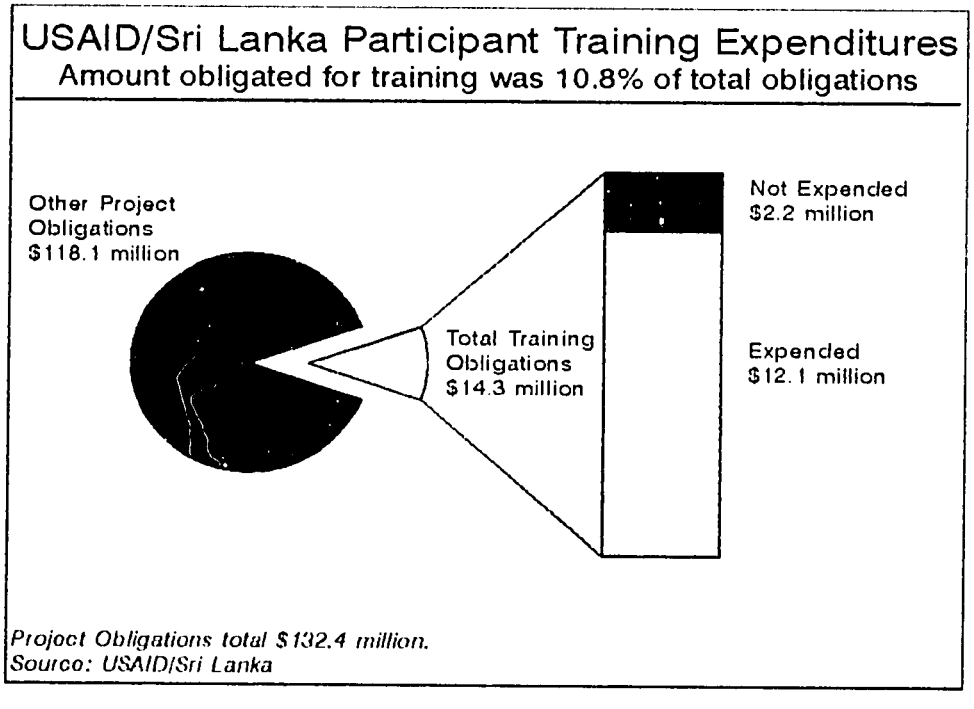
INTRODUCTION

Background

The participant training program refers to USAID-sponsored training of foreign nationals in the United States or a third country. USAID's policy is to encourage participant training to develop the managerial and technical skills of selected private and public officials in recipient countries. After undergoing training in the United States or other countries, participants are required to return home and apply their skills in the development-related activities for which the training was authorized.

Eleven projects, with over 1,000 participants, were active during the two-year period under audit. This audit focused on these 11 projects which had training obligations of $14.3 million and expenditures of $12.1 million. The following chart shows the percentage of total funds obligated and expended for participant training in the 11 projects.



Audit Objectives

The Regional Inspector General for Audit/Singapore audited USAID/Sri Lanka's controls over its participant training program as part of its fiscal year 1993 audit plan to answer the following audit objectives:

- What did USAID/Sri Lanka obligate and expend participant training funds for and did it achieve the intended purposes?

- Did USAID/Sri Lanka and its contractors follow USAID policies and procedures in implementing the participant training program to provide adequate pre- and post-departure support for participants?

- Did USAID/Sri Lanka monitor and evaluate participant training program activities and provide adequate post-training follow-up for participants in accordance with USAID policies and procedures?

In answering the audit objectives, we tested whether USAID/Sri Lanka followed applicable internal control procedures and complied with certain provisions of law, regulations, and agreements. USAID/Sri Lanka management officials, who we believed to be the most knowledgeable and responsible, provided written representations that we considered essential for confirming our conclusions on the audit objectives and for assessing internal controls and compliance. These written representations have been included as part of the Mission comments attached to this report as Appendix II.

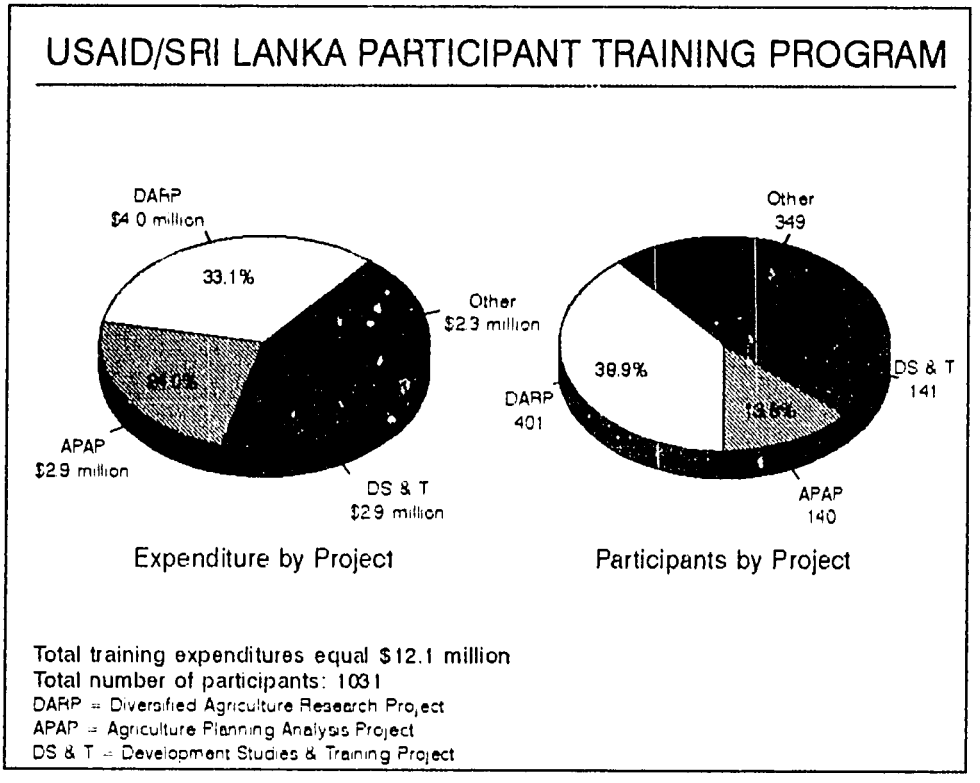
Appendix I contains a complete discussion of the scope and methodology for this audit.

REPORT OF AUDIT FINDINGS

What did USAID/Sri Lanka obligate and expend participant training funds for and did it achieve the intended purposes?

As of September 30, 1993, USAID/Sri Lanka had obligated $14.3 million and spent $12.1 million to train over 1,000 participants. These funds were spent on tuition fees, international travel, medical examinations, living quarters allowances, per diem, and contractor support costs. USAID/Sri Lanka substantially met its objectives with respect to the number of people trained. USAID/Sri Lanka's participant training program purposes were to increase the Sri Lankan Government's ability to plan, perform research, and manage through improved human resources. We did not determine the extent to which the money achieved its intended purposes because performance indicators at the purpose level were not always established.

For the two-year period ending September 30, 1993, USAID/Sri Lanka had 11 active projects. The Diversified Agriculture Research Project (DARP), Agricultural Planning and Analysis Project (APAP), and Development Studies and Training (DS&T) were selected for detailed review. Participant training expenditures for these three projects amounted to about $9.8 million or 81 percent of the total spent by USAID/Sri Lanka under its active projects. These projects trained a total of 682 participants or 66.1 percent of the total trained by USAID/Sri Lanka under its participant training program. The following chart shows training expenditures and the number of participant trained by project.



Our review of evaluation reports, discussions with project officials, interviews with participants, and visits to project sites indicated that USAID/Sri Lanka substantially met its objectives with respect to the number of people trained. The results of our analysis and the contributions made by each of the three projects are as follows:

Diversified Agriculture Research Project (DARP)

This $14.3 million project was to assist the Government of Sri Lanka's Department of Agriculture in strengthening its ability to program and carry out applied agricultural research, transfer new and adapted technologies to farmers, and ensure the supply of quality subsidiary field crop seed through privatization of the national seed industry. The project's focus was expanded to include horticultural crops like chili and onion. The project's performance period was from August 1984 to August 1993. The principal way to accomplish the project's purpose was through improving the capabilities of Department of Agriculture personnel. The project planned to spend about $3.9 million or 27.3 percent of total project funds for 64 advanced academic degrees and 653 person months of short-term technical training.

USAID/Sri Lanka spent about $4 million in project funds and substantially met its training targets at the output level ("output level" means the number and kind of participants to be trained). However, DARP planning documents revealed that USAID/Sri Lanka did not establish verifiable performance indicators. As a result, we were unable to gauge the effectiveness of the project's training component on the Department's institutional capability.

Nonetheless, it appears that the training contributed to the project's overall purpose of increasing the Department's capability through improved human resources. The project's evaluators stated that it was effective and had contributed materially to strengthening the institutional capability of the Department of Agriculture.

Our review of project documents, discussions with project officials, interviews with participants, and visits to project sites indicated some results at the output level and some "success stories":

- Fifty-eight of the planned 64 advanced degrees were obtained while 522 of the planned 653 person months of short-term technical training were provided.

- According to project records, study tours sponsored by the project resulted in the introduction of 300 lines of new fruit and vegetable crops.

- A study tour on seed policy resulted in a draft seed policy statement. Legislation to privatize the seed industry was also started.

- The Department of Agriculture published a "Crop Technoguide" with recommendations on techniques for crop management. About 1,000 copies have been widely distributed to extension personnel and other public and private sector entities.

- New subsidiary field crops such as "big" onions, mung beans and cow peas were introduced. The Department of Agriculture was particularly successful in convincing farmers to plant "big" onion crops and to store the onions after harvest. The area planted with onions increased significantly from 1,000 hectares in 1989 to 24,500 hectares in 1992. Onion storage technology imported from abroad by participants enabled farmers to store onions for later sale.

Traditional method used by farmers to store onions in their homes.

The photograph above shows the traditional way in which farmers stored onions, while the photograph on the following page shows the new onion storage technology imported from abroad.

New large-scale onion storage technology imported to Sri Lanka.

Agricultural Planning and Analysis Project (APAP)

The purpose of this $6.6 million project was to develop an integrated national level agricultural planning system to provide a rational basis for policy formulation and decision-making in Sri Lanka's agricultural sector. The performance period of this project was from August 1986 to December 1993. USAID/Sri Lanka has spent $2.9 million or 44 percent of total project funds to train 39 long-term academic participants and 98 short-term technical participants from the following seven Government of Sri Lanka (GSL) ministries:

- National Planning Division
- Ministry of Agricultural Development & Research
- Ministry of Lands & Land Development
- Ministry of Rural Industrial Development
- Ministry of Coconut Industries
- Ministry of Plantation Industries
- Ministry of Fisheries

The APAP project planning documents we analyzed had sufficient baseline data and performance indicators to determine that the training provided met the planned project purpose. According to the project evaluation report, improved human resources in the seven targeted ministries contributed significantly to accomplishing the project's overall objective.

Development Studies and Training Project (DS&T)

The purpose of this $7.6 million project was to assist selected Government of Sri Lanka agencies in the identification and implementation of sound development policies and programs and to provide necessary training to Government officials. The $3.4 million training component, representing 44.7 percent of the project's total funds, was designed to address the continuing need to upgrade Sri Lankan technical and managerial competence. The performance period began in July 1987 and will end in March 1994.

While other projects in USAID/Sri Lanka's portfolio include participant training components, they are geared towards providing project-related training. This project, on the other hand, was designed to be very flexible so that USAID/Sri Lanka could respond to initiatives identified by the Government of Sri Lanka. The project focused on the following key policy-making bodies which needed specialized training:

- National Planning Agency in the Ministry of Finance
- Central Bank of Sri Lanka
- External Resources Division in the Ministry of Finance
- Department of Census
- Other Ministries
- Parastatal and Public Sector Corporations

Like the DARP project, the DS&T project planning documents lacked clearly defined objectives and performance information. Without such information, the effectiveness of the $2.9 million spent on training 11 long-term academic participants and 130 short-term participants could not be determined. Thus, we could not measure changes, if any, caused by these expenditures. Furthermore, our review of project documents, the evaluation report, and discussions with project officials revealed no examples where training directly influenced the Government of Sri Lanka's policy process.

In summary, USAID/Sri Lanka substantially met its target number of participant trainees. However, we did not determine the extent to which the direct results impacted on USAID/Sri Lanka's project purposes for two of the projects (DARP and DS&T) due to the lack of clearly defined project objectives and performance indicators. Accordingly, the Mission should ensure that projects are clearly defined and contain the information necessary to measure performance.

USAID/Sri Lanka Should Clearly Define the Objectives and Establish Performance Indicators for Participant Training

USAID policy requires missions to design projects with precise definitions of project objectives and performance indicators. However, USAID/Sri Lanka did not design its projects which contained participant training as its major component with this requirement in mind. Rather, the projects contained vague objectives and lacked specific performance indicators. This was done in order to allow flexibility during implementation. However, the absence of clearly defined objectives and performance indicators for participant training made assessment of performance difficult if not impossible. While it appears that project training did have positive developmental impact, defined objectives and performance indicators would have aided in measuring the effect of training inputs on achieving the projects' overall objectives.

> **Recommendation No. 1: We recommend that USAID/Sri Lanka management ensure that future participant training projects or training components of other projects include clear definitions of training objectives and objectively verifiable performance indicators.**

The Foreign Assistance Act requires the development of defined objectives and performance indicators to measure progress towards objectives. Section 621(A) requires USAID to establish a management system which includes the:

- definition of objectives and programs for United States foreign assistance;
- development of quantitative indicators of progress towards these objectives;

- orderly consideration of alternative means for accomplishing such objectives; and

- adoption of methods for comparing actual results of programs and projects with those anticipated when they were undertaken.

Likewise, USAID Handbook 3, Chapter 3, states that the precise definition of project objectives is the highest order of design tasks. It is essential that the project design process produce a set of concise, accurate and meaningful objectives behind which other aspects of project development can then be arrayed. The priority of an activity, potential commitment of resources, methodologies, etc. can only be put in perspective if project objectives are explicitly defined.

However, the stated objectives for the DS&T project lacked the precise definition envisioned by the above USAID requirement. The DS&T project description included the following vague statement of goal and purpose:

> *"The goal of the project is to increase the Government of Sri Lanka's capacity for analysis, planning and implementation in selected areas of its development programs.*
>
> *The purpose of the project is to assist selected agencies to identify and and (sic) implement sound development policies and programs and to provide specialized short and long term training. The project has two discrete components: development policy studies and participant training. The major objective of both components is to improve policy formulation and implementation of policy recommendations."*

The training financed by the project was also intended to support the institutional development of policy-making institutions. The project agreement identified the general types of training to be sponsored and the seven institutions eligible for training. It is apparent that this project was designed to provide the Mission and the Government of Sri Lanka with maximum flexibility in the application of training resources to areas they regarded as most important for promoting policy reform.

An evaluation report of this project stated that the project was conceived as a vehicle for promoting policy reform by providing training to key Government of Sri Lanka officials and by funding policy studies. It was

designed to permit considerable flexibility to allow the Mission to respond to initiatives identified by the Government of Sri Lanka. The evaluation report also stated that flexibility in the project design benefitted both the Government of Sri Lanka and the Mission initially by identifying areas of need and interest for future development and training. However, it also created a loosely-structured situation where the implementation process and results achieved were difficult to monitor and evaluate.

The evaluation report also said that no example indicating direct influence of training on the policy process was found. However, changes in the process can be inferred from requests for further training and from changes in policies themselves. The evaluation concluded that the potential impact of training on actual policy change was diminished due to the diffuse nature of the training. Some changes in specific financial and analytical procedures have resulted from long and short-term training projects. However, there are few examples of broad policy changes which have resulted directly from improved policy analysis.

USAID Handbook 3 also states that every project plan must contain definite baseline data, i.e., a statement of pertinent conditions at the start of the project. In addition, progress indicators are required to measure progress from the baseline conditions to the planned objectives level. It is important that these indicators be formulated at the project design stage so that change can be systematically observed and the data required to support these indicators, routinely collected. Targets at the output, project purpose, and sector/program goal levels are to have a hypothetical, causal relationship with each other. They should have a strong probability of occurring and be easily verified through systematic evaluation.

However, our review of DARP and DS&T planning documents revealed that they lacked objectively, verifiable performance indicators. As a result, we were unable to gauge the effectiveness of the project's training component on the Department's institutional capability.

In summary, the lack of clearly defined objectives and performance indicators in two of the three projects reviewed made it difficult, if not impossible, to objectively assess the effectiveness of training funds spent for participants. USAID/Sri Lanka needs to ensure that future projects contain clearly defined objectives and objectively verifiable performance indicators with which to assess progress and effectiveness.

Management Comments and Our Evaluation

USAID/Sri Lanka concurred with the finding and recommendation. Mission officials will issue guidelines with specific examples to all project officers regarding the inclusion of clear definitions of training objectives, baseline data, and performance indicators in project planning documents at the design stage of future participant training projects or training components of other projects. Mission Order No.620.04 on guidelines for administration of Mission training activities will be amended to provide this requirement.

Based on USAID/Sri Lanka's proposed actions, Recommendation No. 1 is resolved. It will be closed once the Mission Order is amended and a copy sent to RIG/A/S.

Did USAID/Sri Lanka and its contractors follow USAID policies and procedures in implementing the participant training program to provide adequate pre- and post-departure support for participants?

USAID/Sri Lanka and its contractors followed USAID policies and procedures in implementing the participant training program except for providing pre-departure support for participants.

- Mission project officers were involved in the selection and approval of individuals nominated for participant training. They reviewed and monitored the selection of participants through their participation in the selection process as required. Selection criteria and procedures were designed to ensure that the participants were selected fairly, capable of completing and benefitting from the training, and likely to fulfill their training commitments.

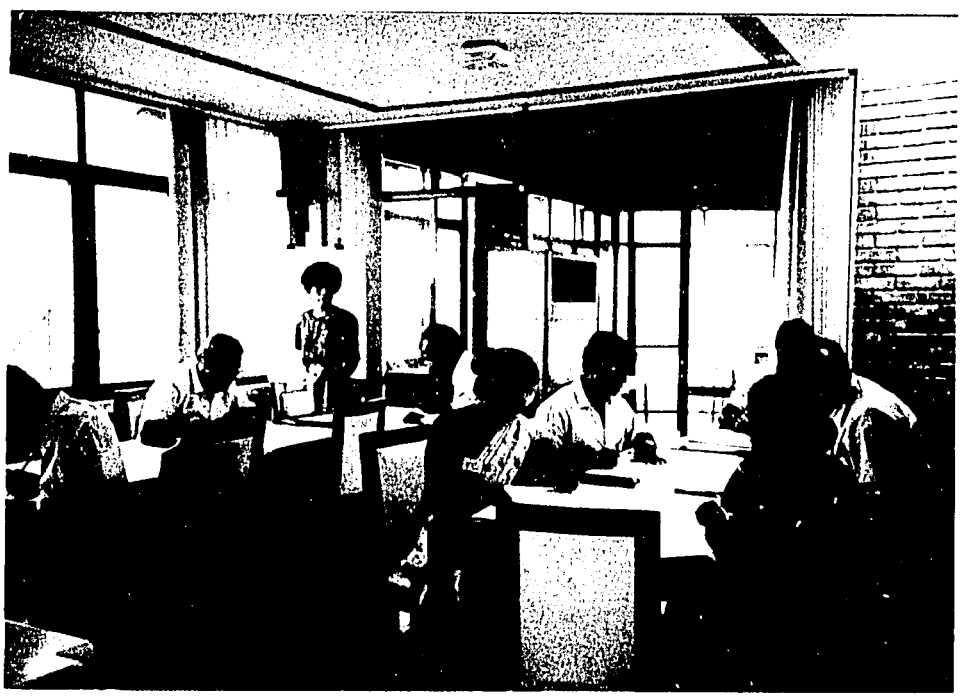
- Academic training ranged from one to two and a half years for a Master's degree, three to four years for a Doctoral degree and 12 months or less for non-degree courses. We tested 36 participants and found that 30 had completed their training within the allotted time. Five participants had extended their training period from three to 12 months and one was still in training. Training extensions were authorized by Government of Sri Lanka (GSL) and Mission officials through amendments to the Project Implementation Order/Participants (PIO/P). If the training programs and institutions varied from those proposed in the PIO/P, it was done with justification.

- All 36 participants tested had received medical examinations and had been certified as medically fit for training. The Mission ensured that the medical examinations were conducted by the GSL Department of Health or the U.S. Embassy-accredited private physicians. All 25 participants we interviewed said that they had no medical problems while abroad on training.

- The Mission informed the participants of the terms and conditions of training and their responsibilities under the training program. The participants agreed to these conditions as required by USAID Handbook 10, Chapter 18. All the 36 participants who were tested signed the conditions of training forms to acknowledge their responsibilities under the training program.

- The Office of International Training contractor provided post-departure support including arrival services, post-arrival orientation and contractor support counseling. All 15 participants who had gone to the U.S. for training and were interviewed, said that the contractor provided appropriate arrival services, post-arrival orientation, and when necessary, academic counseling.

- Candidates were tested for proficiency in the English language. Language proficiency and testing followed USAID requirements, and the test scores were valid as required by USAID Handbook 10, Supplement 12A. The following photograph shows a representative of the Mission's training office administering the American Language Institute Georgetown University English Proficiency Examination (ALIGU) to a group of participant training candidates.



Participant training candidates taking the ALIGU English Proficiency Examination.

Except for USAID/Sri Lanka's lack of adequate pre-departure orientation for participants from contractor-managed participant training programs, USAID/Sri Lanka had adequate controls over the implementation of the participant training program. The pre-departure orientation problem is discussed below.

Mission Needs to Improve Pre-departure Orientation Procedures for Participants

Contrary to USAID guidance, a significant number of participants did not receive adequate pre-departure orientations. Such orientations are extremely important in ensuring that participants understand the planned training program, international travel arrangements, and life in the country of training. We estimate that 44 percent of the participants received little, if any, pre-departure information. This problem is related exclusively to contractor-managed participants. This occurred because USAID/Sri Lanka did not require the use of the prescribed "Pre-departure Orientation Checklist" or closely monitor contractor activities related to participant training to ensure that the requirements of USAID Handbook 10 were met.

Recommendation No. 2: We recommend that USAID/Sri Lanka implement procedures to ensure that:

2.1 participant Pre-departure Checklists are completed for all participants and included in the participant's file; and

2.2 site inspections are performed to ensure that contractors manage participant training activities in accordance with the requirements of USAID Handbook 10.

USAID Handbook 10, Chapter 17, states that participants sent to the U.S. or a third country receive pre-departure orientation. In order to facilitate this process, this chapter also requires that a "Pre-departure Checklist" be completed and included in the participant's file.

USAID/Sri Lanka issued Mission Order Number 620.04, dated February 25, 1992 titled, "Guidelines for Administration of Mission Training Activities" to provide summary guidance on current USAID training policies and procedures. This mission order states that project officers are responsible for ensuring that the participant training sponsored by their project is appropriate, cost effective and in conformance with the policies, requirements and procedures of Handbook 10. The project officer is specifically responsible for ensuring that the contractor and his host country counterpart are aware of Handbook 10 requirements and will implement participant training in an appropriate manner.

We selected a sample of 36 participants for file review and interviewed 25 of them. We found that 11 of the 25 participants either did not receive a pre-departure orientation at all or were given cursory briefings. Several of the participants interviewed said that they were told where they were going but were not given any information on the training program. Other participants stated that they were only given a travel advance and a ticket while some others stated that they were given a letter describing the trip with information about allowances, directions, and who to contact.

The lack of adequate pre-departure orientations for participants can not only diminish the value of the training experience for the participant, but also lead to significant inconvenience for the traveler. For example, two participants in our sample from one project were inadvertently sent to Columbia, South Carolina, USA instead of Columbia, Missouri, USA. This mistake was directly caused by the contractor who did not provide these participants with adequate pre-departure orientations. Such pre-departure orientations and support should have included, among other things, a review of travel plans, and the reservations and purchase of tickets. In this case, the contractor did not even check the airline tickets to ensure the participants were being sent to the correct destination. This mistake caused these two participants to arrive a day late and incur about $140 each in unexpected costs. They were not reimbursed the $140 which represented more than a month's salary for these participants.

Based on the results of our sample, we estimate that 44 percent of the participants did not receive adequate pre-departure orientation before leaving for training. The lack of adequate pre-departure briefings is a problem exclusively related to contractor-managed participant training programs. Problems of this kind were not identified with Mission-managed programs. This problem occurred because USAID/Sri Lanka did not monitor contractors to ensure that they managed their participant training programs in accordance with the requirements of USAID Handbook 10.

Our review of the participant files also showed that none of them contained the required "Pre-departure Checklist." However, the files did contain most of the important administrative documents identified in the "Pre-departure Checklist" such as a copy of the PIO/P, medical certification, participant agreement, etc. The routine use of this checklist facilitates the Mission's efforts of ensuring that a participant has a good understanding of the training program planned for him or her. Its use should also help to avoid potential travel problems for the participant and make the training experience as successful as possible.

USAID/Sri Lanka needs to establish a systematic monitoring procedure for participant trainees, especially those managed by the contractors. The Mission should also emphasize the importance of thorough pre-departure orientation for participants and the need to document it in their files.

Management Comments and Our Evaluation

USAID/Sri Lanka concurred with the finding and recommendation. For Recommendation No. 2.1, a participant Pre-departure checklist was prepared. The checklist will be used for all trainees, both Mission- and contractor-managed. The Mission will distribute the new checklist to all contractors and describe the new procedures. Based on USAID/Sri Lanka's response, Recommendation No. 2.1 is resolved. It will be closed when the Mission submits the letter to the contractors setting out the new procedures and provides RIG/A/Singapore with a copy of the letter and a few sample copies of Predeparture checklists duly filled.

With regard to recommendation No. 2.2, the Mission will arrange quarterly site inspections and issue guidelines which will assist USAID/Sri Lanka in ensuring that contractors manage participant training activities in accordance with the requirements of USAID Handbook 10. A Mission Order will be issued and forwarded to RIG/A/Singapore. Thus, Recommendation No. 2.2 is resolved and will be closed when RIG/A/Singapore receives and reviews the Mission Order and guidelines.

Did USAID/Sri Lanka monitor and evaluate participant training program activities and provide adequate post-training follow-up for participants in accordance with USAID policies and procedures?

USAID/Sri Lanka monitored and evaluated its participant training program in accordance with USAID policies and procedures but needs to improve post-training follow-up activities.

USAID/Sri Lanka established a system to monitor the participants while they were still in training in the United States. In the three projects tested, the Mission utilized the services of a contractor based in the United States hired by the Office of International Training. This contractor provided the Mission with academic progress reports of participants as required by USAID Handbook 10, Chapter 26. We interviewed 25 of the 36 participants in our sample, and all of them indicated that their training was appropriate and valuable to their present jobs. They expressed their appreciation for USAID support during the training. Recently, USAID/Sri Lanka established a system to evaluate the training provided under its projects. It is too early to draw any conclusions on the overall effectiveness of this system.

All but one of the 36 participants we selected for review returned to Sri Lanka after completion of training. The Mission correctly determined that this participant and five others did not return to Sri Lanka after training and started appropriate collection efforts. In July 1993, the Mission issued a Bill for Collection for $159,300 to recover the money spent on training those individuals. However, this Bill for Collection had not yet been paid. In addition, we found that five other participants left the project shortly after returning to Sri Lanka. However, the Mission has not taken action to recover the $174,998 spent training these individuals. Thus, USAID/Sri Lanka needs to establish an active follow-up program to make sure that participants return and continue working on the project, and to maintain contact with returned participants. These problems are discussed below.

Mission Needs to Implement Follow-up Procedures to Maintain Contact with Returned Participants

Contrary to USAID policy, USAID/Sri Lanka did not establish follow-up procedures to maintain contact with returned participants. This happened because USAID/Sri Lanka gave low priority to follow-up activities. Without an active follow-up program, the Mission cannot assess the impact of the participant training program, ensure that participants return to work on the project, recover costs associated with participants who do not return to work on the project, or ensure that training funds were used effectively. We found that the Mission spent $174,998 training five participants who did not fulfil their obligations. Additionally, we found that USAID/Sri Lanka had little assurance of the effectiveness of about $1.6 million in participant training expenditures.

Recommendation No. 3: We recommend that USAID/Sri Lanka:

3.1 establish follow-up procedures and place a high priority on maintaining contact with returned participants; and

3.2 issue a Bill for Collection to the Government of Sri Lanka (GSL) for $174,998 to recover the cost of training participants who did not fulfill their obligations to work on the projects.

USAID Handbook 10, Chapter 35, requires USAID missions to establish specific follow-up procedures for USAID participants who were trained for three months or longer, to designate follow-up officers, and to maintain and update participant records for a minimum of three years. This regulation also states that it is USAID policy that projects with participant training contain additional specific funding for appropriate continuing education and follow-up activities on the participants' return.

When a mission identifies participants who do not return to the host country or who do return but do not work on the project, USAID regulations require that the cost of training those individuals be recovered. USAID Handbook 19, Chapter 10, states that 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, USAID will pursue recovery from the

host country of the funds and other resources utilized in providing training under the existing policy.

USAID/Sri Lanka performed follow-up activities but did not fully comply with USAID requirements. Our interviews with 25 of the 36 participants sampled disclosed that the Mission's follow-up activities were limited to mailing post-training questionnaires and certificates of achievement to participants. Six of the 25 participants did not receive the post-training questionnaire. Two of the 25 participants said that they had no post-training contact of any kind with USAID.

The questionnaires should be used to evaluate the participant training program and to identify areas for improvement. These questionnaires are useful in updating the Mission's database with current addresses, phone numbers, and places of employment for returned participants. Mission officials said that they, or their contractors, send out post-training questionnaires and certificates of achievement upon the participants' return from training. However, we found that this was not always the case, especially with contractor-managed participant training programs. This situation could have been avoided if the Mission had monitored its contractors more closely and established follow-up procedures to ensure that the participants received documents sent to them and responded to the Mission's questionnaires.

The Mission said that it had concentrated on getting participants out for training while giving follow-up activities a low priority. Mission officials also indicated that very little follow-up on participants had been done because they lacked funds for activities such as alumni associations or newsletters. Based on the results of our sample, we estimate that 24 percent of the participants did not receive a post-training questionnaire after returning from training in the U.S. or a third country. As a result, the Mission did not know the status of as many as 24 percent of the returned participants and, therefore, had little assurance that the $1.6 million in training costs associated with those participants had been effectively used.

In addition, the Mission did not determine whether a participant fulfilled the employment obligation because of the Mission's lack of emphasis on follow-up activities. We found five participants who had not fulfilled their obligations. For example, $61,755 was spent on one participant who obtained a Ph.D over a three-year period from Oregon State University (USA). He returned to Sri Lanka and worked on the project for a couple of months and disappeared. After searching for several months, the Government of Sri Lanka found this individual working in another

country and persuaded him to return and work on the project. Within a couple of months, he disappeared again and the Government of Sri Lanka now believes that he is somewhere in Canada. Another participant received a master's degree from Mississippi State University (USA) but only worked on the project for a few months before disappearing. The Government of Sri Lanka believes that this individual is somewhere in the United States pursuing a Ph.D. USAID spent $26,372 training this individual. An additional $86,871 was spent training three other individuals who did not fulfill their commitments to return and work on a USAID-funded project.

Consequently, training costs totaling about $174,998 were due the U.S. Government. The training officer did not know the status of returned participants because USAID/Sri Lanka officials had not followed up to determine whether participants had complied with their employment obligations. Thus, USAID/Sri Lanka needs to design and implement a follow-up program to maintain contact with returned participants.

Management Comments and Our Evaluation

USAID/Sri Lanka concurred with the finding and recommendations. For Recommendation No. 3.1, USAID/Sri Lanka officials will maintain contact with returned participants who were trained for three months or longer and update participant records for a minimum of three years by administering questionnaires per Handbook 10. The first questionnaire will be sent just after training; the second, six months after training; and the third, or the final questionnaire, between two and three years following the completion of training. The Mission is also considering contacting a local group to coordinate additional follow-on activities with the participants. This local group would be project-funded and would conduct activities like providing a newsletter for returned participants. Based on USAID/Sri Lanka's response, Recommendation No.3.1 is resolved. It will be closed after RIG/A/Singapore reviews a copy of the questionnaires.

With regard to recommendation No. 3.2., USAID/Sri Lanka proposed to work out an agreement with the Government of Sri Lanka to recover a pro rata share of the training costs. The cost of training each participant would be recovered in proportion to the maximum number of years of service required under the project grant and loan agreement, minus the number of years of service rendered to the project by each participant. USAID/Sri Lanka officials stated that the Government of Sri Lanka made a good faith effort to send suitable candidates for training. The candidates completed their training and returned to Sri Lanka. They added that all

of these candidates have contributed to Sri Lanka's development in some measure as originally envisioned by project officials.

The special covenant in the Project Agreement require participants to return and work in the Project for a period of not less than one year or not less than three times the length of training, whichever is longer. Thus, the Agreement indicates that the period of obligation begins **after** the participant returns from training, and service performed prior to the training should not be counted against the fulfillment of the obligation to work in the Project after training. Therefore, Recommendation No. 3.2 is unresolved. It will be resolved when USAID/Sri Lanka and the Inspector General agrees on the amount and a firm plan of action to recover the cost of training participants who did not fulfill their obligations to work on the projects. The recommendation will be closed when the funds are recovered.

Follow-up on Delinquent Bills for Collection Should be Timely and Aggressive

USAID/Sri Lanka did not follow U.S. Government requirements and USAID policies and procedures in collecting delinquent Bills for Collection for participants who did not return to Sri Lanka after training. While USAID/Sri Lanka correctly issued a Bill for Collection to recover the cost of training six participants who did not return to Sri Lanka after training, the Mission did not follow up to ensure that the debt was paid when due. USAID/Sri Lanka officials told us that they have not followed up on the Bill for Collection because they believed that the Government of Sri Lanka would pay the bill eventually. As a result, a Bill for Collection totaling $159,300 is delinquent.

> **Recommendation No. 4: We recommend that USAID/Sri Lanka strengthen accounts receivable follow-up procedures to comply with Federal law and USAID policies and procedures, and collect or otherwise resolve the delinquent $159,300 Bill for Collection outstanding on September 30, 1993, as identified in this report.**

USAID Handbook 19, Chapter 7, implements the Federal Claims Collection Standards (4 CFR 102) which require aggressive follow-up action to include three written demands worded progressively stronger at not more than 30-day intervals. When the debt is 60 days past due, a

third demand letter is sent advising of USAID's intention to collect by administrative offset if payment is not received within 30 days of the date of the letter. Administrative offset is a process for recovery of amounts owed to USAID by withholding an amount equal to USAID's claim from any funds owed to the debtor by USAID or another U.S. government agency.

USAID/Sri Lanka issued Bill for Collection Number CO-383-11253, to the Government of Sri Lanka on July 7, 1993 to recover the $159,299.60 spent by USAID on training six participants who did not return to Sri Lanka after their training. While USAID/Sri Lanka acted appropriately in issuing the Bill for Collection, it had not followed up on it to ensure that the debt was paid when due. USAID/Sri Lanka officials told us that no action was taken because they believed that the GSL would pay the bill eventually.

USAID/Sri Lanka should: (1) implement controls and procedures to ensure that procedures for following up Bills for Collection comply with the requirements of Federal law and USAID policies and procedures; and (2) conduct required follow-up activities to collect the delinquent Bill for Collection.

Management Comments and Our Evaluation

USAID/Sri Lanka concurred with this finding and recommendation. USAID/Sri Lanka officials have initiated follow-up as required by USAID Handbook 19. Based on the Mission response, the recommendation is resolved. It will be closed when RIG/A/Singapore is provided with evidence showing that the bill has been paid.

SCOPE AND METHODOLOGY

The Office of the Regional Inspector General for Audit/Singapore, audited selected systems and procedures related to USAID/Sri Lanka's controls over its Participant Training program. The audit covered 11 active projects with a Participant Training component for which commitments and expenditures totaled $13.8 million and $12.1 million respectively as of September 30, 1993. The audit field work took place from August 16, 1993 through October 4, 1993, and included work at the USAID/Sri Lanka office in Colombo and at various sites throughout Sri Lanka where participants were located. The audit was performed in accordance with generally accepted government auditing standards.

The Acting Mission Director made various representations concerning the management of the Participant Training program in Sri Lanka in a management representation letter signed October 25, 1993.

The audit reviewed the overall effectiveness of the program by comparing the contribution made by Participant Training program to the accomplishment of project objectives for three of the 11 active projects selected for review (see Audit Objective one). The audit team also reviewed files of 36 participants selected using a judgement sample taken from the 560 participants who were in training under the 11 active projects since September 30, 1991. We interviewed 25 of these participants. The audit team also used the sample of participants to evaluate the Mission's internal controls as they related to the implementation of the Participant Training Program (Audit Objective two) as well as its monitoring, evaluation, and follow-up systems (Audit Objective three). Included in this assessment was an evaluation of the Mission's compliance with laws, regulations and agreements insofar as it was necessary to answer the audit objectives and a review of the Mission's latest Internal Control Assessment.

The audit methodology included reviews and analysis of project planning, authorization and monitoring documents, interviews with USAID and Host Government officials and participants, and detailed testing to review program effectiveness. The three projects selected for analysis accounted for about 81.5 percent ($9.9 million) of the funds.

UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT
MISSION TO SRI LANKA.
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February 14, 1994

Mr. Richard C. Thabet
Regional Inspector General
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Singapore 0617

Response to the Draft Audit Report of USAID/Sri Lanka's Audit of Participant Training Program, Sri Lanka

Dear Mr. Thabet:

We refer to your memorandum, dated December 15, 1993, enclosing the subject draft audit report and appreciate the positive comments made by you and your colleagues. Our comments and actions taken/proposed to resolve and close the four recommendations contained in the audit report are given below.

While the Mission generally agrees with the content of the audit report we do not agree with the statement on page 5 that the DARP planning documents revealed that USAID/Sri Lanka lacked baseline information showing the level of capability possessed by the Department of Agriculture (DOA) when the project started. Annex B.8 of the DARP PP lists the numbers of current DOA staff and the numbers holding various qualifications. This we felt was adequate as a base for planning a training program. A copy of Annex B.8 of the DARP Project Paper is attached to this letter. Per your request, attached is the original Representation Letter duly signed by the Acting Director, USAID/Sri Lanka.

Page 9 of the audit report states that "due to the broad nature of the training sponsored by these projects, there is no conclusive evidence that the funds spent had any measurable effect in achieving the projects' overall objectives." The Mission believes that this generalized statement detracts from some of the positive audit findings on the APAP project (see top of page 8 of the audit) and the participant interviews of the other projects. The second paragraph of page 5 of the audit, acknowledges that training contributed to DARP's overall objectives. Therefore, we request that RIG/A/Singapore change the referenced statement on page 9 so as not to leave the impression that the project training was inconsequential. We suggest that it read: "while it is clear that project training did have positive developmental impact, more information would have aided the measurement of the effect of training inputs in achieving the projects' overall objectives."

Our detailed responses to the specific recommendations together with a description of the actions taken/proposed to address the recommendations follow:

Recommendation No. 1

We recommend that USAID/Sri Lanka's management ensure that future participant training projects or training components of other projects include clear definitions of training objectives, baseline data, and objectively verifiable performance indicators.

USAID/Sri Lanka accepts this recommendation. The Mission will issue guidelines with specific examples to all project officers regarding the inclusion of clear definitions of training objectives, baseline data, and performance indicators in project planning documents at the design stage of future participant training projects or training components of other projects. Mission Order No.620.04 on guidelines for administration of Mission training activities will be amended to provide this requirement. Based on the proposed actions mentioned above Mission requests that recommendation No.1 be now considered resolved and closed once the Mission Order is amended and a copy sent to RIG/A/S.

Recommendation No. 2: We recommend that USAID/Sri Lanka implement procedures to ensure that:

2.1 Participant Pre-departure Checklists are completed for all participants and included in the participant's file; and

2.2 Site inspections are performed to ensure that contractors manage participant training activities in accordance with the requirements of USAID Handbook 10.

USAID/Sri Lanka accepts this recommendation. A participant Pre-departure checklist has been prepared. A copy of this checklist is attached to this letter. It is used for all trainees: both Mission and contractor managed. The Mission will issue a letter to all contractors distributing the new form and describing the new procedures. Based on the above Mission requests that recommendation No.2.1 be now considered resolved and closed on submission to RIG/A/S of the letter to the contractors setting out the new procedures and a few sample copies of Pre-departure checklists duly filled.

With regard to recommendation No.2.2, the Mission will arrange site inspections quarterly and issue guidelines to those who go on site inspections regarding what they should look for ensuring that contractors manage participant training activities in accordance with the requirements of AID Handbook 10. A Mission Order will be issued and forwarded to RIG/A/Singaport. Based on the above, the Mission requests that recommendation No.2.2 be now considered resolved and closed on submission to RIG/A/S of the Mission Order and guidelines.

Recommendation No. 3: We recommend that USAID/Sri Lanka:

3.1 Strengthen follow-up procedures by placing a high priority on maintaining contact with returned participants; and

3.2 Issue a Bill for Collection to the Government of Sri Lanka (GSL) for $ 175,000 to recover the cost of training participants who did not fulfill their obligations to work on the projects.

USAID/Sri Lanka accepts recommendation No. 3.1. The Mission will maintain contact with returned participants who were trained for three months or longer and update participant records for a minimum of three years by administering questionnaires per Handbook 10, the first upon completion of training; the second, six months after completion of training; and the third, or the final questionnaire, between two and three years following the completion of training. Based on the above, Mission requests that recommendation No.3.1 be now considered resolved and closed on submission to RIG/A/S of a copy of the questionnaire. For your information, the Mission is also considering contacting a local group to coordinate additional follow-on activities with the participants. This group would be project funded and conduct activities including a newsletter to returned participants. Please note that such follow-up would be in excess of the handbook requirements and should not be considered necessary to close this recommendation.

With regard to recommendation No. 3.2., USAID/Sri Lanka requests concurrence from RIG/A/ Singapore to work out an agreement with the GSL to recover a prorata share of the training costs. GSL made a good faith effort to send suitable candidates for training. They completed their training and returned to Sri Lanka. All of these candidates have contributed to Sri Lanka's development in some measure as originally envisaged by the DARP project. Therefore, USAID/Sri Lanka believes that the cost of training of each participant should be recovered in proportion to the maximum number of years of service required under the DARP grant/loan agreement, minus the number of years of service rendered to the project by each participant. This will be worked out by the Mission together with the Department of Agriculture and the amount arrived at will be recovered from GSL. Upon receipt of your concurrence, Mission requests that recommendation No. 3.2 be considered resolved and closed after recovering the required amount from GSL.

Recommendation No.4

We recommend that USAID/Sri Lanka strengthen accounts receivable follow-up procedures complying with Federal Law and USAID policies and procedure, and collect or otherwise resolve the delinquent $ 159,300 Bill for Collection outstanding on September 30, 1993, as identified in this report.

USAID/Sri Lanka accepts this recommendation. Formal follow-up procedures will begin with the Government of Sri Lanka. A copy of the first official written follow-up notice concerning the bill of collection is attached for your reference. The Mission will follow-up again in 30 and 60 days time. If the funds have not been collected, the matter will be forwarded to USAID/Washington as per USAID Handbook 19 instructions. The Mission has been in contact with the Government of Sri Lanka and has verbal assurances that this bill will be paid; however, no written response to our first letter and bill of collection have been received to date Based upon the action taken to date, the Mission requests that this audit recommendation be considered resolved and closed upon evidence of payment of the bill.

Sincerely,

David A. Cohen
Director

Attachments: Appendix B.8 of the DARP PP
Representation Letter
Participant Pre-departure Checklist
Follow-up Letter to GSL re. Bill of Collection

UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT
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October 25, 1993

Mr. Richard C. Thabet
Regional Inspector General/Audit
#17-03 Peninsula Plaza
111, North Bridge Road
Singapore 0617

Re: Audit of USAID/Sri Lanka's Participant Training Program

Dear Dick:

You have asked for a representation letter in connection with your audit of the participant training program of USAID/Sri Lanka as of September 30, 1993 and for the projects which included participant training that were active during the period October 01, 1991 through September 30, 1993, and that the audit was intended to answer the following audit objectives:

(1) What were the participant training funds obligated and expended for and did they achieve the intended results?

(2) Did USAID/Sri Lanka and its contractors follow AID policies and procedures in implementing the participant training program, to provide adequate pre- and post-departure support for participants?

(3) Did USAID/Sri Lanka monitor and evaluate participant training program activities and provide adequate post-training follow-up for participants, in accordance with A.I.D. policies and procedures?

For activities under audit during the audit period, USAID/Sri Lanka is responsible for the Mission's participant training program under audit, for the internal control system, for compliance with applicable U.S. laws, regulations, project agreements and project implementation letters, and for the fairness and accuracy of the accounting and management information.

I began my assignment in Sri Lanka only on September 11, 1993. Therefore, my personal knowledge of much of the details of the matters of the audit is accordingly limited. However, I asked appropriate members of my staff, particularly those in the Controller's Office and Projects Office, and project officers, to make available to you all records in our possession, relating to projects administered by USAID/Sri Lanka during the audit period for the purpose of the audit.

Based on representations made to me by my staff and their written concurrence with the representations made in this letter, and in reliance on your office which has not informed me of any difficulty in obtaining records or information, or of any difficulty in obtaining the full cooperation of the various offices and staff involved, I confirm, as a layman and not as a lawyer, the following representations with respect to the subject matter of the audit and the audit objectives:

(1) To the best of my knowledge and belief, USAID/Sri Lanka has made available to your staff all the financial and management information associated with the Mission's participant training program.

(2) To the best of my knowledge and belief, there are no instances which we consider material where financial or management information has not been properly and accurately recorded and reported.

(3) To the best of my knowledge and belief, there have been no irregularities relevant to this audit involving Mission management or employees who have roles in the internal control structure, irregularities involving any other organization that could effect the Mission's controls over its participant training program; nor communications from any other organization concerning noncompliance with or deficiencies in the Mission's participant training program. For the purpose of this representation, "irregularities" means the intentional noncompliance with applicable laws or regulations and/or material misstatements, omissions or failures to disclose same.

(4) To the best of my knowledge and belief, USAID/Sri Lanka has reported all known instances which, in the Mission's judgment, evidence material noncompliance with AID policies and procedures for the Mission's participant training program or violations of applicable U.S. laws and regulations, project agreements or project implementation letters.

(5) After review of your draft audit report and further consultations with my staff, to the best of my knowledge and belief there are no other facts as of the date of this letter (other than those expressed in our management comments to the draft report) which we believe would materially alter the conclusions reached in the report.

Yours sincerely,

Terrence F. Liercke
Acting Director

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