



Auditor General

EFFECTIVENESS OF OPPORTUNITIES
INDUSTRIALIZATION CENTERS INTERNATIONAL
IN ESTABLISHING VOCATIONAL TRAINING
IN DEVELOPING COUNTRIES

(Grant No. AID/pha-G-1125)

Opportunities Industrialization Centers International, a private non-profit organization, has established functioning vocational training centers in six African countries. However, the number of students trained and progress made toward self-sufficiency are below the levels planned. Also, improved progress reporting is needed to provide management with accurate information.

Audit Report Number 81-27

Issue Date December 29, 1980

Area Auditor General, Washington
Agency for International Development
Washington, DC. 20523

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OPPORTUNITIES INDUSTRIALIZATION CENTERS, INTERNATIONAL

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Executive Summary

Purpose of Review

Opportunities Industrialization Centers International (OICI) is a private, nonprofit organization which establishes and provides technical assistance to vocational training centers in developing countries. Since 1970 when OICI was created, AID has funded about 98% of its costs or approximately \$14.5 million.

The current AID grant (pha-G-1125) has provided approximately \$8.3 million to support the Central Office and set up agricultural training in Togo and The Gambia, in addition to urban centers in Ghana, Lesotho, Liberia, Sierra Leone and Zambia. During the period of the audit, the AID Bureau for Private and Development Cooperation funded and monitored the grant. However, the responsibility is being transferred to the Bureau for Africa.

The purposes of our review were to: (1) compare project achievements with goals, (2) determine effectiveness of both AID and OICI management, and (3) determine if funds were spent in accordance with terms of the grant.

OICI's Performance has not Reached Projected Levels

The training centers have been established and are providing training and job placement services to local populations. OICI has recruited local staffs and boards of directors, acquired training facilities and continues to provide technical guidance. However, on the two areas of performance which reflect progress toward the final outcome - training and financial self-sufficiency - most of the centers fell short of their goals. For example:

- OICI's records at the close of the audit showed that only one center had raised local funds at the level planned, two had collected less than planned, and three had not collected any. In their response to the draft audit, OICI stated sizable contributions were pledged or made in three countries after the audit cut-off date. (Pages 6-8)
- The project papers projected 1,669 students would complete training by September 30, 1979, but there were only 773 reported. (Page 10)
- After 2½ years of operation, OIC/Togo had expended 80% of its funds for 5 years, but had not accomplished its mid-project objectives. Also, OIC/Togo does not have reliable cost records to determine if the production farm is generating revenue for the training center.

In our opinion, the AID Project Officer should have taken action to modify or discontinue country programs that were not achieving their stated targets but AID did not require that OICI's performance reports compare performance to output targets. (Pages 20 and 22)

OICI's Reporting is Inadequate and Needs Improving

Because of inadequate reporting, OICI and AID management lacked timely and accurate information on which to make decisions. For example:

- In reports to AID, fewer than half of the topics required by the grant were discussed. (Pages 12 and 13)
- Out of 274 performance reports from the field required by the Central Office, only 127 were received. (Page 13)
- At the two training centers where the auditors examined training records, inaccuracies were discovered in numbers of trainees placed in jobs even though such placements are a major indicator of performance. (Pages 14-16)
- Reports contained conflicting information on numbers of students at various stages of training. (Page 16)
- At OIC/Accra which placed 79% of all OIC trainees in jobs, there was no accurate way to measure the length of time trainees retained their jobs. (Page 17)
- Data on whether OIC training successfully reached the target group of beneficiaries was incomplete. (Pages 17 and 18)
- No system was in place to collect data comparing the cost of OIC training with other institutions. (Page 18)

Conclusions and Recommendations

With \$8.3 million of AID grant funds, Opportunities Industrialization Centers International has established functioning vocational training centers in six African nations. However, we believe its performance has not reached projected levels. Furthermore, performance reports from the field need to be improved so OICI management has complete, accurate and timely information.

Accordingly, we are recommending that:

- AID re-evaluate what can be realistically accomplished and at what cost. (Page 11)
- Grant be amended to comply with the OMB regulation requiring that performance reports compare actual accomplishments with established goals. (Page 18)

Other matters relating to accounting and financial aspects have been included in the report.

SECTION I

INTRODUCTION AND SCOPE

A. Introduction

Opportunities Industrialization Centers International (OICI) is a private, non-profit organization headquartered in Philadelphia, Pennsylvania, which establishes and assists vocational training centers in developing countries. Since 1970 when OICI was created, AID has funded about 98 percent of its costs or approximately \$14.5 million.

The first financial assistance, Contract No. AID/afr-653, was awarded on August 15, 1969 to OIC of America, a non-profit vocational training organization in the U.S., to set up a separate organization with responsibility for initiating OIC-type training in developing countries. OICI was subsequently founded and incorporated under Pennsylvania law in March 1970 and the AID contract was transferred to OICI by a novation agreement on June 15, 1970. Six task orders provided support to four projects in Ghana, Nigeria, Kenya and Ethiopia. The initial contract expired on June 30, 1975.

AID signed another contract (No. AID/afr-C-1100) with OICI for feasibility studies to be conducted in six other countries: The Gambia, Sierra Leone, Liberia, Togo, Zambia and Botswana. The ceiling for this contract was \$145,980 with an expiration date of November 30, 1975. Effective July 1, 1975, AID funded OICI through a grant (No. AID/pha-G-1125). To date the grant has provided approximately \$8.3 million (see Exhibit A) to support the Central Office, expand OIC/Ghana and establish projects in Zambia, Togo, Sierra Leone, Liberia, The Gambia and Lesotho. In 1978, OIC/Zambia was disbanded but the other six projects continue to be funded under the grant.

The present grant (G-1125) was initially administered by the Office of Private and Voluntary Cooperation (PVC) of the Bureau for Population and Humanitarian Assistance. With the AID reorganization in 1977, PVC came under the Bureau for Private and Development Cooperation (PDC). In May 1979, AID decided that OICI had "demonstrated its capacity to do vocational training programs and no longer requires centralized oversight of projects by PDC/PVC." As a result, responsibility for funding and monitoring the grant was redelegated to the Bureau for Africa, beginning in FY 1980 and is expected to be completely transferred during FY 1981. PDC/PVC retains responsibility for some activities of the OICI Central Office. The grant is effective through June 30, 1981.

OICI's method of establishing training centers in a developing country begins with setting up a host country organization with a local Board of Directors. OICI sends a Technical Cooperation Team (TCT) to start up the center and to hire a staff of local counterparts. The TCT gives technical assistance to the local staff, gradually phasing itself out (theoretically in 5 years) to leave in place a technically and financially self-sufficient training center.

OICI uses a non-formal approach to vocational skills training intended for young people who cannot obtain useful education from other institutions. Its purpose is to reduce unemployment and underemployment, and to help fill the developing countries' demand for skilled workers.

There are two types of OICI projects: urban centers in Ghana, Sierra Leone, Liberia and Lesotho, and agricultural centers in The Gambia and Togo. All programs include preliminary training called "feeder courses" that provide communication and computation skills and attitude development.

The urban training centers offer free vocational courses such as office skills, motor mechanics, commercial art, plumbing, carpentry, masonry and electricity. After completing vocational course work, trainees are phased into on-the-job-training followed by permanent jobs. Separate courses are provided at some urban centers in Entrepreneurial Training and Management Development (ET/MD).

The agricultural projects in The Gambia and Togo are training centers for small farmers who need assistance in upgrading their farm production. Farmers learn new agricultural techniques, how to use equipment, and how to obtain credit. Each agricultural project is also intended to operate a production farm which serves as a demonstration plot for local farmers, as well as producing crops and raising livestock to generate income for the training center.

B. Scope of Audit

The Office of the Area Auditor General/Washington has performed an examination of OICI financial activities funded by AID during the period October 1, 1977 through September 30, 1979 and project performance from grant inception in July 1975 through September 30, 1979 (except for Lesotho which is through January 31, 1980). The purposes of the audit were to: (1) compare project achievements with goals, (2) determine effectiveness of both AID and OICI management, and (3) determine if funds were spent in accordance with terms of the grant.

The audit was performed at OICI's headquarters in Philadelphia, Pa.; OIC/Togo; OIC/Ghana's National, Accra, Kumasi and Takoradi Centers; and OIC/Lesotho.

C. Prior Audits

Since the inception of AID funding in 1969, the Auditor General has performed several audits of OICI. Some of the findings disclosed during the previous audits are summarized as follows:

- Various weaknesses were noted in the accounting system, personnel policies and employment contracts.
- Cost certifications by OICI were not adequately supported.
- Operational and financial reports were not submitted as required by the grant agreement.
- A 1973 audit of OIC/Ghana and OIC/Nigeria concluded that (1) little progress had been made toward the development of viable self-supporting training institutions; (2) few individuals had been trained and placed in jobs; (3) OICI did not anticipate and plan equipment requirements sufficiently in advance of training needs; and (4) OICI had not completely complied with several contract provisions.
- In a 1978 audit of the Central Office, a marked improvement was noted in OICI administrative and operating practices over what existed at the time of our prior audit. However, the areas of monitoring and reporting needed additional attention.

Several of the above findings were disclosed on more than one occasion. See Appendix C for a list of audit report numbers and issue dates.

D. Past Performance

Under AID funding prior to the current grant, OICI established vocational training institutions in Ghana, Kenya, Nigeria and Ethiopia. AID funding for OIC/Ghana was carried into the present grant as Phase II which expanded the Accra Center and established new projects in the cities of Takoradi and Kumasi. OIC/Kenya was cancelled after 2 1/2 years due to lack of local support and because the training offered was being provided by private employers who could guarantee employment. OIC/Nigeria and OIC/Ethiopia are still operating and are independent of OICI.

OIC/Nigeria was funded by AID from June 30, 1970 to June 30, 1976 during which time it trained at least 598 students and placed 328 of them in jobs. The original task order had provided funds for the training and placement of 925 trainees. An evaluation report prepared by Wolf & Company, dated May 18, 1978, found that "OIC/Nigeria was flourishing two years after the end of OICI assistance." We were unable to determine present training levels.

OIC/Ethiopia was established in March 1973 and has been independent of OICI since July 1976. OIC/Ethiopia experienced financial difficulties, and in January 1979 received a grant of \$14,000 from AID to continue operating.

SECTION II

FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

A. OICI's Performance has not Reached Projected Levels

Under the current grant, OICI has initiated eight new centers and expanded one. With the exception of OIC/Zambia which was discontinued at OICI's initiative, these centers are providing training and job placement services to local populations. However, at the end of FY 79 the projects have not achieved all of their output targets set for that date.

To measure performance under the grant, we compared what has been achieved with what was intended in the project papers or proposals (hereafter referred to as PROPs). Output targets contained in the PROP logframes are:

1. Institutionalization of the training centers via development of local staffs and boards of directors,
2. Acquisition of training facilities including land, buildings and equipment,
3. Collection of local funds (contained in PROPs budgets), and
4. Numbers of trainees completing training.

The overall purpose of OICI activity under the grant is the creation and institutionalization of vocational training centers. We believe the best yardsticks to measure performance are those which indicate progress toward the final intended outcome of the grant. Numbers of trainees placed in jobs indicate how well the training centers are producing, while local fund raising shows how likely they are to become self-sufficient. Therefore, more discussion is devoted to assessing fundraising and training than to institutionalization or acquisition of facilities.

In the three countries visited - Togo, Ghana and Lesotho - the training centers have adequate classrooms, offices, storage and other facilities. These were donated by host governments or built by trainees. Training, office and farm equipment was procured, shipped and in most cases, was operating. Technical Cooperation Teams have been recruited and are training their counterpart administrators, instructors, counselors, job developers and support staff to operate the training centers. Local boards of directors are established, and members of the board with whom we met in Ghana and Togo appeared very supportive of the OIC projects.

However, progress toward targets for local support and training are not at the levels originally projected. To determine the numerical output targets for fund-raising and training, we referred to the OICI proposals that were accepted by AID and the grant agreement with OICI. For each project, the start-up date was considered to be the month of the first reimbursement from AID, not the date reflected in the original proposal. Following is a comparison of output targets vs. actual achievements for the performance areas chosen for review.

1. Financial Self-Sufficiency

It was intended that each training center would develop and become financially independent of AID and OICI after 5 years by successfully generating local funds. As of September 30, 1979, many of the centers did not demonstrate adequate potential for financial self-sufficiency within the projected period of time by obtaining the planned amount of local support.

- The Gambia - The grant did not establish a goal for local support; however, the PROP projected \$25,518 (equal to 24% of local operating expenses) would be generated by the end of the second year. There were no locally generated funds reported by OIC/Gambia after two years.

In response to the draft audit report, OICI said OIC/Gambia had received the following local in-kind contributions: livestock worth approximately \$575, free labor, sand, cement, and use of a tractor and trailer.

- Ghana - The grant did not contain local input goals but the PROP planned that local funds from GOG grants and private fund-raising would cover 47% of costs over the first three years of operation under the grant and 67% in the final fourth year. According to records at OIC/Ghana, \$544,486 in local funds were raised during the period, amounting to roughly 34% of total funds. It should be noted that reports submitted to OICI headquarters from the field indicated that \$108,844 was collected rather than the \$544,486 actually generated.

Responding to the draft report, OICI noted that the collection of \$544,486 is a notable contribution toward self-sufficiency, considering the extreme economic hardship suffered by the country for more than 10 years, adding, "OIC/Ghana, with the help of the Ghana government, has consistently met its share in local salary payments." OICI noted that the goal was based on economic conditions which have now changed. They acknowledge that "funds raised from the private sector have been modest (due to economic hardship) relative to the program's need for additional resources."

In our opinion, the Ghana program could eventually become self-sufficient; however, it is highly unlikely to happen within the original time frame as presented in the PROP.

- Lesotho - The grant budgeted \$11,712, or 2% of total cost, to be paid with local funds by September 30, 1979 (after 19 months of operation). As of that date, OIC/Lesotho reported \$189,056 in locally raised funds - an amount equal to future salaries of instructors (\$14,000) plus the estimated dollar value of its training facility which is Government-owned. The PROP stipulated that the Government of Lesotho would provide space and facilities to OIC/LESOTHO. The value of such facilities was not part of the budget or part of the goal for local fund-raising and therefore should not be considered part of locally generated funds when we compare actual performance to goals.

In response to the draft report, OICI maintains that The Government of Lesotho's input in terms of space, facilities and equipment should be acknowledged as capital assets which enabled resources to be used for other expenditures. OICI adds that a cash contribution of approximately \$45,000 was received in the months subsequent to the audit.

- Liberia - According to the grant, local input by the end of the second year would be \$44,175, or 4% of the total budget. OICI reports showed no locally generated funds after two years. In response to the audit, OICI stated the Government of Liberia spent \$46,000 to renovate OIC training facilities and that The Government of Liberia provided food and stipends to OIC/L boarding trainees. OICI added that subsequent to the audit, the GOL contributed \$87,000 to OIC/Liberia.
- Sierra Leone - Actual locally generated funds amounted to \$22,121 after three years which exceeded the grant-established goal of \$20,844, or 2% of the total budget. During this period costs billed to AID were slightly higher than the grant budget.

OICI has indicated that a cash contribution in the amount of 180,000 Leones (approximately U.S.\$180,000) was obligated in the months immediately following the audit.

- Togo - The Togo field reports indicated \$32,856 in local currency had been generated after three years. This amount is composed of \$5,206 in local government grants and \$27,650 from the sale of crops and livestock and other miscellaneous sources.

However, the \$27,650 was gross income and not profit, since expenses incurred in producing the crops and livestock were not subtracted from the sales figures. The grant budget established a target of \$17,250, or 1.4% of total costs, but did not specify the source of local funding. Actual costs to AID during the three years were \$1,174,332, compared to \$1,276,490 in the grant budget.

The Assistant Administrator, Bureau for Private and Development Cooperation (AA/PDC) feels we have not recognized the economic and political crises occurring in Ghana, Lesotho and Liberia at the time the projects were being implemented.

We believe financial self-sufficiency will take longer than anticipated, consequently the goals for local fund-raising and self-sufficiency should be revised.

2. Trainee Completions

OICI's main objective is to establish non-formal vocational training for the unemployed and underemployed in developing countries. During the training cycle, the student participates in classroom sessions, supervised application of learned skills, and on-the-job training. After completion of training, the student is placed in a vocation-related job.

In our opinion, OICI has not attained the level of accomplishment projected in the PROPs for vocational training. Below is a summary of projected and actual numbers of students completing training in each training center as of September 30, 1979. The PROP's are not definite as to whether vocational placements will occur immediately upon following completion of course work or during the year following. It is unclear whether the target number of vocational placements for (FY) 1979 is meant to be the number of trainees placed in jobs as of September 30, 1979 or the number of trainees completing course work by that date. We have chosen the second, more liberal interpretation in arriving at figures we call completions projected in the PROPs. Completions are trainees who completed course work and on-the-job training but have not necessarily been placed in jobs as yet.

- The Gambia - the PROP projected 44 trainee completions, but none have actually completed training. OICI pointed out that 30 trainees graduated three months after our cut-off date of September 30, 1979.

- Ghana - the output per the PROP was a total of 900 trainee completions. Reported trainee completions were 556 which results in a shortfall of 344.
- Lesotho - As of January 1980 the Lesotho project had been in operation two years. This cut-off date was used because it is the earliest point for which training goals were set. According to the PROP, 90 Entrepreneurial Training/Management Development (ET/MD) trainee completions and 30 vocational trainee completions were planned. OIC/Lesotho has reported 12 completions.

OICI notes that progress has been made after the cut-off date: "...as of June 1980, 62 trainees have been placed on jobs indicating high level potential to achieve on a timely basis the target of 75 placements for the first 36 months (i.e., January 1981) of actual project operation."

As of January 1980 ET/MD training had not started in Lesotho due to difficulty in recruiting qualified foreign local staff. Consequently, it does not appear likely that OIC/Lesotho will attain the target of 260 ET/MD placements by January 1981.

- Liberia - The PROP projected 100 trainee completions - 60 ET/MD and 40 vocational. OIC/Liberia reported 31 ET/MD trainee completions and no vocational completions. In referring to these trainees a joint evaluation report by OICI, AID and the Government of Liberia stated, "...there was no indication that ET/MD graduates would be able to start businesses of their own and/or improve their current economic status as a result of training at LOIC. Apparently most ET/MD trainees expected to be placed in jobs, an aspiration which is not in line with the initial objective of the ET/MD program."

In response to the draft audit, OICI provided the following information on placements after the audit period:

"...40 vocational placements were targeted for December 1979 (i.e., month 24). However, in actual implementation, there was a three month delay in reaching the placement target. This was due to the need for extensive renovation work to be undertaken by the trainees at the Klay Campus prior to full-scale training start-up. Thus, the placement target was not attained until March 1980, when 43 graduates were placed in jobs (i.e., 3 placements above original target). Since that date, i.e., as of July 1980, out of 123 vocational completions a total of 81 placements have been achieved with a 96% retention rate after three months on the job. It is reasonably expected that the goal of 105 placements will be met by September 30, 1980."

OICI pointed out that revised figures for vocational placements are intended to make up for previous years' delays. OICI also stated that the ET/MD program has been discontinued due to economic difficulties in Liberia.

It should be noted that there was a 6-month delay in vocational training, not 3 months, as OICI states (December 1979 was month 27, not 24).

- Sierra Leone - The PROP projected 225 trainee completions. OIC/Sierra Leone reported 141 completions which is a shortfall of 83 trainees. In their August 4, 1980 response to the draft audit OICI pointed out:
 - (1) There were 95 vocational placements as of September 30, 1979 and by July 1980 placements totaled 167.
 - (2) There were 46 ET/MD completions as of September 30, 1979 and by March 1980 completions totaled 168.
- Togo - the PROP projected 80 trainee completions; however, only 23 completions were reported. This is a shortfall of 57 trainees. OICI has indicated that some of this shortfall was made up when 12 trainees graduated in December 1979.
- Zambia - The Zambia program was discontinued after two years; the goal was 200 trainee completions. OIC/Zambia reported no completions but an AID Audit Report 3-611-78-02 stated that nine students completed training during the first year of the project. However, these students had initiated their training under the Social Action in Lusaka organization. In their response to the draft audit, OICI pointed out that 64 trainees were one month short of graduation when OIC/Zambia was discontinued.

Overall, the PROPs indicated 1,669 trainees would be completely trained by September 30, 1979 (January 31, 1980 for Lesotho). The reported total was 773, a shortfall of 896 trainees. This shortfall indicates that trainee completions for some projects are significantly behind proposed training targets.

OICI's task is not an easy one. As in much of the developing world, most of the countries in which OICI operates have fragile economies, inadequate infrastructure and unstable political conditions. Providing vocational education to the least educated part of the population in developing countries is a difficult task.

Under the current grant AID has provided approximately \$8.3 million as financial support to OICI. During the last 2 years the annual average expenditures were \$3 million and program accomplishments have fallen short of stated targets.

Responding to the draft audit report, the Assistant Administrator, Bureau for Private and Development Cooperation stated, "From the perspective of the office (PDC/PVC) which monitored this grant, the targets were too ambitious and management by the PVO was not adequate to realize those targets in either Togo or Ghana. Thus, AID should stress not only better management practices by OICI in attempting to achieve its project objectives, but also assist OICI in establishing realistic project targets. Furthermore, it is important for adequate information to be provided by field staff of OICI to headquarters for reporting and evaluation purposes."

Recommendation No. 1

Assistant Administrator, Bureau for Africa (AA/AFR) review each country program, perform a cost/benefit analysis for past and future output, and make a determination as to future funding based on attainable performance targets.

B. OICI's Reporting is Inadequate and Needs Improving

We reviewed program management and found no major problems in the areas of financial management, personnel practices and procedures, frequency of visits by OICI to the field, procurement practices, and overall Central Office management. However, improvement is needed in the area of management information regarding project performance.

Several years ago OICI implemented a formal reporting mechanism called the Management Information System (MIS). The purpose of the MIS is to increase OICI headquarters' ability to monitor and evaluate program performance. Information received through the MIS is used as the basis for preparing and submitting the required reports to AID. The MIS is a useful tool for evaluating and monitoring overseas accomplishments. But like any other system, it is of little value if the training centers do not adhere to its reporting requirements.

During the course of our audit we determined that OICI's reporting mechanism needs strengthening. Neither AID nor OICI has complete, accurate, and timely written data to be used to make management decisions.

OICI did not fully comply with the external reporting requirements stipulated in the AID grant, nor with its own internal reporting requirements (External reports are those prepared by Central Office and

sent to AID; internal reports are written in the field and sent to Central Office.) Some of the reports were missing while many that were submitted did not contain the prescribed information. In addition, some internal statistical reports submitted to OICI contained inaccurate placement figures, whereas others contained conflicting information and data for some major performance indicators were non-existent or incomplete.

Evaluations of several country programs have been conducted, some by contractors and others by joint groups composed of a contractor, OICI, AID, and host government representatives. However, evaluations are not intended to provide information frequently enough for day-to-day management decisions.

1. Non-compliance with Grant Reporting Requirements

In accordance with the terms and conditions of the grant, OICI was supposed to submit semi-annual reports to AID for each project except OIC/Togo and OIC/Gambia which were to be quarterly. During FY 1979 the only regular performance report submitted was a semi-annual report covering all the projects for the period October 1, 1978 through March 31, 1979. As of April 1980, no reports covering the last half of FY 1979 (April 1, 1979 through September 30, 1979) had been prepared. OICI has advised that the report was completed subsequent to the audit cut-off date.

In the semi-annual report that was submitted during FY 1979, only the portion applicable to OICI's Central Office focused on the various categories stipulated in the grant. The variance by country is summarized as follows:

- The Gambia - The grant amendment did not stipulate which topics must be included in the report.
- Ghana - the grant specified 10 topics to be covered in the semi-annual report; however, the report only covered three topics.
- Lesotho - The grant specified nine topics to be included in the semi-annual report but only two appeared. In addition, the grant agreement states that "semi-annual reports describing the progress and shortfalls of actions identified in the project performance tracking system (PPT) are to be submitted to OICI/Philadelphia, the AID Mission in Maseru, and AID/W." The report sent to AID described progress but

not shortfalls for OIC/Lesotho. The report states, "...OICI has been up-to-date in respect of meeting critical target requirements of the Project Performance Tracking system (PPT)." There are nine "Critical Performance Indicators" in the PPT and the report gives the impression that all requirements had been fulfilled. However, at the time the report was prepared, performance was only up-to-date on four of the nine indicators.

- Liberia - the grant did not specify which topics must be reported upon. The grant stated, "...reports are to inform about progress and shortfalls. In addition, exception reporting on PPT network is to be provided the USAID and AID/W." OICI's report addressed progress and problems in general terms but did not say whether OIC/Liberia was meeting its established goals.
- Sierra Leone - the grant agreement stipulated 13 topics that were to be included in the semi-annual report; however, the report included only six topics.
- Togo - The grant stipulated 12 topics that were to be included in the report; however, the report included only seven topics. Two of the seven topics were only partially discussed. Two of the topics not reported are particularly significant indicators: fund raising and proceeds from farm production.

During FY 1979 OICI did submit some additional reports that were not required by the grant: two evaluation reports on OIC/Liberia and OIC/Sierra Leone dated August 1979 and a December 1979 field trip report on all six projects.

In response to our audit OICI reported that four OIC/Gambia quarterly reports for 1979 were submitted to AID/Washington, and one OIC/Ghana annual and three OIC/Lesotho quarterly reports for 1979 were submitted to USAID missions. We noted these reports were transmitted to AID/W after audit field work had been completed: the Gambia reports were transmitted on March 7, 1980 and the Ghana and Lesotho reports were transmitted on September 2, 1980.

2. Some Internal Statistical Field Reports are Missing

During FY 1979, only 127 out of 274 required MIS statistical reports were available at OICI's Central Office. Reporting from

some training centers was more complete than from others. The number of required reports and the number received is summarized as follows:

<u>Name of Report</u>	<u>No. of Reports</u>	
	<u>Required</u>	<u>Received</u>
Intake Orientation Activity	63	32
Attendance Analysis	62	28
Job Development Follow-up	23	6
Statistical Summary (compares training and placement targets to achievements)	63	24
Program Activity	63	37
	<u>274</u>	<u>127</u>

Accuracy and timeliness in OICI's internal reports are of paramount importance. OICI has a Memorandum of Agreement with each of the training centers outlining the terms and conditions for OICI support. The Memorandum of Agreement specifies each center must comply with the MIS reporting requirements. OICI should enforce this provision and establish deadlines for reporting. Otherwise, the organization is losing an effective management tool.

OICI responded that Central Office staff pays regular visits to the field to verify reported information and that telex communication has been instituted. OICI points out that the country projects are in varying stages of implementation and thus differ in their compliance with MIS requirements. OICI states that successful implementation requires gradual activation of the system and long-range local staff training.

It is our opinion that OICI has made improvements but additional progress is essential.

3. Some Trainee Placement Figures are Inaccurate

Since training students and placing them in jobs is a major output of OICI activities, it is important that OICI management obtains reliable figures on how many placements occur. As stated previously, we compared the planned number of trainees with the numbers of actual placements appearing in field reports.

During our visits to Ghana and Lesotho, we found the following inaccuracies in those field reports:

- Within OIC/Ghana there are three branches - Accra, Kumasi and Takoradi. At OIC/Accra, the largest branch, reported placements include individuals who had been placed in more than one job. In a review of approximately 100 trainee follow-up forms, we noted three students who had left their first placement jobs and were placed in second jobs by OIC. Another student had been placed three times. We were informed these would count as nine separate placements even though there were only four trainees, each of which completed training only once.

Subsequent to our field audit work in Africa, OICI prepared a listing of all OIC/Ghana Phase II placements. Reports submitted prior to September 30, 1979, showed 556 placements under Phase II, but the revised listing only reflected 508 placements. In addition, the revised report contained at least 41 individuals who appear to have been double-counted.

In OICI's response to the draft audit report they indicated (1) that a June 1980 evaluation found the double-counting resulted in an excess in placement statistics of approximately 21.5%, (2) that steps have already been taken to improve recording and reporting by distinguishing between numbers of placements and numbers of trainees placed, and (3) that there was no deliberate attempt by OIC/Ghana to overstate placement figures.

- OIC/Lesotho reported 12 placements in 1979. However, 11 of those had received approximately 15 months of vocational training under a Government of Lesotho program when they transferred to OIC/Lesotho in January 1979 for their final 5 months of training. (Normally OIC/Lesotho training is 15 months.) Of the 11, three were placed by OIC and eight found their own jobs. The twelfth trainee listed as a placement completed feeder courses then returned to his previous occupation. The OIC/Lesotho report for the period April-June 1979 stated that "vocational training is ahead of schedule by 10 months." Vocational training had begun on schedule in January 1979 and the only reason it was completed ahead of schedule was that the 11 trainees had most of their training under the GOL program. In short, OIC/Lesotho counted as placements 12 trainees who did not receive the normal OIC training services.

OICI has responded that the transfer was made at GOL request and that field reports had informed OICI of the transfer.

4. Reports Contain Conflicting Information

Many of the reports submitted to OICI's Central Office contained conflicting information on numbers of students. Examples of discrepancies are:

- Three "Attendance Analysis Reports" submitted by OIC/Lesotho contained different statistics on the number of students attending class. None was marked as a revision. In addition, the reported information was not supported by instructors' attendance rosters.
- Statistical MIS reports for OIC/Lesotho showed a cumulative total of three placements as of July 31, 1979, yet a quarterly report dated September 28, 1979, stated there were 13 placements effectively July 1, 1979. Two pages later the same report stated there were 11 placements.
- "Statistical Summary Reports" show the number of students in the program by month. However, the number of students reported in the month of May 1979 by OIC/Lesotho was subsequently changed in the June 1979 report.
- One report from OIC/Ghana reported that the Takoradi center did not have any placements, whereas another report indicated Takoradi had three placements.
- A report for OIC/Ghana did not show any discontinuances (trainees who left the program) for the Kumasi center, but another report for the same period reported seven.

OICI reiterated that implementation of the MIS is gradual since it is part of training the counterpart staffs and the various training centers differ in their stages of implementation.

5. Data on Performance Indicators are Incomplete

OICI does not have adequate information for measuring project impact. One important indicator is the length of time a trainee remains on the job after he/she is placed. The OIC/Ghana Phase II

PROP stated that 94 percent of the placed trainees will retain their jobs for at least 6 months. However, OIC/Accra, the largest OICI project, does not maintain adequate statistics to determine how long trainees retained their jobs. Therefore, there is no accurate way to measure actual job retention of past placements against the goal of 94 percent.

In addition, the PROP stated that certificates would be issued to placed vocational trainees who held their jobs 6 months or more. Based on available records, it was virtually impossible to determine which trainees were eligible to receive certificates. Without revising the PROP the prerequisite for issuing certificates was subsequently reduced to a three month job retention by OIC/Accra. Using the reduced basis, OIC/Accra determined that 425 out of 702 placements under Phase I and Phase II were eligible for certificates.

In their response to our draft, OICI said that systems are in place to measure job retention but improvement is needed to implement it fully. Furthermore, OICI said other OIC programs have performed well in the area of following up on placed trainees. We note, however, that over 70% of all reported OICI placements during the audit period were from OIC/Accra.

A second example of incomplete data is in the area of target beneficiaries of OICI training. The field offices are not required to include the MIS form called "Summary of Trainee Characteristics" in their periodic reports submitted to the Central Office. This was submitted on an irregular basis and monthly program narratives only occasionally mentioned the trainee characteristics.

There were two problems which might have been avoided if trainee characteristics data had been collected and used.

- The PROP for OIC/Sierra Leone stated that the program is "targeted first at the school drop-outs and school leavers...." Analysis of available records show that 47 of the 138 enrolled in feeder and vocational courses had completed at least 11 years of school and received school completion certificates.

OICI pointed out that OIC/Sierra Leone voluntarily submitted the trainee characteristics form and that "the auditors failed to acknowledge that if certificates held by the 47 enrollees represented their last and highest level of formal training, then these trainees are properly designated as 'school leavers.'"

The term "school leaver" is not specific, and does not provide the information AID needs regarding beneficiaries. OICI noted that AID accepted the term since it approved project proposals that referred to "school leavers."

- Trainees in entrepreneurial and management training in Liberia were supposed to be current or prospective small entrepreneurs and petty traders who would learn skills to start or improve their own businesses. During the fall of 1978, the 63 actually enrolled were mostly unemployed and did not have access to credit. After 9 months of training, 50 percent of the trainees had discontinued the training. OICI identified this problem in a December 1978 field trip report and stated that they have issued guidelines to OIC/Liberia on trainee selection. The 1979 joint evaluation of the Liberia program stated that of the 31 who did complete the course: "...there was no indication that ET/MD graduates would be able to start businesses of their own and/or improve their current economic status as a result of training at LOIC."

In addition to the above there was an important performance indicator for which data did not exist. As stated in some of the PROPs, OIC training would be at less cost than comparable institutions. However, no system was in place to collect the information needed to make such a comparison at end of project (see section on cost accounting).

OICI stated that "with respect to the amount of macro-research demanded by the auditors, (such as 'comparison of OIC training with comparable institutions') it was never intended that these data and analyses would be generated solely by local program staff (who are primarily trainers and administrators). Instead, the proposal stipulates that verification of goal-level performance indicators would be available in local government reports, evaluations, surveys as well as in end-of-project reports by OICI Central. Finally, it should be noted that more than one USAID mission (e.g., Lesotho, Gambia, Freetown) have acknowledged that no comparable institutions exist which perform the same tasks undertaken by OICI in these countries."

6. Local Accounting Systems are Inadequate

During our review we visited the training centers in Togo, Ghana, and Lesotho and found that their accounting systems are not adequate for segregating costs. Under the present systems management does

not have adequate information for determining (1) if local fund-raising cost exceeds the actual funds generated, (2) the total training cost per trainee, and (3) cost of institutional development (physical structures).

The above information is essential so that management can answer two important questions:

1. Should programs be continued if training cost is exorbitant and the OIC cannot be financially self-sufficient within a reasonable time span by fund-raising, local government contributions and profit making ventures?

2. Should the farm production components of OIC/Togo and OIC/ Gambia Gambia be continued if they do not make significant financial contributions to the training segments?

OICI feels that their Grant Fund accounting system as represented by the Chart of Accounts, the MIS and OICI's fiscal requirements are adequate for recording and reporting expenditures and to support management decisions. In terms of accounting for farm production and fund-raising, OICI recognized they are two distinct functions in the overall operations. Accordingly, they concurred that each of these two functions should be accounted for and reported separately, in order to permit (1) recognition of any possible gain, loss or break-even situation in the farm production, and (2) with respect to fund-raising, recognition of excess revenue or expenditure. OICI acknowledged these are the responsibilities of the local programs and accordingly, has assured AAG/W of their intention to again urge the local programs to perform this task.

OICI refers to the Ghana Project as an example of an effective cost accounting system. Beginning in fiscal year ending September 1978, financial reports were available relating to fund-raising. The fund-raising reports clearly contain, under the Income and Expenditure Statement, the net cost/benefit relating to fund-raising. However, in our opinion, the "prescribed cost system" does not provide for an appropriate distribution of labor costs; therefore, the system is not fully adequate.

An additional problem was discovered at OIC/Ghana. Equipment inventories had not been compared with equipment received. During review of equipment accountability we found that items were not consistently described on the receiving reports and on the inventory, making comparisons difficult, and there were inventory shortages as well as overages.

C. OIC/Togo Expended 80 Percent of Funds but Fell Short of Mid Project Goals

The broad purpose of the OIC/Togo project is to design and demonstrate an effective model that will contribute to higher productivity and a rise in the living standards of the most impoverished group of people in Togo's principally rural population. The underlying objective of the project is to be achieved through the introduction of semi-modern farming methods and intermediate farm technology to a sector of the population whose needs heretofore have been neglected by the multi-million dollar international agriculture and rural development projects.

The project was authorized for a 5-year period at an estimated cost of \$1,364,427. After 2 1/2 years the project accomplishments fell far short of mid-project goals even though approximately \$1.1 million had been expended. As a result an evaluation was performed by a group of independent consultants and OICI personnel. The evaluation report, which was issued on January 11, 1980 found:

1. The project should continue.
2. The project concept is basically sound.
3. OIC/Togo has overcome many problems and is beginning to have a positive impact on the target group.
4. Too much effort has been place on profit-making at the expense of training.
5. The cost-revenue ratio should be improved by cultivating 100 hectares of land in Spring 1980, and enrolling 60 trainees.
6. Two more American staff members should be added and the American staff should be relocated from Lome to project site.

Based on our review of farm operating data, the "Crop Management and Production Record" was the only report that summarized costs by crop or type of livestock. However, the financial data contained in the Crop Management and Production Record did not agree with the financial figures reflected in OIC/Togo's accounting records. For example, Crop Management and Production Record indicated 356,360 CFAs* had been expended for seeds and fertilizers, whereas the OIC/Togo General Ledger only showed 58,376 CFAs had been expended, a net difference of 297,984 CFAs.

* Approximately 200 CFAs to the U.S. Dollar.

Because of the lack of reliable cost records on farm operations and the fact that net income (profit) from the farm operations was to help make the project self-sufficient, AID should re-evaluate the project and determine:

- Whether the program should continue as a combined production farm and a training facility.
- When the project can become self-sufficient.
- What outputs can be expected in the future.

g. AID Monitoring Needs Improving

The AID Project Officer should have taken action to modify or discontinue country programs that were not achieving their stated targets. Yet with few exceptions, OICI did not compare performance to output targets in their semi-annual reports to AID. Generally, the reports cite progress, e.g., "56 trainees have been placed in jobs by OIC/Sierra Leone" without stating the target.

The Office of Management and Budget (OMB) issued Circular No. A-110 which stipulated that beginning January 1, 1977, Federal Agencies would require Grantees to submit performance reports that:

- a. Compare actual accomplishments with established goals. If the project output can be readily quantified, such quantitative data should be related to cost data for computing unit costs.
- b. Include reasons why established goals were not met.
- c. Contain other pertinent information including an explanation of cost overruns or high unit costs.

The grant to OICI did not specifically require the grantee to compare accomplishments with output targets. The grant does require that certain performance indicators be discussed; however, the two key performance indicators, fund raising and placements, were not required. As illustrated earlier, OICI has generally not achieved its established targets on time. We believe the differences between reported accomplishments and stated targets were significant enough to warrant action by AID's project officer. In our opinion, the grant should be amended to require adherence to OMB Circular A-110.

In response to our draft report, OICI stated that their periodic reports and annual budget submissions did contain some data comparing accomplishments to targets.

The AID Project Officer made periodic field visits to OIC training centers and obtained some useful information. But instead of comparing accomplishment with goals and explaining short falls, some of the trip reports contained observations that were not adequately supported with facts, such as:

"OIC seems to be on tract and bids well for the future."

"Generally, the project is on schedule and in good health."

In response to our draft report, the Bureau for Private and Development Cooperation indicated trip reports by PDC personnel did include a number of specific recommendations on improving projects in several countries including Togo. OICI was made aware of these recommendations and acted upon them. In addition, PDC formally transferred monitoring of OICI activities to AFR recognizing that only the USAID missions could adequately monitor field activities.

Recommendation No. 2

Office of Contract Management (SER/CM) in conjunction with the Bureau for Africa (AFR) amend the grant to require reporting so that AID will be in compliance with OMB Circular A-110.

E. Grant Costs

OICI has complied with the financial provisions of the grant. Costs claimed during the period October 1, 1977 through September 30, 1979, totaling \$6,124,853 were examined. Of this sum, \$6,119,437 is recommended for acceptance. The balance of \$5,415 represents costs questioned. OICI has credited AID for \$587 which leaves a balance due of \$4,828 (see Exhibit A for details).

In addition, we found that staff at OIC/Lesotho had used the project vehicle for personal business. OICI agreed to remind OIC/Lesotho staff that the vehicle is to be used for project purposes only. Therefore, we are not making a formal recommendation at this time.

Recommendation No. 3

Office of Contract Management (SER/CM) take appropriate action to ensure settlement of costs questioned totaling \$4,828.

OPPORTUNITIES INDUSTRIALIZATION CENTERS INTERNATIONAL (OICI)

Grant No. AID/pha-G-1125 (Africa)
 Summary of Costs Claimed and Audit Adjustments
 July 1, 1975 through September 30, 1979

	Current Period 10/1/77 - 9/30/79				E(A+D) Costs Accepted 9/30/79
	A Costs Accepted 9/30/77	B Costs Claimed	C Costs Questioned	D(B-C) Costs Accepted	
Central Office	\$ 949,135.41	\$1,188,615.92	\$ -	\$ 1,188,615.92	\$2,137,751.33
Ethopia	48,747.63	-	-	-	48,747.63
Gambia	-	607,251.90	-	607,251.90	607,251.90
Ghana	268,318.18	783,336.57	-	783,336.57	1,051,654.75
Lestho	16,899.98	401,788.66	415.00 ^{1/}	401,373.66	418,273.64
Liberia	1,032.20	972,431.13	-	972,431.13	973,463.33
Sierra Leone	233,186.74	900,011.47	587.56 ^{2/}	899,423.91	1,132,610.65
Togo	243,673.47	930,658.66	2,413.00 ^{3/}	928,245.66	1,171,919.13
Zambia	420,697.21	340,758.83	2,000.00 ^{4/}	338,758.83	759,456.04
Total	\$2,181,690.82	\$6,124,853.14	\$5,415.56	\$6,119,437.58	\$8,301,128.40

Explanatory Notes:

- 1/ Represents interest which is unallowable in accordance with subpart 15.205-17 of the Federal Procurement Regulations. OICI indicated that OIC/Lesotho did not have an AID approved budget for Fiscal Year 1980 and interest-bearing overdrafts were necessary to cover payroll costs etc.
- 2/ Represents the difference between \$.17 per mile for use of privately owned vehicles and \$.30 which OICI reimbursed its American employees. OICI concurred and has collected the \$587.56 from employees then adjusted its February 1980 voucher to credit AID that amount.
- 3/ Represents interest which is unallowable in accordance with subpart 15.205.17 of the Federal Procurement Regulations. OICI indicated that interest-bearing overdrafts were made necessary by delay in receipt of grant funds and the need to meet local payroll costs, etc.
- 4/ Represents an adjustment for 2 months rent which was paid after the termination of a former staff member. OICI indicated they had not paid the shipping allowance and plan to apply the excess rent as an offset.

OPPORTUNITIES INDUSTRIALIZATION CENTERS INTERNATIONAL (OICI)

Status of Grant Funds as of September 30, 1979

Grant Ceiling			\$10,183,393.00
Amount Reimbursed:			
Costs Audited			
Approved Prior Period	\$2,181,690.82		
Approved Current Audit	6,119,437.58		
Unaudited Costs	-		
Subtotal	\$8,301,128.40		<u>8,301,128.40</u>
Advance	295,369.69		
Audit Adjustments	<u>5,415.56</u>		
Total Reimbursed	<u>\$8,601,913.65</u>		
Grant Balance Remaining			<u>\$ 1,882,264.60</u>

OPPORTUNITIES INDUSTRIALIZATION CENTERS INTERNATIONAL (OICI)

LIST OF PRIOR AUDITS

<u>Audit Report No.</u>	<u>Date</u>	<u>Title</u>
72-181	12/22/71	Contract No. AID/afr-653, Task Order Nos. 1, 2 & 3
73-045	2/28/73	Interim Audit of Contract No. AID/afr-653, T.O. No. 2 (Ghana)
74-11	6/30/73	AID/afr-653, T.O. No. 3 (Nigeria)
74-159	9/17/73	Contract No. AID/afr-653, T.O. Nos. 1, 2, 3 & 4
76-161	10/02/75	Special review of allegations against OICI, Contract No. AID/afr-653 & Grant No. AID/pha-G-1128
76-165	11/25/75	Contract No. AID/afr-653, Grant No. AID/pha-1128
76-299	2/27/76	Contract Nos. AID/afr-C-1110 & AID/afr-653
76-300	2/27/76	Contract Nos. AID/afr-C-1110 & AID/afr-653
76-301	2/27/76	Contract Nos. AID/afr-C-1110 & AID/afr-653
75-315	6/30/75	Contract No. AID/afr-653, Task Order Nos. 1 - 6
77-15	3/18/77	Contract No. AID/afr-653, Task Orders 2 and 3 (Ghana & Nigeria)
78-02	10/26/77	Grant No. AID/pha-G-1125 (Zambia)
78-126	6/29/78	Contract/Grant Nos. AID/afr-653, AID/afr-C-1110 and AID/pha-G-1125

OPPORTUNITIES INDUSTRIALIZATION CENTERS, INTERNATIONAL

LIST OF REPORT RECOMMENDATIONS

Recommendation No. 1

Assistant Administrator, Bureau for Africa, (AA/AFR) review each country program, perform a cost/benefit analyses for past and future output, and make a determination as to future funding based on attainable performance targets.

Recommendation No. 2

Office of Contract Management (SER/CM) in conjunction with Bureau for Africa (AFR) amend the grant to require reporting so that AID will be in compliance with OMB Circular A-110.

Recommendation No. 3

Office of Contract Management (SER/CM) take appropriate action to ensure settlement of costs questioned totalling \$4,828.

OPPORTUNITIES INDUSTRIALIZATION CENTERS, INTERNATIONAL

LIST OF REPORT RECIPIENTS

IDCA Office of Legislative and Public Affairs	1
Deputy Administrator	1
Assistant Administrator/SER	5
Assistant Administrator/PDC	5
Assistant Administrator/AFR	5
Office of Contract Management, (SER/CM)	3
Office of Legislative Affairs (LEG)	1
Office of the General Counsel (GC)	1
Office of Financial Management (FM)	1
Development Support, Development Information and Utilization (DS/DIU)	4
Office of Private and Voluntary Cooperation (PDC/PVC)	3
Audit Liaison Office, SER	1
Audit Liaison Office, PDC	1
Audit Liaison Office, AFR	1
Office of Evaluation (PPC/E)	1
USAID/Ghana	5
U SAID/Lesotho	5
USAID/Liberia	5
USAID/Togo	5
USAID/Sierre Leone	5
USAID/Gambia	5
Auditor General (AG)	1
AG/PPP	1
AG/EMS/C&R	12
AG/IIS	1
Other AAG's	6