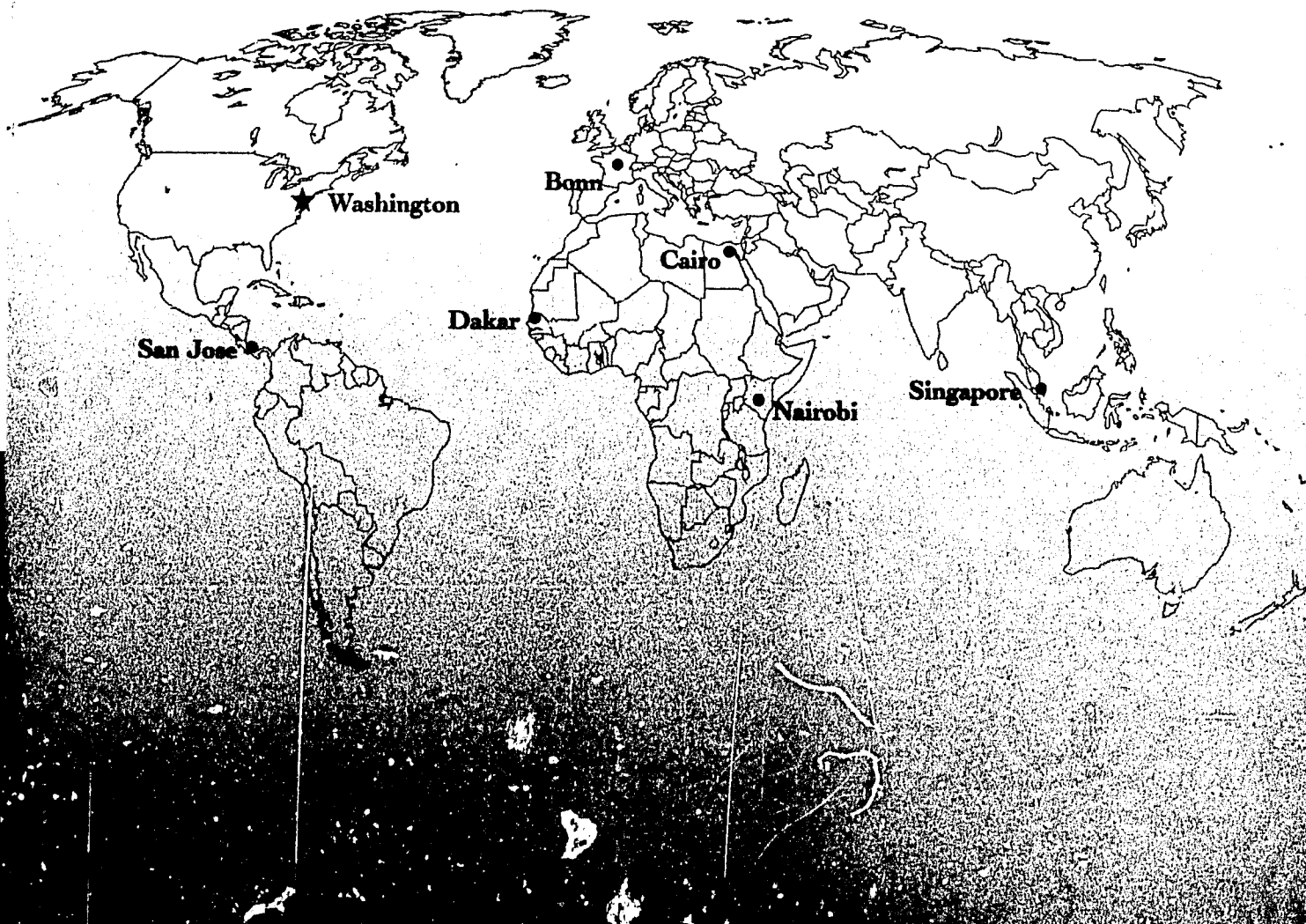

**AUDIT OF
COST-CONTAINMENT IN USAID'S
PARTICIPANT TRAINING PROGRAM**

Report No. 9-000-95-012

April 19, 1995



**Audit of Cost-containment
in USAID's Participant Training Program**

REPORT NO. 9-000-95-012

April 19, 1995

USAID does a relatively good job of containing training costs but the opportunity for additional savings exists.



U.S. AGENCY FOR
INTERNATIONAL
DEVELOPMENT

April 19, 1995

MEMORANDUM FOR SENIOR DAA/G, Ann VanDusen

FROM:

IG/A/PSA, Toby L. Jarman

SUBJECT:

Audit of Cost-containment in USAID's Participant Training Program (Audit Report No. 9-000-95-012)

This is our report on the subject audit, which discloses that USAID has taken many exemplary steps to contain the costs of participant training. Despite the many positive measures taken, we believe more cost-saving measures can be instituted. The report makes eight recommendations to help achieve these measures. We received written comments from the Global Bureau on this report and took them into consideration when developing this final report. The comments are included as an appendix to the report.

Based on the comments, recommendations number 1, 4, 6, 7, and 8 are resolved and will be closed when appropriate actions are completed. Recommendations number 2, 3, and 5 are unresolved.

I appreciate the excellent cooperation and numerous courtesies your staff extended during the audit. Please provide us information within 30 days documenting the actions taken or planned to implement the recommendations.

EXECUTIVE SUMMARY

Background

Through its participant training program, USAID sponsors academic or technical training for foreign nationals in the United States or other third countries. Academic training, the focus of this audit, takes place in an institution of higher learning and the participant usually receives a degree. Since the inception of the program, USAID has sponsored training for more than 71,000 foreign students, many of whom have returned to their home country to become leaders of government or business.

Participant training is one of the Agency's most significant economic assistance programs. It is also one of its most expensive programs -- with annual disbursements of approximately \$300 million. At a time when the costs of a college education are steadily rising, it is critical that USAID examine all aspects of the program to contain costs.

The program is highly decentralized, with Washington bureaus and overseas missions implementing their own training programs. The Center for Human Capacity Development (formerly the Office of International Training) in the Bureau for Global Programs, Field Support and Research has central leadership and coordination responsibility for the program. The bureaus and missions engage approximately 90 contractors to arrange college placement and monitor the progress of two - thirds of the participants. The Center engages one major contractor who places and monitors the remaining one - third of the participants.

Audit Results

The Agency has taken many exemplary steps to contain the costs of this program (see page 7). As examples, an extensive handbook of USAID policies and procedures has been developed; standardized allowances have been developed for student support costs; and procedures have been developed to assist missions in planning and budgeting for training

projects. Additionally, our tests showed that the majority of participants generally attend schools with tuition and fees of less than \$8,000.

Although our audit identified many positive actions taken to contain costs, we believe there are significant opportunities for more systematic, agency-wide savings associated with:

- reducing the number of undergraduate and graduate students who attend high-priced schools. About 432 or 18 percent of USAID undergraduates are attending schools with tuition ranging from \$8,001 to \$20,000 whereas 70 percent of undergraduates in general attend schools with tuition and fees of less than \$3,000 per year. Similarly, about 36 percent of graduate participants attend schools with tuition ranging from \$8,001 to \$20,000. The average cost of a graduate school nationwide is \$7,206. Although programmatic needs could justify a highly expensive school we believe a more conscious effort at containing costs may reduce the number of participants attending the higher priced schools (see page 8).
- seeking more discounts or cost-sharing arrangements. Although USAID does not know the number of participants who receive full or partial financial assistance our tests indicate that USAID generally pays full tuition and fees for participants. Since the Agency sponsors approximately 6,000 participants each year we believe more should be done to seek discounts or cost-sharing arrangements with the schools participants attend (see page 12).
- curtailing the amount of English language training occurring in the United States. We could not determine the extent of English language training occurring in the United States but our tests showed it was pervasive and very costly. For the examples we identified, the Agency could have saved \$4 million had the training been limited to three months in the United States or been conducted in the participant's home country (see page 14).
- promulgating guidelines for conferences and seminars which participants can attend. We found that participant attendance at conferences and seminars was uneven between placement contractors due to a lack of guidelines on the number of conferences permitted, their costs, or how they should relate to the participant's training program. Since the Agency spends

millions of dollars annually on conferences we believe stronger management controls are necessary to prevent inequities in participant attendance and provide adequate oversight of this costly area of training (see page 16).

Cost-savings in these areas have not been fully realized due, primarily, to a lack of performance standards specifying how the Agency should achieve cost-containment. Agency guidance for designing training projects and obtaining contractor services does not focus on cost-containment nor does it establish effective tuition limits. For example:

- Project planning could focus much more attention on cost-containment issues. Our analysis of six Project Identification Documents for training projects showed that five focused no attention on cost-containment and one did so to a limited extent. Similarly, our analysis of nine project papers for training projects showed that one project paper contained detailed cost-containment guidance, two contained limited guidance; and six contained no guidance (see page 18).
- Provisions in contractor work statements to place participants in schools cost-effectively could be substantially improved. Our review of 11 contracts for participant placement services showed that one contained limited cost-containment measures, eight contained none and two contained adequate measures. All three grant agreements reviewed contained no cost-containment guidance and the two cooperative agreements reviewed contained no guidance. None of the contracts reviewed contained good performance-based measures to judge the contractor's progress in achieving cost-containment requirements. (see page 20).
- The Agency's \$10,000 tuition limit for undergraduate students encompasses only tuition and does not include fees charged by institutions (which can be very substantial). The American Council on Education reported that about seven in ten full-time undergraduates were charged tuition and fees of less than \$3,001. Consequently, a cap set at \$10,000 is so high it provides limited benefits as a cost-containment measure. Also, there is no cap for graduate students. Since this is the largest group of USAID participants it should be a focal point for cost-containment (see page 22).

The Agency also has two broader-scale problems which limit cost-containment. The first stems from a diffused organizational structure for managing and implementing the program--a structure consisting of approximately 90 contractors. This undoubtedly leads to increased overhead and severely weakens oversight.

The second is the lack of reliable financial data necessary for management oversight of the program. Developing a good management information system would not only improve management of the program but would also provide a systematic way to collect and disseminate to missions and contractors information on schools which offer discounts or engage in cost-sharing. There are many discount opportunities available across the United States, but USAID does not have a system for collecting this information or for informing missions and contractors of these opportunities. For example, the USAID Representative to Mexico arranged special tuition rates with the University of Texas at El Paso. In academic year 1992-93 this school enrolled 14 participants sponsored by USAID/Mexico to pursue masters degrees. The tuition and fees for one academic year for these participants averaged \$1,346. The catalogue price for the University of Texas at El Paso was \$4,386. Our review of printouts of USAID participants revealed that no other contractors were sending graduate students to this university. (see page 24).

Recommendations

This report recommends that the Agency modify guidance or take action to:

- assist project planners to focus on cost-containment when designing training projects;
- ensure that cost-containment requirements and performance-based measures are incorporated into training contracts;
- strengthen management controls to reduce the occurrence of English language training being conducted in the United States;
- establish an explicit policy on participant attendance at conferences;
- revise the tuition limit for undergraduate students and establish a target tuition limit for graduate students;

- develop a management information system to improve management oversight of training costs;
- develop procedures to accumulate and disseminate to all contractors and missions information on institutions which engage in cost-sharing or offer discounts; and
- assess the need for such a large number of contractors to place and monitor participants (see pages 5-7).

Management Comments and our Evaluation

Management said it concurred with all recommendations except for Recommendations number 3 and 5, and will act to implement them. It did not believe that English language training in the U.S. was amenable to an across-the-board time limit. Consequently, the recommendation was modified to require strengthening of management controls to reduce the occurrence of English training in the U.S. Management also stated that rigid cost limits for a participant's tuition were not desirable. We are not recommending a rigid cost limit be set, but rather a target should be established which would provide a realistic guide which could be met in the majority of cases. If a more expensive school was required, then a waiver could be obtained. (See pages 28 and 30). Appendix II contains management's complete comments.

Office of the Inspector General

Office of the Inspector General
April 19, 1995

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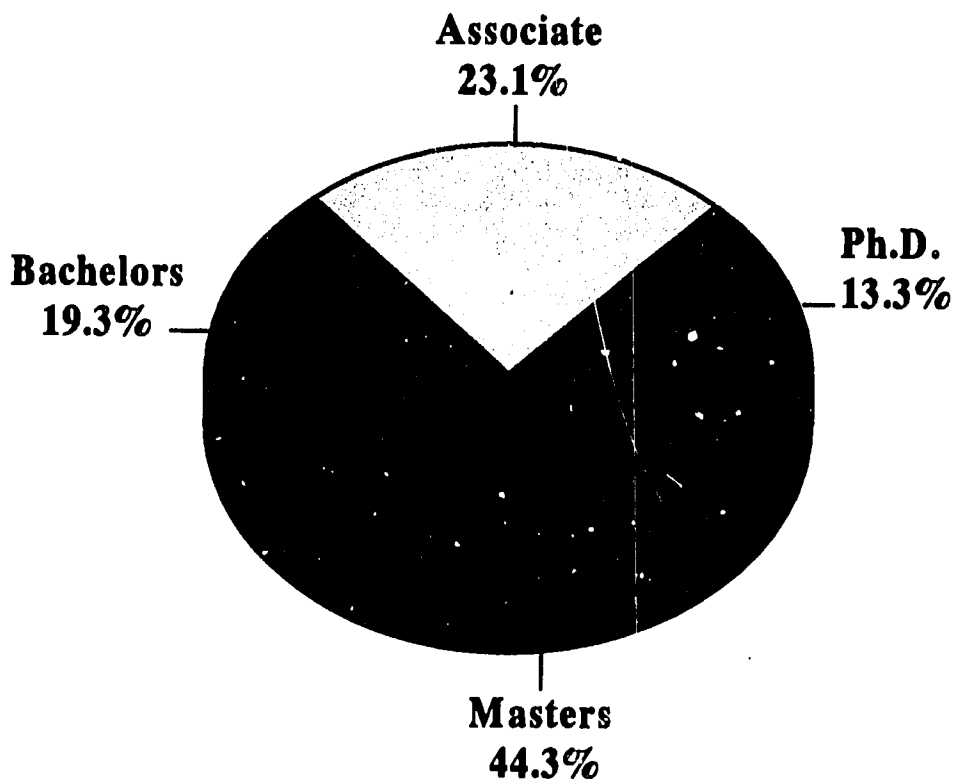
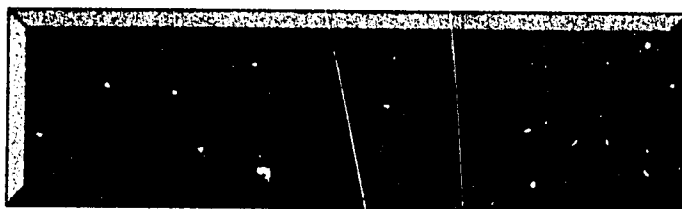
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INTRODUCTION

Background

Through its participant training program, referred to as the Thomas Jefferson Fellowship Program, the USAID sponsors academic or technical training for foreign nationals in the United States or other third countries. It is one of USAID's most significant economic assistance programs and has a goal of developing the managerial and technical skills of private sector and public officials in lesser developed countries. After completing training in the United States or a third country, the participants are required to return to their home country and apply their skills in development-related activities for which the training was authorized. Many participants have returned to their home country and became leaders of government or business.

Academic training, the focus of this audit, is defined as that which takes place in an institution of higher learning and which usually leads to a degree. USAID places priority emphasis on masters and Ph.D. programs; however, associate (two-year) and bachelor (four-year) degree programs are frequently sponsored. Agency records indicate that since the inception of the program, 71,277 participants have received long-term academic training. The composition by degree is shown in the following chart:

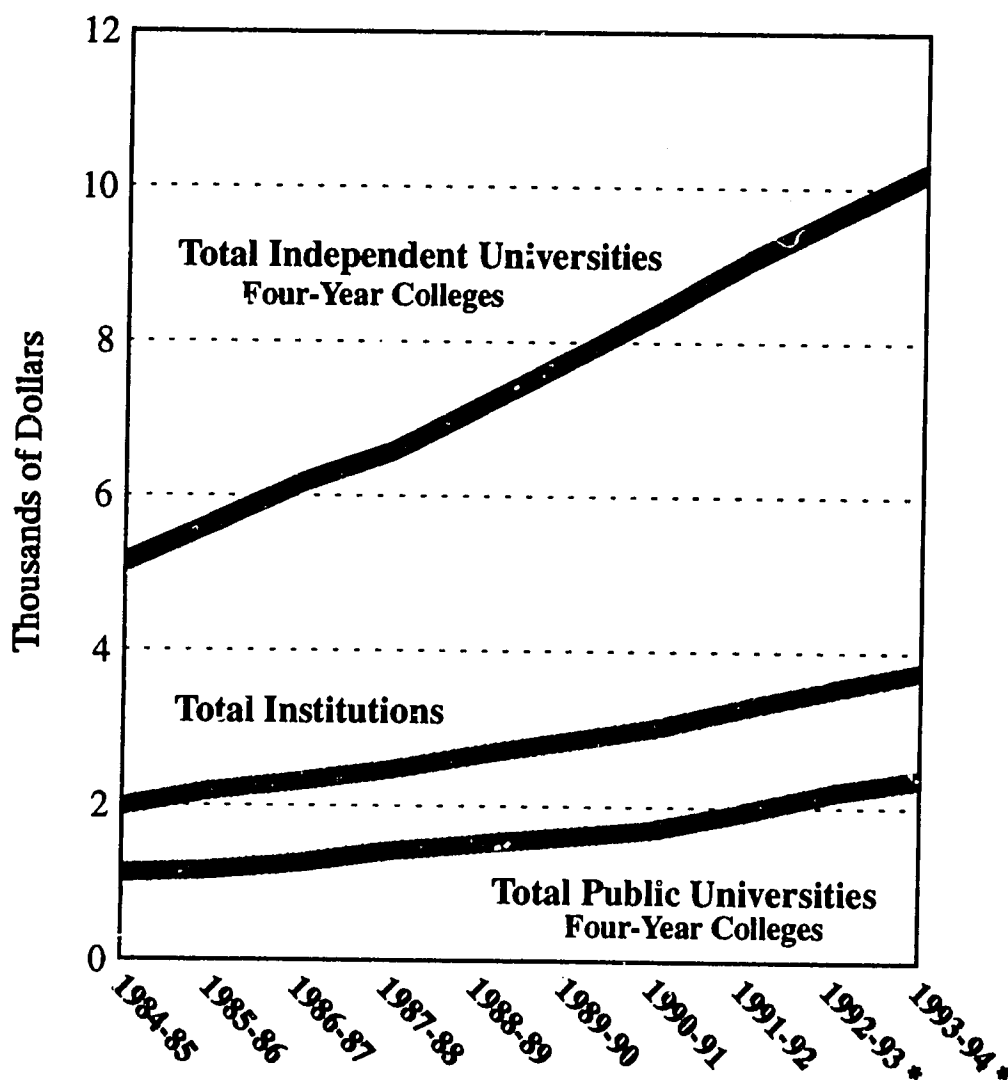


The participant training program is largely decentralized. USAID missions and geographic and central bureaus can design, monitor and arrange the implementation of training projects. Almost two-thirds of all participants are placed in colleges and monitored by contractors engaged by missions, bureaus and governments. In some cases, host government entities (e.g., embassies in Washington) monitor participants without a U.S. contractor.

The central leadership and coordination for participant training rests with the Center for Human Capacity Development (formerly the Office of International Training) in the Bureau for Global Programs, Field Support and Research (G/HCD). G/HCD promulgates and incorporates into Handbook 10 Agency policies and procedures for the program. When requested, G/HCD assists missions and host countries to develop and manage training programs. In addition, G/HCD, through its contractor, provides placement and monitoring services for the remaining one-third of the participants.

USAID disburses approximately \$300 million annually on the program. With expenditures of this magnitude, it is critical that USAID examine and execute all opportunities to conduct the program in as economical a manner as possible. This is especially important since the cost of a college education has been rising rapidly for the past several years and is expected to increase by 8 percent annually for the next few years. The following chart shows the trend of tuition and fees during academic years 1984-85 to 1993-94.

Trends in Average Undergraduate Tuition and Fees



*Data for 1992-93 and 1993-94 is estimated.

Audit Objective

The Inspector General's Office of Programs and Systems Audits conducted an audit of USAID's participant training program as part of its audit plan. We sought to answer the following question:

- Are there opportunities for cost-containment in USAID's participant training program?

In answering this objective, we did not scrutinize all facets of the program which could yield additional cost-containment. Rather we focused on selected aspects of cost-containment. Appendix I contains a complete discussion of the scope and methodology for this audit.

REPORT OF AUDIT FINDINGS

Are there opportunities for cost-containment in USAID's participant training program?

USAID has done a relatively good job of containing participant training costs, but opportunities for additional cost-containment exist.

Opportunities for Cost-containment

Among the areas where opportunities for more systematic, agency-wide cost-savings can be found are school selection and tuition discounts, English language training, and attendance at conferences. Cost-savings in these areas have not been realized to-date due, primarily, to a lack of performance standards specifying how the Agency should achieve cost-containment. For example, Agency guidance for designing training projects and obtaining contractor services does not focus on cost-containment nor does it establish effective tuition limits. Further, the Agency's capability for greater cost-containment is limited by the diffused organizational structure for managing training programs, the lack of financial and other management information on participants, and the approximately 90 contractors administering training programs. Improvements in these areas should result in substantial savings in the \$300 million spent annually on participant training programs.

RECOMMENDATIONS

Recommendation No. 1 We recommend that the Bureau for Global Programs, Field Support and Research, in conjunction with the Bureau for Program Policy and Coordination, modify appropriate handbooks to provide guidance to project planners which requires a cost-containment plan in each participant training project or other projects with significant participant training components.

Recommendation No. 2: We recommend that the Bureau for Global Programs, Field Support and Research, in conjunction with the Bureaus for Program Policy and Coordination and Management, modify guidance used by the preparers of project implementation orders/technical services and contracts for obtaining participant placement services concerning the need to develop and incorporate cost-containment requirements and related performance - based measures into participant training contracts.

Recommendation No. 3: We recommend that the Director, Center for Human Capacity Development, modify Handbook 10 to strengthen management controls to reduce the occurrence of English language training being conducted in the United States.

Recommendation No. 4: We recommend that the Director, Center for Human Capacity Development, establish explicit policy and operational guidelines for conferences and seminars to be attended by participants and develop internal controls to monitor compliance with this policy.

Recommendation No. 5: We recommend that the Director, Center for Human Capacity Development, (a) revise the tuition limit for undergraduate students to one that is more representative of tuition costs and that includes school fees and (b) establish a target tuition limit for graduate students.

Recommendation No. 6: We recommend that the Bureau for Global Programs, Field Support and Research in conjunction with the Bureau for Management's Information Systems Plan, develop a management information system which provides centralized cost data necessary for management oversight of the participant training program.

Recommendation No. 7: We recommend that the Director, Center for Human Capacity Development, develop procedures to accumulate and disseminate to all contractors and missions involved in placing participants, information on institutions which will engage in cost-sharing arrangements such as tuition waivers, discounts, group placement, out-of-state waivers, or other cost-saving measures.

Recommendation No. 8: We recommend that the Bureau for Global Programs, Field Support and Research, (a) assess the Agency's organizational structure for implementing the participant training program with a view toward determining whether the number of contractors involved should be reduced and (b) take the necessary action to reduce the number of contractors based upon the results of this assessment.

Containing Participant Training Costs is an Agency Goal

A.I.D. Handbook 1 (Policy) states it is USAID policy to use all Foreign Assistance Act resources as efficiently as possible and to integrate them to the fullest with non-Agency resources in support of lesser developed countries. For participant training, this goal is embraced in USAID Policy Determination Number 8, which highlights the importance of cost-containment:

"Due to the rapidly rising costs of training, all participant training programs are expected to be supported by thorough needs assessments and economic analysis. Particular attention should be given to cost-effectiveness issues.....".

Handbook 3 on Project Assistance discusses the need for project designers to focus on the financial and economic considerations of a project at the earliest stage possible. However, neither this handbook nor the participant training handbook provides detailed guidance on how to plan and implement a cost-containment training project. To effectively implement this concept, the Agency needs to modify its guidance to focus attention on several aspects of training programs which can lead to greater cost-containment if properly addressed during the planning and implementation stages of projects.

The USAID has taken many exemplary steps to contain the costs of the participant training program. As examples, an extensive handbook of policies and procedures was developed for implementing and managing training programs. Standardized allowances have been established for student support costs in areas such as monthly maintenance for food and housing, book costs, typing expenses, etc. The Center for Human Capacity Development developed a Training Cost Analysis document to assist missions and bureaus when planning and budgeting for participant expenses.

Opportunities for Additional Savings Through School Selection and Tuition Discounts

One of the most expensive areas of a participant's education is tuition and fees. As shown in the chart on page 9, tuition and fees at U.S. colleges and universities nationwide range from under \$2,000 to \$20,000 per academic year.¹ Consequently, the selection of the school to be attended should be a prime focus of cost-containment.

To determine whether USAID was sending participants to reasonably priced schools, we categorized all U.S. graduate and undergraduate schools into \$2,000 cost intervals.² We then determined the number of USAID-sponsored participants in FY 1992 and the number of undergraduate students nationwide who were attending these schools. The chart below summarizes this categorization for undergraduate students.

<u>SCHOOL COST</u> CATEGORY	<u>USAID</u> <u>SPONSORED</u> <u>UNDERGRADUATES</u>		<u>NATIONWIDE</u> <u>ALL</u> <u>UNDERGRADUATES</u>
	<u>NUMBER</u>	<u>PERCENT</u>	<u>PERCENT</u>
\$ 0-\$ 2,000	24	1	46
\$ 2,001-\$ 4,000	786	32	30
\$ 4,001-\$ 6,000	708	82% 29	85% 4
\$ 6,001-\$ 8,000	494	20	5
\$ 8,001-\$10,000	222	9	5
\$10,001-\$12,000	75	3	4
\$12,001-and above	<u>135</u>	<u>6</u>	<u>6</u>
Total	<u>2,444</u>	<u>100.0</u>	<u>100.0</u>

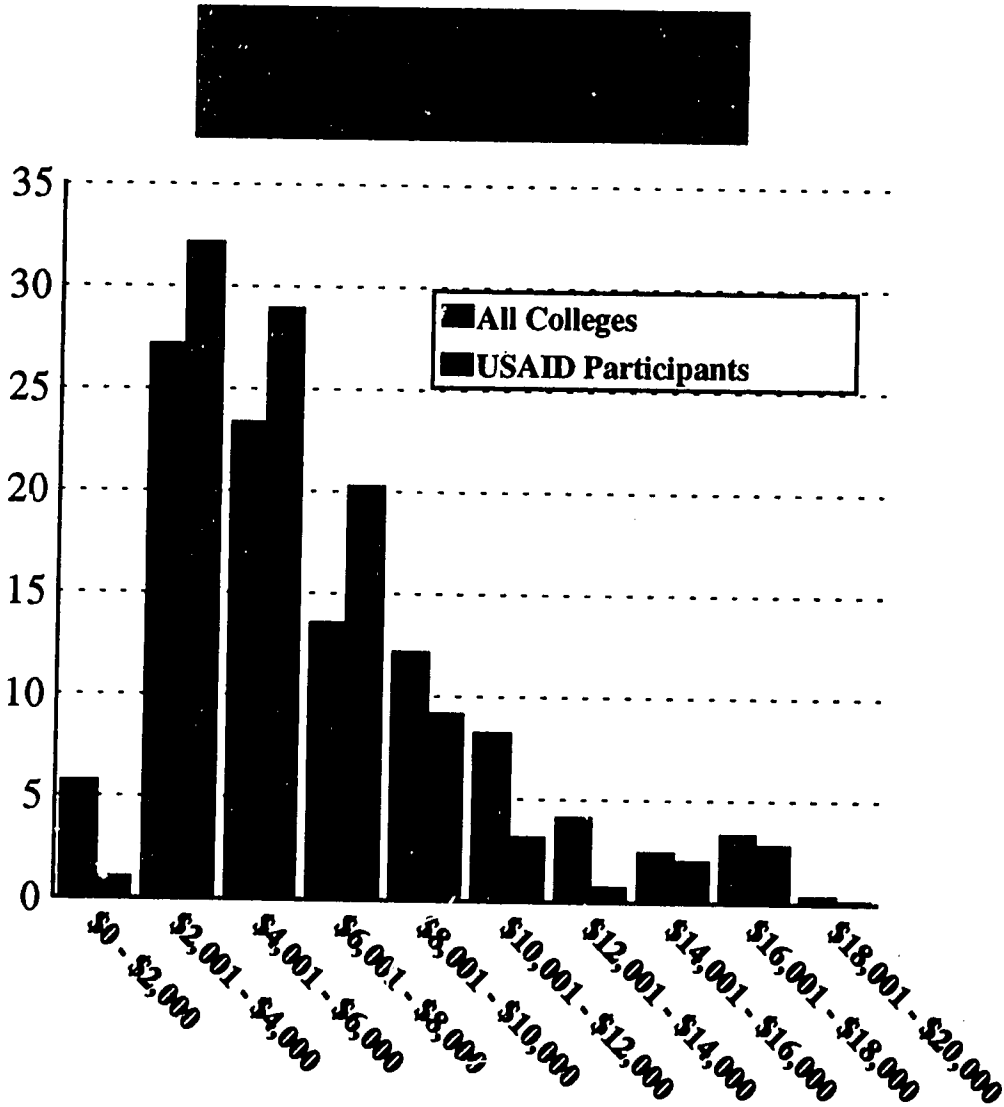
As demonstrated above, eighty-five percent of all undergraduate students nationwide attend schools with tuition and fees of less than \$8,000. Eighty-two percent of USAID sponsored undergraduates attend schools within these same

¹Academic year is a nine-month period.

²Based upon information on tuition and fees obtained from the College Handbook Student Supplement (1993 edition); Money Magazine 1992 College Guide; and telephone calls to schools.

cost intervals. The average cost of an undergraduate school nationwide is \$7,979.³

Another analysis we performed was to stratify the percentage of undergraduate colleges available by tuition levels and compare this to the percentage of USAID participants attending these schools. This comparison is presented in the following graphic.



Percentage distribution of tuition levels of all U.S. Colleges and Universities vs. Colleges and Universities attended by USAID participants.

³Calculated based on tuition and fees for a nine-month academic year shown in the College Handbook Foreign Student Supplement (1993 edition).

As the above graphic demonstrates, fifty percent of the undergraduate schools available nationwide fell in the \$2,001 to \$6,000 category. Sixty-one percent of USAID-sponsored undergraduate participants were attending these schools.

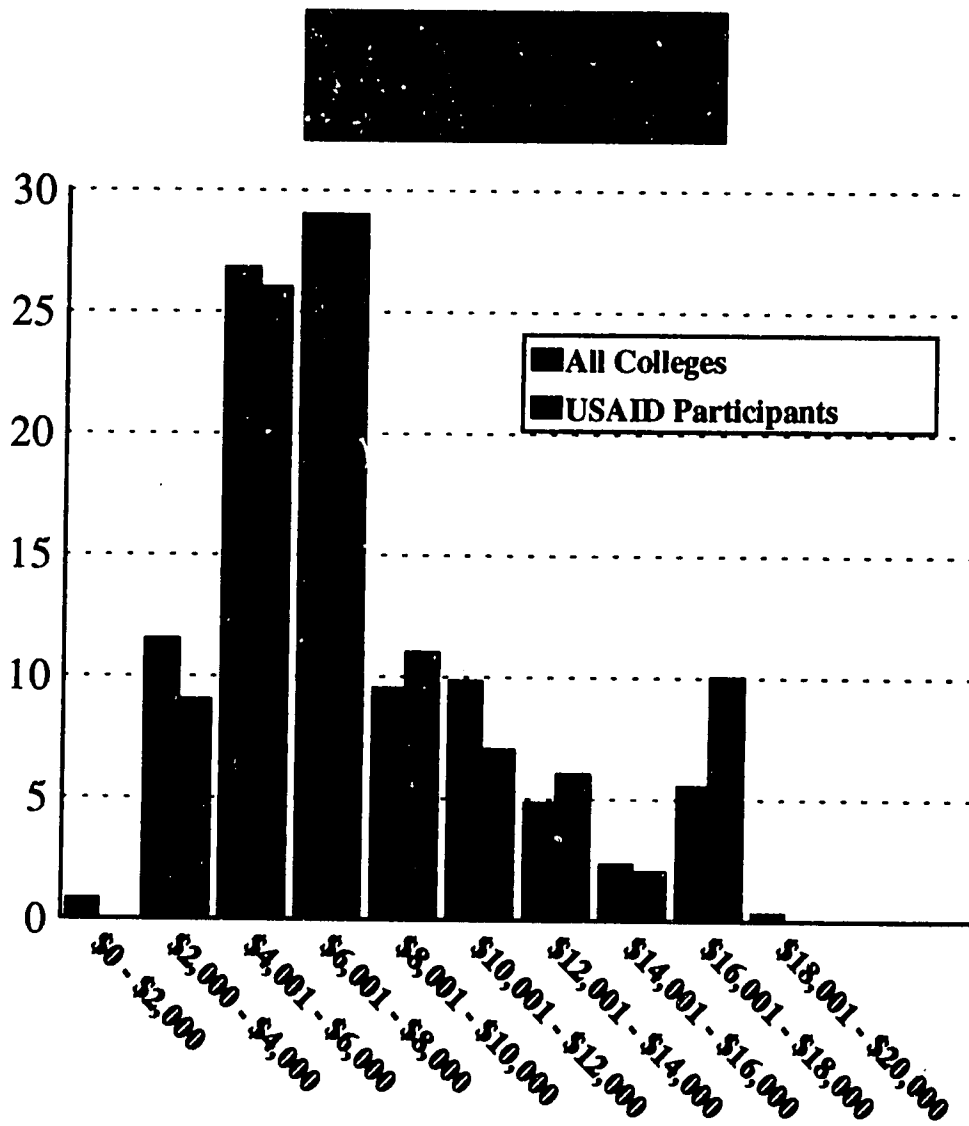
We also performed basically the same analyses as above for USAID-sponsored graduate students.⁴ This information is presented in the following chart:

<u>School Cost CATEGORY</u>	<u>USAID- SPONSORED GRADUATE STUDENTS</u>	
	<u>NUMBER</u>	<u>PERCENT</u>
\$ 0 - \$ 2,000	0	0
\$ 2,001 - \$ 4,000	356	{ 9
\$ 4,001 - \$ 6,000	1,007	64% {26
\$ 6,001 - \$ 8,000	1,093	{29
\$ 8,001 - \$10,000	410	11
\$10,001 - \$12,000	267	7
\$12,001 - \$14,000	223	6
\$14,001 - \$16,000	58	2
\$16,001 - \$18,000	394	10
\$18,001 - \$20,000	<u>3</u>	<u>-</u>
Total	<u>3,811</u>	<u>100</u>

Although we do not have statistics on the number of graduate students nationwide attending schools at stated cost categories, the chart above shows that 64 percent of USAID-sponsored graduate students are attending schools with tuition and fees of less than \$8,000. The average cost of all graduate schools nationwide is \$7,206.

A stratification of the percentage distribution of tuition levels for all U.S. graduate schools available compared to the graduate schools attended by USAID-sponsored graduate students is presented in the following graphic:

⁴Data was not available on the cost-interval of schools attended by all U.S. graduate students.



Percentage distribution of tuition levels of U.S. Colleges and Universities vs. Colleges and Universities attended by USAID participants.

As the above graphic demonstrates, fifty-six percent of the graduate schools available nationwide fell in the \$4,000 to \$8,000 category. Fifty-five percent of USAID graduate participants were attending these schools.

While from an overall standpoint participants generally attend schools in the average price range, there are extremes in both undergraduate and graduate student placement which could provide an opportunity for further cost-containment. To illustrate:

- About 432 (18 percent) of the undergraduate participants are attending schools with tuition ranging from \$8,001 to \$20,000. As discussed on page 23, about 70 percent of the undergraduate students nationwide are attending schools with tuition and fees of less than \$3,000 per year. More attention to cost-containment issues may shift participants in the higher price range to the price range of schools most participants attend.
- About 1,355 (36 percent) of graduate participants are attending schools with tuition ranging from \$8,001 to \$20,000. Ten percent are attending schools with tuition in the \$16,001 to \$20,000 range. A more conscious effort at containing costs may reduce the number of graduate participants attending the higher priced institutions.

We recognize that there could be programmatic reasons why many of the above participants were attending the more expensive schools. It was beyond the scope of our audit to visit the sponsoring mission to determine the reasons for selecting an expensive school. Nevertheless, we believe that improvements in planning, establishing contract requirements, using tuition limits more effectively and sharing cost information (discussed on pages 18, 20, 22 and 24 respectively) could reduce the number of participants attending costly schools.

Another area which could offer significant opportunities for lowering the cost of USAID's training program is negotiating tuition discounts or cost-sharing arrangements with colleges and universities. Section 601 B of the Foreign Assistance Act requires the Agency to encourage and facilitate the participation by private enterprise to the maximum extent possible in achieving any of the purposes of the Act. Since USAID sponsors such a large number of international participants each year--a diversification of students sought by many colleges--it could be in a strong position to negotiate cost-sharing arrangements. Both USAID and the institution can benefit in this process.

USAID does not collect cost data on participants and consequently does not know how many receive full or partial financial assistance; nor does USAID know the number of participants for whom it pays full expenses. USAID recently began to collect some cost data on the program through participant tax records but this data does not provide the information necessary for effective oversight. To determine whether USAID contractors who place participants for the Agency were obtaining discounts or cost-sharing arrangements, we visited four of the largest placement contractors. The results follow:

GRADUATE STUDENTS

- USAID/Pakistan awarded a \$106 million contract to the Academy for Educational Development (AED) to place and monitor 2,640 participants. AED officials told us they had no mandate to seek scholarships or discounts; consequently, they received relatively few discounts. Our review of actual tuition paid in one academic year indicated that USAID paid full tuition for 115 of 150 participants (77 percent).
- The Pragma Corporation was awarded a \$9.8 million contract by USAID/Kenya to place and monitor 84 long-term graduate students. Pragma officials told us they received relatively few discounts (mostly out-of-state tuition waivers), and USAID paid full expenses for most of the participants. Our tests of actual tuition paid for 44 participants showed that USAID paid full expenses for 25 of them (57 percent). Most of these participants attended very expensive schools.
- Aurora Associates assumed responsibility for placing and monitoring 54 participants under a \$8.9 million contract with USAID/Swaziland. Aurora officials told us they place approximately 12 students a year under this contract, and they receive a limited number of discounts. Our tests of actual tuition paid for 22 participants indicated that USAID paid full tuition for 11 of them (50 percent).

UNDERGRADUATE STUDENTS

- The Academy for Educational Development was awarded a \$20.9 million contract to place and monitor 431 participants for USAID/Botswana. AED officials told us that USAID paid full tuition for most of the participants. Our sample of 17 undergraduate participants in school in academic year 1992-93 indicated that for 14 participants (82 percent) USAID paid full tuition.
- The largest USAID participant training contractor, Partners for International Education and Training (PIET), manages approximately 1,000 participants in long-term academic training. PIET officials could not estimate the number of scholarships or discounts they obtained for participants. Our tests of actual tuition paid in academic year 1992-93 for 122 undergraduate participants indicated that USAID paid full tuition for 95 (78 percent) of them.

- AED was awarded a \$21 million contract to place and monitor approximately 400 participants for USAID/Honduras. AED officials told us that very few participants received a discount, with USAID paying full tuition for the majority of them. Our tests of actual tuition payments made during academic year 1992-93 indicated that of 63 undergraduate participants USAID paid full tuition for 46 (73 percent) of them.
- The Regional Development Office for the Caribbean (RDO/C) contract with AED provides an interesting comparison to the above examples. This contract was written with several cost-containment features. The contract was valued at \$11.4 million and was to train 218 long-term participants. An AED official told us that 118 of the participants (54 percent) received a tuition discount for more than one year of their education, and 72 participants (33 percent) received a discount for a single year of their training. Our tests of 22 of these participants in training during academic year 1992-93 indicated that USAID paid full tuition and fees for 11 (50 percent) of them.

As shown above, USAID generally pays full tuition and fees associated with a participant's education. We believe that USAID can do more to seek discounts for the students it sponsors -- especially since there is a Foreign Assistance Act (FAA) requirement to maximize the participation of the private sector in development assistance efforts. Seeking cost-sharing arrangements with institutions would help achieve this FAA objective.

Opportunities for Savings Through Reduced English Language Training in the United States

Very frequently a participant selected to attend college in the United States does not have the necessary English language skills to begin college-level work. Agency policy stipulates that when this is the case, missions are to arrange for English language training in the participant's home country to enable candidates to reach the required level of proficiency before beginning training in the United States. In certain instances, it may be necessary for some English language training in the United States, which is referred to as "topping off." This "topping off" is a supplement to and not a substitute for--intensive English language training in the host country.

Since prior audits found that extensive English language training was occurring in the United States, we reviewed this area to see if better planning or stricter administration of regulations could lead to greater cost-containment. The results of this work are summarized below:

- The American Language Institute of Georgetown University provided English training for 548 USAID-sponsored participants during the period October 1, 1986 to September 29, 1991. Of these participants 320 (58 percent) were in language training for more than three months and 61 (11 percent) were in training for more than nine months. Using an estimated cost of \$2,000 per month per participant, we calculated that the approximate cost to train these participants would have been \$4,396,000. If the training had been limited to three months, the cost would have been \$1,920,000 -or \$2,476,000 less.
- A contract for a training project in Latin America stated that "topping off" language training of up to three months would be provided in the United States. Of the 300 participants who received English language training in the United States under this project, 152 (50 percent) of them received training for more than three months and 76 (25 percent) received training in excess of six months. All these participants were paid a maintenance allowance of \$540 per month (which is less than normal levels), and the training fees averaged \$350 per month. Using these amounts, the total cost of English training in the United States for this project was \$1,244,000. An equal amount of training in the participant's home country⁵ would have cost approximately \$419,000 - or \$825,000 less.
- We requested placement contractors to provide us data on English training for participants they managed. Five contractors reported that 83 participants sponsored by five missions attended English training in the United States. The average time these participants spent in English training was 16 weeks, with an associated cost of \$659,020 (calculated using an average of \$2,000 per month per participant). If this training in the United States had been limited to 3 months the cost would have been \$498,000, a potential savings of \$161,020.
- A placement contractor told us that one mission sent 10 participants to the United States with very low Test of English as a Foreign Language (TOEFL) scores. These participants had to spend more than one year in English language training.
- Prior OIG audits also reported excessive English language training in the United States:

⁵For the other examples we could not determine the cost of English language training in the host country.

- Audit Report No. 5-497-93-03, dated November 24, 1992, noted that English language training in the United States lacked justification. The mission spent \$367,000 on English training in the United States and could save \$485,000 by scheduling future training in the home country.
- Audit Report No. 7-675-92-10, dated July 20, 1992, found that the mission needed to improve facilities for in-country English language training. Five participants received English language training in the United States at a cost of \$95,000.
- Audit Report No. 7-685-91-13, dated July 31, 1991, reported that English language proficiency was lacking, and 7 of 14 participants required lengthy English language training in the United States at a cost of \$92,245.

Based upon these examples, we believe that English language training being conducted in the United States is pervasive and very costly. The combined potential savings from the above examples is almost \$4 million. We attempted to determine the extent and related costs of English language training in the U.S. Agency-wide but were unable to do so because G/HCD was not monitoring this area and could not provide comprehensive information. Further, G/HCD's management controls to monitor English language training (missions are to submit an annual English Language Testing and Training Report to G/HCD) were not being followed, and they had limited authority to enforce adherence to language training policy.

Opportunities for Savings Through Increased Oversight of Conferences

Although USAID has developed many excellent policies and procedures to control various facets of participant training, there is no explicit policy or specific guidelines concerning the number of conferences permitted, their costs, or how they should relate to the participant's training program. Conferences are an addition to a participant's academic program and should contribute to the individual's professional and personal development. Conferences are also beneficial for participants when classes are not in session, such as during the Christmas or summer break.

We scrutinized conferences as an area for potential cost-containment because of the lack of guidelines and the large amount of funds expended each year. We found that there is no overall monitoring being performed over this facet of training, nor does data exist which shows the number of conferences participants

attend, the costs involved, or the types of conferences being attended. To overcome this lack of management information, we requested contractors to provide information on attendance at conferences for the participants they monitored. The information they provided follows:

- Five contractors reported that 742 participants attended 997 conferences at a total cost of \$905,998 or \$1,221 per participant. The participants attended between one to five separate conferences. An analysis of this data indicates that a number of participants exceeded the average conference expense by a significant amount. For example, 111 of the participants incurred expenses for conferences of \$293,460 or an average of \$2,644 per participant. Had conference expenses for these 111 participants been limited to the \$1,192 per participant average the savings would be \$161,148.
- A second example involves two training programs in Africa which sponsored 502 participants. During academic year 1993, 447 of these participants attended conferences at a cost of \$949,390 or an average of \$2,124. However, \$740,952 (78 percent) of these costs were incurred by 193 of the participants (43 percent) with an average cost of \$3,839. If the amount for conferences were limited to the average of \$2,124, the potential savings would be \$331,020.

We also evaluated 9 project papers and 11 contracts to determine whether project planners and implementors had evaluated the need for conferences in training projects. These documents generally contained limited or no guidance concerning the conferences or seminars participants could attend. One contract and one project paper contained adequate guidance.

Our work at contractor offices disclosed that if a participant wanted to attend a conference, an advisor at the school sent a letter to the contractor recommending the participant attend. The contractor would then decide whether to approve the conference. Funding available under the Project Implementation Order/Participants (PIO/P) would be one of the controlling factors for determining whether the training could be approved.

Our audit also found that, in the absence of any USAID guidance in Handbooks, Project Papers or Contracts, some contractors developed their own standards for approving attendance at conferences. We noted a situation in which one contractor's policy for approving conferences varied substantially from the policy of another contractor. The first contractor established a \$1,800 ceiling on conferences participants could attend each year. In contrast, a second contractor established a policy that no undergraduates could attend conferences and that graduate students could not exceed a \$300 limit.

In short, the existing environment does not provide adequate controls over an area of training which costs millions of dollars annually. Also, it can lead to inequities in participant attendance at conferences depending on the policies of individual contractors. A policy should be established that provides direction and guidance to contractors and that is taken into consideration in both planning and implementation documents.

Lack of Specific Cost-containment Guidance for Project Design, Contractor Work Statements and Utilizing Tuition Limits Effectively

As discussed earlier in this report, the Agency has adopted an overall policy of implementing foreign assistance programs in as cost-effective a manner as possible. While this overall goal has been extended to the participant training program, the Agency has not provided the detailed guidance necessary to fully implement this concept. Our audit found that the USAID could achieve greater cost-containment: (1) if greater emphasis were placed on cost-containment possibilities at the project design stage; (2) if scopes of work included cost-containment requirements and related performance measures; and (3) if tuition limits or targets were used more effectively.

1. Lack of Guidance for Planning Cost-containment Projects

One of the most opportune times to consider how training costs will be contained is at the initial planning stage of a project when the Project Identification Document (PID) or Project Paper (PP) are being prepared. At this stage, the framework can be laid out for components that can be costly:

- the location of English language training
- attendance at conferences
- schools (high priced, low priced, etc.) to be targeted
- group placement
- geographic locations and their feasibility
- the location where masters and doctoral theses should be written
- the extent of cost-sharing that would be desirable
- identification of schools which offer discounts for USAID students
- training requiring specialized institutions; etc.

As discussed on page 7, Agency guidelines highlight the importance of cost-containment and the need to focus on cost-effectiveness at the earliest possible stage. However, these guidelines do not provide any detailed direction for the planning and design of a cost-containment training project. As a result of this lack of emphasis and guidelines, our audit found that the planning behind

training projects could be substantially improved to help contain costs. To illustrate:

- The PID stage is the first opportunity for planners to begin focusing on cost-containment. To determine how well the Agency availed itself of this planning opportunity, we analyzed six PIDs for participant training projects. Five PIDs for projects with life of project funding of \$162 million contained no cost-containment guidance. One PID with funding of \$275 million discussed the topic only to a limited extent. For example, the PID for the Caribbean and Latin American Scholarship Program stated that missions had developed many innovative approaches to cost-containment and that various options would be explored during project design.
- Once the PID is approved, a project design team develops the more detailed project paper. To assess the adequacy of cost-containment planning at this stage, we reviewed nine project papers for training projects. This analysis revealed that one project paper for a \$110 million project included detailed cost-containment guidance; two project papers valued at \$99.5 million contained limited guidance; and six project papers with funding of \$346.8 million contained no guidance. For example, one project paper provided limited guidance, but it did mention cost-containment measures which some missions had instituted. Although cost-containment measures were identified, no targets or requirements were established.
- In five training projects with funding of \$43 million (which were being implemented under grant agreements), none contained cost-containment guidelines.

Our audit also noted some training projects which did a good job of planning for cost-containment. For example:

- A \$140 million project in the Africa Bureau required all schools receiving USAID-sponsored students to give full scholarships to graduate students and partial scholarships to undergraduate students.
- One of the Bureau for Latin America and the Caribbean Bureau CLASP projects we reviewed included several cost-containment features such as encouraging the mission to shift as much of the direct cost as possible to the participant, employer, or other non-USG sources. Host governments or other sources were responsible for international travel, continuation of participant salaries, family maintenance and related expenses.

- A training project in the Bureau for Europe and the New Independent States established a \$10,000 limit on USAID funding for each participant.
- The Bureau for Latin America and the Caribbean (LAC) is currently planning an interesting and innovative cost-containment project. The LAC Bureau plans to issue a request for proposal asking potential contractors to submit bids describing the cost-containment measures they will employ if they are awarded the contract.

Although there are excellent examples where the Agency has taken steps to contain training costs, we believe that further systematic and Agency-wide improvements can be made by expanding guidance to ensure that all avenues which could lead to cost-containment are explored. This can be accomplished by developing a cost-containment plan in project papers which discusses: acceptable tuition levels for the project; the degree of cost-sharing which should be attempted; whether group placement is desired; the extent of English language training which is permissible; guidance on conferences which can be attended; whether any training requires specialized schools; where time spent writing theses or dissertations should be spent.

2. Lack of Guidance for Including Cost-containment Requirements and Performance Measures in Contractor Work Statements

One of the controlling factors affecting the cost of training programs is the selection of the school to be attended. We found that provisions in contractor work statements to place participants cost-effectively could be substantially improved.

Participants are placed in schools under contracts awarded by the Center for Human Capacity Development, USAID/Washington bureaus and the overseas missions. Although the majority of participants are placed in schools by ten contractors, there are approximately 80 additional contractors who also place participants for USAID.

Since the cost of an education varies substantially from one institution to the next, it is very important that contractors be given strong direction on placement. Although Handbook 10 and the Project Implementation Order/Participants give some direction to contractors when placing students, we believe that the most effective way to contain costs is to write specific, measurable requirements into the contract's scope of work. These requirements will tell the contractor precisely what is expected in the area of cost-containment and will provide USAID with a legally enforceable remedy if a contract provision is not adhered to.

To determine the adequacy of direction USAID gives contractors for placing students, we reviewed six Project Implementation Orders/Technical Services (PIO/T) for participant training projects. We found that:

- Three PIO/Ts contained no cost-containment guidance.
- Three PIO/Ts contained limited cost-containment guidance.

Since the PIO/T becomes the foundation for the award of the final contract, it logically follows that if cost-containment provisions are absent or weak at this stage, they will probably be equally weak in the implementing contract, grant or cooperative agreement. Our review of implementing awards showed that:

- A sample of eleven contracts found that one contained limited cost-containment measures, eight contained none, and two contained adequate measures.
- Three grant agreements reviewed contained no cost-containment guidance.
- Two cooperative agreements contained no cost-containment guidance.

A detailed and specific scope of work is not only valuable for incorporating cost-containment measures into contracts but is essential to achieving performance-based contracting. The Office of Federal Procurement Policy Letter 91-2 (OFPPPL) dated April 9, 1991 emphasized the need to develop scopes of work with measurable performance standards and surveillance plans to facilitate the assessment of contractor performance.

Further reinforcing this approach is a recent major effort by the USAID Administrator toward improving the way the Agency does business, which specifically encourages the design of systems that emphasize performance-based contracting with identifiable and trackable performance criteria.

Although most of the PIO/Ts and contracts we reviewed were executed prior to the issuance of OFPPPL 91-2, the concept of performance based contracting has been around for a long time. The contracts in our sample described the process the contractor was to go through to place and monitor students. None of them contained good performance measures to judge the contractors progress in achieving cost-containment requirements.

We believe the nature of participant training lends itself well to performance-based measures. Measures could be incorporated in contracts, for example placing a specified percent of participants in schools with tuition between \$6,000

and \$8,000; obtaining a specified percentage of cost sharing from schools; obtaining group discounts for a stated number of participants; obtaining a specified amount of tuition waivers; monitoring student performance to ensure a specified percentage of completion or extensions required; etc. Reporting requirements could be established to have the contractors periodically report their progress against the established measures.

3. Lack of Guidance for Utilizing Tuition Limits Effectively

As discussed previously, tuition is one of the most costly elements of participant training. As a means to contain costs, the Agency established a \$10,000 annual cap on undergraduate tuition. However, our audit identified three ways that the use of caps or targets can be improved.

First, the \$10,000 cap encompasses only tuition and therefore not fees charged by institutions. Fees can be significant; for example, fees at the University of Massachusetts for one semester were almost \$2,000.00. Since fees represent a substantial portion of the cost to attend a school, including them in the cap would provide a better basis on which to judge the cost-effectiveness of a particular institution.

Second, a cap set at \$10,000 appears to be so high that it provides limited benefits as a cost-containment measure. The American Council on Education reported the following statistics on the distribution of full-time undergraduate students for academic years 1989-90 thru 1991-92.

**Distribution of Students Enrolled as
Full-Time Undergraduates
By Level of Tuition and Fees Charged,
1989-90 through 1991-92
(In Percentages)**

Tuition and Fees	1989-90	1990-91	1991-92
\$1,000 or less	21.1	18.4	16.4
\$1,001-\$2,000	35.0	35.4	29.4
\$2,001-\$3,000	17.3	19.0	23.8
\$3,001-\$4,000	4.1	4.0	6.4
\$4,001-\$5,000	2.2	3.0	3.4
\$5,001-\$6,000	2.6	1.9	1.6
\$6,001-\$7,000	2.7	2.6	2.4
\$7,001-\$8,000	3.3	2.2	2.2
\$8,001-\$9,000	3.0	2.8	2.2
\$9,001-\$10,000	2.2	2.7	2.6
\$10,001-\$11,000	1.2	1.9	2.2
\$11,001-\$12,000	1.2	1.1	1.6
\$12,001 and above	4.1	5.0	5.8
Total	100.0	100.0	100.0

Sources: American Council on Education, Division of Governmental Relations, based on data from the National Center for Education Statistics, 1993.

As the chart demonstrates, about seven in ten full-time undergraduates were charged tuition and fees of less than \$3,001 per year. Furthermore, only one in ten students paid tuition and fees in excess of \$10,000. Accordingly, a cap set at a level more representative of tuition costs paid by the majority of undergraduates would be more effective. It would also be a more accurate benchmark for missions and the bureaus when preparing the budgets for future training projects.

Finally, we believe a cap should be established for graduate students. Since this is the largest group and includes the largest number of students at higher priced institutions, it should be a focal point for cost-containment.

The chart and graphic on pages 10 and 11 summarize the tuition and fees at institutions attended by USAID graduate participants. As shown in these exhibits, about 36 percent (1,355) of graduate participants are attending schools with tuition ranging from \$8,001 to \$20,000. Ten percent are attending schools with tuition in the \$16,001 to \$20,000 range. The average academic year tuition and fees for a graduate school in the United States is approximately \$7,206.00.

We understand that many students attend expensive schools for programmatic reasons. It would have been beyond the scope of our audit to visit the sponsoring missions to determine the rationale for selecting such schools. Nevertheless, we believe that establishing a graduate student tuition limit or target in concert with improved planning and contracting can reduce the number of participants attending these more expensive schools.

We realize that there are special situations (e.g., a more expensive school is the only institution offering medical training) which warrant an expensive school. Nevertheless, a tuition limit should not pose a major problem for the majority of graduate participant placements. If special situations are extensive, the Agency could consider developing targets by degree type; for example, \$8,000 for Masters of Business Administration, Agriculture or Health.

Lack of Financial Data and Diffused Organizational Structure Limit Oversight for Achieving Cost-containment

The Agency's ability to effectively manage the participant training program is hampered by the lack of a management information system providing comprehensive cost data on the program. This shortage of data is compounded by a widely diffused organizational structure for implementing training programs. Further, without a good management information system, the Agency has no systematic method for collecting and sharing information on colleges that offer discounts or that will engage in cost-sharing.

As a part of our audit, we attempted to obtain cost information on some very fundamental aspects of the program, such as the number and costs associated with participants who do not complete their training on time; the number and funds expended on participants who did not successfully complete training; the frequency and cost of English language training; the number and costs of conferences participants attend; and the number of discounts USAID students receive. We could not obtain this information because the Agency does not have

a good financial management information system that provides managers with the cost information necessary to effectively manage the program.

The Agency established a management information system called the Participant Training Information System. This system captures an abundance of information on the program, such as names of participants, schools attended, home country, field of study, and the beginning and ending dates of training. There is also a master disbursing account which can produce cost information for the participants placed and monitored by G\HCD's contractor (encompasses about one-third of Agency participants). However, there is no system which captures information on the overall cost of the program or the cost of various components of training.

Prior GAO and OIG audits of participant training identified the lack of financial data as a serious weakness affecting the Agency's capability to manage this large program. A 1980 OIG audit highlighted this lack of data and concluded that USAID's financial management information system does not provide adequate data to determine the total number of participants in the U.S. and in third countries and that USAID does not know how much money it spends on participant training. Another audit performed in 1984 by OIG reached the same conclusion regarding the lack of information to manage the program.

Like most USAID activities, the participant training program is highly decentralized. USAID supports such an organizational structure because of the belief that programs are more likely to be successful when managed at the field level and tailored to individual countries. We do not question this concept; however, a prerequisite to decentralization is a good management information system which allows managers to maintain effective oversight and control of the program.

Collecting management information in a decentralized program can be a difficult process. As discussed earlier, individual bureaus and missions around the world design and implement their own training projects and engage approximately 90 independent contractors to provide placement and monitoring services. This structure makes it extraordinarily difficult to collect information on the cost of training. Further difficulties lie in providing oversight to ensure that these contractors are following USAID guidance and are implementing the program cost-effectively.

It was beyond the scope of this audit to evaluate the negative consequences of such a decentralization operation. However, in addition to complicating the collection of information, it undoubtedly hinders oversight and adds to the cost of the program. As examples:

- Page 17 of this report discusses the different policies and cost ceilings used by two contractors for approving attendance at conferences. There is no information available on what conferences the participants managed by the approximately 88 other contractors are attending but they could have varying and more costly policies for this aspect of training.
- The Agency has developed an extensive handbook of policies and procedures for participant training as well as numerous standardized allowances for costs such as maintenance, typing and book allowances, etc. Such a large number of contractors makes it extremely difficult to monitor whether all these policies are adhered to and that contractors are paying support costs in accordance with established allowances.
- The Agency commissioned a participant training contractor cost study in 1986 to analyze training costs. This study found that there was a great variation in training costs between contractors. For instances, program costs for academic training ranged from \$394 to \$2,880 per participant month. Administrative costs ranged from \$36 per participant month to \$6,739. The average administrative cost was \$669 per participant month. Overhead ranged from 9 percent to 160 percent of direct labor costs. The average overhead was 55 percent of direct labor costs. Also, the Bureau for Europe did an analysis of its three training programs in October 1993 and found a wide variation in costs between the programs.
- As discussed on page 18 there could be cost-savings in the program through actions such as group or geographic placements or some other method of negotiated discounts. Having fewer contractors would increase the number of participants each handles and this could enhance their bargaining position when seeking discounts or cost-sharing. Also, fewer contractors would reduce the number of procurement actions which is desirable at a time when the Agency is trying to streamline the procurement process.

The collection of data as well as oversight in general could be substantially improved if the number of contractors were sharply reduced. This action also has potential for cost-savings.

The Agency can still retain a decentralized operation if it operated with a limited number of contractors (which bureaus and missions would be required to use).

Another issue closely related to the lack of a financial management system is that the Agency does not have any systematic method of collecting and disseminating information on schools which offer discounts or engage in cost-sharing. Our audit found that placement contractors were obtaining some excellent cost

reductions from schools in areas such as tuition discounts, out-of-state tuition waivers or special discounts for USAID students. For example:

- The USAID Representative to Mexico, through its contractor (Development Associates), arranged special tuition rates with the University of Texas at El Paso (UTEP). In academic year 1992-93 UTEP enrolled 14 participants sponsored by USAID/Mexico to pursue masters degree programs. The tuition and fees for one academic year for these participants averaged \$1,346. The catalogue price for UTEP was \$4,386. Our review of printouts of USAID participants revealed that no other contractors were sending graduate students to UTEP.
- AED, when implementing the RDO/C (Barbados) training project, sent three participants to Lewis and Clark College. Normal tuition at this college is \$11,520; however, AED negotiated a discounted price of \$5,000 -- a 57 percent reduction. Under this same project, AED sent two participants to Linfield College (normal undergraduate tuition of \$12,564) for \$5,277-- a discount of 58 percent. Information on these discounts was not passed to other contractors placing participants for the Agency.

If information on potential cost reductions were shared with the approximately 90 contractors who place participants for the Agency, it could lead to considerable cost-containment. A contractor specializing in participant training told us there were numerous discount opportunities available from schools across the United States. However, USAID lacks the management information system to collect this type of information.

We believe that the Agency should establish a clearing house to collect and disseminate information on cost-reduction opportunities. This will provide G/HCD an excellent opportunity to provide a needed service to placement contractors and missions and will result in cost-savings.

MANAGEMENT COMMENTS AND OUR EVALUATION

Management stated they concurred with all recommendations, except for Recommendations number 3 and 5, and will act to implement them. Based on management's comments, we consider Recommendations number 1, 4, 6, 7, and 8 to be resolved as discussed below. Appendix II contains management's complete comments.

Recommendation No. 1 is resolved. Management agreed with this recommendation and informed us that their proposed Policy Number 7: "Cost Considerations" states that once decisions on training content and location are made, missions are to implement effective cost-containment strategies. They plan to provide guidance to the field on cost-containment through: (a) changing Agency handbooks and training courses; (b) increasing emphasis on cost-containment in the design of Human Resources Development Assistance II; and (c) including additional cost-containment guidance among the field support services provided to missions. This planned action is sufficient to resolve Recommendation No. 1. It can be closed when management provides us copies of documents implementing the proposed guidance.

Recommendation No. 2 is unresolved. While management agreed with this recommendation they referred to proposed action in response to Recommendation No. 1 for how they will implement Recommendation No. 2. However, this proposed action does not discuss specific measures to be taken to improve guidance for preparers of project implementation orders/technical services and contracts in the area of cost-containment and performance-based measures. This recommendation can be resolved after we receive more specific information on how these measures will be implemented.

Recommendation No. 3 is unresolved. (Recommendation No. 3 was Recommendation No. 3, part (a) in the draft report). Management did not believe that English language training was amenable to an across-the-board time limit. Their principal reason to support this position was complications which would arise in countries with little or no English language training capacity. Also, there would always be a small number of participants, whose training is vital to the success of the project, who are qualified in all aspects except for English. They

stated that USAID projects could suffer if training could not be accomplished in English.

Management did state that they consider the location of English language training to be one of the more important training management problems in missions. They further told us they were discussing several alternatives which could reduce the cost of English language training in the United States. Specifically mentioned were changing the policy to permit certain participants entering training in the U.S. from countries with little or no training capacity to be identified as "English language trainees" until their English was adequate for academic work. Another alternative was for missions to develop in-country English training capability. A final possibility discussed by management was requesting institutions to design "accelerated" programs aimed at reducing the length and cost of English training.

We agree with management that a fixed time limit on English language training could affect the selection of candidates in certain instances. However, because our audit identified many instances where lengthy and costly training was conducted in the U.S. we believe some action is necessary to tighten controls in this area. If a fixed time limit is deemed impractical then perhaps one or all of the alternatives being considered by management could achieve this end. Establishing a fixed time limit with a waiver to accommodate the situations where lengthy training is necessary could be a possibility. The management information system being developed in response to Recommendation No. 4 could have potential for gaining tighter control over English language training. We have revised this part of the recommendation to call for strengthening management controls to reduce the amount of English language training occurring in the United States. This part of the recommendation remains unresolved until we receive further information concerning how management plans to strengthen controls in this area.

Management did not agree with part (b) of Recommendation No. 3 which appeared in the draft report and stated they do not have the authority to obtain English Language Training and Testing Reports from missions. They also told us they are not sufficiently staffed to provide regular oversight. We believe the annual English Language Testing and Training Report could be a management control to improve monitoring of English training. As such, it could be one of the control features instituted in response to the revised Recommendation No. 3. We have deleted part (b) of the recommendation because it is no longer necessary since the revised recommendation now calls for strengthening internal controls over this area.

Recommendation No. 4 is resolved. (Recommendation No. 4 was Recommendation No. 3, part (c) in the draft report). Management agreed with the need to better control conferences and seminars. They told us this would be achieved as part of the general tightening up of training program design by

requiring that all components of the programs relate to specific mission strategic objectives and indicators. This would enable monitoring contractors to determine the relevance and appropriateness of additional programmatic activities. This recommendation can be closed after we receive and review the adequacy of guidance issued to attain better controls over conferences.

Recommendation No. 5 is unresolved. (Recommendation No. 5 was Recommendation No. 3, parts (d) and (e) in the draft report.) Management stated they did not believe that a rigid cost limit, of either tuition or tuition-plus-fees, is feasible or desirable. This position is based on the premise that there may be programmatic reasons for placement in institutions costing more than the average of all U.S. institutions. They also stated that some of the cost-containment measures they were adopting in response to other recommendations may identify lower-priced institutions for some of the most expensive programs.

We are not recommending that a rigid cost limit be established. We believe a target should be set for both undergraduate and graduate placement which would provide a realistic guide that could be met in the majority of cases as a means to contain costs. If programmatic needs indicated that a school with tuition above this target was required a waiver could be obtained. It is possible that the cost-containment measures to be adopted by HCD could be sufficient in themselves to obviate the need for these targets. However, we have not had the opportunity to review these proposed measures.

Recommendation No. 6 is resolved. (Recommendation No. 6 was Recommendation No. 4 in the draft report). Management said that as a result of a meeting with M/IRM, they decided to explore the possibility of USAID/Cairo conducting a Business Area Analysis (BAA) in the training area. When the BAA is completed, HCD, in conjunction with M/IRM will be able to develop an agency-wide information system. We agree with this approach. The recommendation can be closed when we receive information that the planned system has been completed or it appears that planned actions are concrete and it will only be a matter of time before the information system is in place.

Recommendation No. 7 is resolved. (Recommendation No. 7 was Recommendation No. 5 in the draft report). Management told us they will periodically canvas missions and contractors for information on cost discounts or other cost-saving measures and share it with pertinent parties. They will also explore the possibility of collecting this information in the Participant Training Information System. This recommendation can be closed when we receive evidence that the information gathering and dissemination procedures have been implemented.

Recommendation No. 8 is resolved. (Recommendation No. 8 was Recommendation No. 6 in the draft report). Management reported that they have already determined that they need to dramatically lower the number of contractors. They plan to attain this reduction through policy changes to Handbook 10. Further, their recompetition of HCD's placement and monitoring contract will also reduce the number of contractors. This recommendation can be closed after we review the proposed policy changes to Handbook 10.

SCOPE AND METHODOLOGY

Scope

We audited USAID's participant training program in accordance with generally accepted government auditing standards. The audit field work was performed at USAID/Washington bureaus and participant training contractor offices located in Washington, D.C. and New York City. Audit work was conducted from October 1993 through August 1994.

We used information contained in the Agency's Participant Training Information System to identify the universe of participants, the schools they attended, and the cognizant placement contractor. Because the preciseness of the information in the system was not pertinent to answering our audit objective, we did not assess the reliability of this data.

We obtained participant training planning and implementation documents from the Agency's Development Information Systems data base and from the cognizant bureaus. We also obtained and used information from several prior audits performed by the OIG and the General Accounting Office during the period 1980 to 1993. Our examination of internal controls was limited to those procedures employed by the Agency to manage English language training and participant attendance at conferences. We also reviewed Agency procedures for project design.

Methodology

Our audit objective was to determine whether there were opportunities for cost-containment in USAID's participant training program. To answer this objective, we analyzed USAID's procedures for planning and contracting for participant training projects. We analyzed planning and implementation documents for

training projects judgmentally selected from bureaus sponsoring training projects. This consisted of six Project Identification Documents, nine Project Papers, six Project Implementation Orders/Technical Services and eleven contracts. We conducted discussions with numerous officials from USAID bureaus and training contractors to determine their views on how project planning and contracting could be improved to further cost-containment.

We sent a questionnaire to eight of the largest contractors involved in placing and managing participant trainees to determine: tuition costs; English language training occurring in the United States; and conferences attended by participants. We verified information on tuition and fees received from these contractors through site visits to their respective offices.



MAR 28 1995

U.S. AGENCY FOR
INTERNATIONAL
DEVELOPMENT

MEMORANDUM

TO: IG/A/PSA, Toby Jarman
FROM: SDAA/G, Ann Van Dusen *Ann Van Dusen*
SUBJECT: IG Audit of Participant Training Cost

We welcome the opportunity to comment on your draft audit report concerning cost containment in USAID's participant training program. We have received comments from regional bureaus and have incorporated their comments.

We agree with your conclusion that USAID has taken many steps to contain costs in this large and expensive program, and that additional actions can be taken. However, we firmly believe that USAID's programmatic training needs, including quality of training, must remain a salient factor in decision making. We believe that there are ways to contain costs without sacrificing quality.

It should be noted that many of our comments and proposed solutions already have been set forth in our proposed policy revisions to HB 10. We are in the process of evaluating the field input regarding these proposed changes and developing a strategy for implementing them. Additionally, HCD is developing a Scope of Work for the recompetition of our central training contract currently with PIET. The design of this new mechanism will help to contain training costs in several ways. Among other things, the RFP, which will result in a limited number of performance based contracts, will require each bidder to set forth its plan for containing costs, and will also establish a second competition among the winning bidders which should also serve to reduce costs further.

We have several comments regarding the methodology used in the audit to determine appropriate tuition levels. It did not take into account the special needs of USAID training. For example, a comparison between the national average tuition costs and USAID sponsored participants' costs presumes that all schools can meet the needs of USAID's participants. Many schools lack the appropriate curriculum, faculty, administrative support, facilities, academic standing, location, and other resources which will enable participants to achieve desired outcomes.

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In addition, the report does not indicate whether tuition and costs are for a nine or twelve month school year. Most USAID participants are enrolled in school for the entire year while most other students are not.

Recommendation No. 1: We recommend that the Bureau for Global Programs, Field Support and Research, in conjunction with the Bureau for Policy and Program Coordination, modify appropriate handbooks to provide guidance to project planners which require a cost-containment plan in each participant training project or other project with significant participant training components.

We agree with this recommendation. Our Proposed Policy Number 7: "Cost Considerations" states that once decisions on training content and location (in-country, third country, U.S.) are made, missions are to implement effective cost containment strategies. HCD will provide guidance to the field on cost containment to assist missions in developing their strategies by, among other things:

- a) proposing changes in other agency handbooks and recommending additional guidance in the participant training sections of Project Design and Project Implementation courses;
- b) increasing emphasis on cost-containment in the design of Human Resources Development Assistance (HRDA II), to be written by HCD/FSTA in 1995. The new organization of the Global Bureau should enable HCD to have a greater input in the design of training projects and training components in the other Centers;
- c) including additional cost-containment guidance among the field support services provided to missions by Field Training Advisors (FTAs), by African Training for Leadership and Advanced Skills (ATLAS), and Human Resources Development Assistance (HRDA) project staff, and through our Human and Educational Resources Network Support (HERNS) field support mechanism. We will target cost-containment and performance based measures as important elements in Mission Training Plans.

Recommendation No. 2: We recommend that the Bureau for Global Programs, Field Support and Research, in conjunction with the Bureau for Program Policy and Coordination and Management, modify guidance used by the preparers of project implementation orders/technical services and contracts for obtaining participant placement services concerning the need to develop and incorporate cost-containment requirements and related performance-based measures into participant training contracts.

See response to Recommendation No. 1

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Recommendation No. 3: We recommend that the Director, Center for Human Capacity Development, modify Handbook 10 to: (a) establish a time limit for English language training which can be conducted in the United States; (b) reemphasize the requirement to submit the annual English Language Testing and Training Report and HCD's responsibility and authority to enforce these requirements; (c) establish an explicit policy and operational guidelines for conferences and seminars to be attended by participants and develop internal controls to monitor compliance with this policy; (d) revise the tuition limit for undergraduate students to one that is more representative of tuition costs and that includes school fees; and (e) establish a target tuition limit for graduate students.

(a) HCD does not agree with the recommendation to establish a time limit for English language training which can be conducted in the United States. Note: If a time limit were established, it would be no less than one year.

English language training (ELT) is one of the major issues in program design and is not amenable to an across-the-board time limit. Research has demonstrated that fluency in English and good writing skills are prerequisites to successful study in U.S. universities. We do consider this to be one of the more important training management problems in the missions, but one that cannot be met by imposing a rigid limit.

There will always be a small number of participants whose training is vital for the success of their projects, who are highly qualified in every way except in the English language, and whose rate of language improvement dictates that they will need more time to become adequately proficient. English language programs should be designed around individual students, and cannot always be generic programs for general use. Given the three-month period of U.S. based ELT the audit report uses for comparison purposes, missions will be forced to select participants on the basis of their English language capabilities. Selection based on English language proficiency has proven highly problematic in the past. In addition, time limits for ELT might impair programming from individual Missions with small or non-existent pools of English speakers. USAID projects could suffer if training cannot be accomplished in English, and where third-country or in-country ELT is not possible.

The chief problem occurs in countries with little or no ELT capacity and therefore virtually no ability to bring candidates up to the call-forward score. Their candidates often need ELT, not just "topping-off" in the United States before commencing full-time academic study. HCD/FSTA is discussing whether to change policy to permit certain participants entering training in the United States from such countries to be identified as

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"English language trainees" until their English is adequate for academic work. This office has assisted missions to examine other long-term solutions, such as establishing ELT centers in cooperation with USIS, British Council, and other users, to meet the needs of a larger community demanding ELT services. We believe that missions need to develop ELT capabilities in-country and more fully utilize third-country facilities. We recognize, however, that the development of in-country ELT capability requires a large investment of funds and staff in many nations.

Requesting institutions to design "accelerated" programs might also be another way to reduce the length and cost of existing programs. The idea of institutions competing against each other to gain groups of USAID participants might be more than just a way to insure cost containment. Requiring English language programs to be accelerated, and at the same institution as the actual academic program, may provide added incentives for institutions to re-design their English programs, to be competitive in the training market. In addition, USAID could require that all intensive English language programs provide some academic-based programs directly related to the participants' programs. We are aware that some intensive language programs do provide some course-related work. By requiring all intensive programs to provide course-related work, all participants would benefit.

The American Language Institute, under contract with HCD, is in the final stages of preparing a study on how to select a good English language program. In addition, ALI/GU already has guidance available for establishing in-country English programs. The same guidance would also be effective for establishing regional English programs.

(b) Currently, HCD advises the field annually of the requirement to submit the yearly "English Language Testing and Training Report." However, as the participant training program is decentralized, HCD does not have any authority to obtain the English Language Testing and Training Report. As possible, HCD reviews these reports to determine whether missions are giving approved tests (e.g., ALI/GU or TOFEL) and tracking costs; however, HCD is not staffed to provide regular oversight.

(c) We agree that participants' attendance at conferences and seminars must be better controlled. We do not believe, however, that a strict limit should be placed on the number of conferences and seminars since programs are tailored to the individual participant. Instead, we are approaching this problem as part of the general tightening up of training program design by requiring that all components of the programs relate to specific mission strategic objectives and indicators. This will enable contractors more readily to determine the relevance and appropriateness of additional programmatic activities.

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(d) As stated above, we will include additional cost-containment guidelines in HB10, but we do not believe that a rigid cost limit, of either tuition or tuition-plus-fees, is feasible or advisable.

We base this position on the fact that is stated repeatedly throughout the audit, namely that there may be programmatic reasons for placement in institutions costing more than the average of all U.S. institutions. Training of USAID participants, at both the undergraduate and graduate levels, requires specialized programs and institutional capacities not found in the typical institutions that dominate the statistical nationwide average. Average costs are skewed by the prevalence of inexpensive community colleges. We believe that community colleges should be utilized where USAID's programmatic needs can be met. The percentage of USAID undergraduates in universities costing more than \$8,000 is only slightly higher than the national average - 18% vs. 15%; p. 11.

However, we realize that the audit's attention is focused on the small number of participants in the very highest cost institutions, and we share the audit's view that with the cost-containment measures we are adopting we may be able to assist programmers to identify lower-priced institutions for some of the most expensive programs.

Finally, we utilize the private sector in a growing number of our programs. However, we fail to see the connection between the FAA mandate to encourage the participation of the private sector in our training programs and the cost structure of universities. If the connection is competition for students, we agree that we need to continue to seek ways of leveraging our numbers to cut tuition. However, there is an underlying conflict between doing this and claiming large economic benefits to local universities from our participants.

Recommendation No. 4: We recommend that Bureau for Global Programs, Field Support and Research in conjunction with the Bureau for Management's Information Systems Plan, develop a management information system which provides centralized cost data necessary for management oversight of the participant training program.

HCD agrees with this recommendation. Developing an MIS to centralize all training data, including cost, has been a strongly perceived need of HCD, and earlier, of OIT, for a long time. It has been hampered by the need for more thoroughgoing changes in the training management processes, by the need to drastically reduce the number of training contractors, and by the high cost of designing such a system. A start was made about three years ago; however, there were insufficient funds to complete the systems study which would serve as the starting point. As a

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result of a recent meeting with M/IRM, we decided to explore the possibility of USAID/Cairo conducting a Business Area Analysis (BAA) in the training area as a model. Initial reaction to this proposal has been positive and HCD is moving to firm it up. Once a BAA has been completed, HCD, in conjunction with M/IRM, will be able to develop an agency-wide information system which will be better able to collect cost data.

Recommendation No. 5: We recommend that the Director, Center for Human Capacity Development, develop procedures to accumulate and disseminate to all contractors and missions involved in placing participants information on institutions which will engage in cost-sharing arrangements such as tuition waivers, discounts, group placements, out-of state waivers, or other cost-saving measures:

We agree and will periodically canvas missions and contractors for such information and share it with all missions and placement contractors. We are exploring the possibility of collecting that information in the Participant Training Information System (PTIS).

Recommendation No. 6: We recommend that the Bureau for Global Programs, Field Support and Research: (a) assess the Agency's organizational structure for implementing the participant training program with a view toward determining whether the number of contractors involved should be reduced; and (b) take the necessary action to reduce the number of contractors based upon the results of this assessment.

We have already determined that the number of contractors needs to be lowered dramatically. Policy changes to attain this result have been proposed in the revised HB10. Additionally, a major goal of the recompetition of HCD's placement and monitoring contract is to reduce the number of contractors. This will be accomplished by providing a flexible mechanism which will be able to meet mission needs across the full range of training activities.

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