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AUDIT OF THE
PARTICIPANT TRAINING PROGRAM

AUDIT REPORT NO. 9-000-87-5

April 17, 1987

AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON, D.C. 20523

Deputy
Inspector General

April 17, 1987

MEMORANDUM FOR SAA/S&T, Nyle C. Brady
AA/M, R. T. Rollis, Jr.

FROM: D/IG,  James B. Durnil

SUBJECT: Participant Training Program Audit Report

This report presents the results of our audit of AID's Participant Training Program. The audit objectives were to determine whether adequate controls and systems were in place to effectively manage the Participant Training Program, and to identify problem areas which would prevent effective management.

The audit disclosed that S&T needs to make improvements in several areas to assure that training funds are properly and effectively expended. The audit showed that approximately \$6 million in education costs were paid on behalf of 555 students who although managed by S&T/IT were not listed in their files. Our further review of university records disclosed that payments of approximately \$1.1 million were made on behalf of 127 of these students who were not registered at the universities shown in S&T/IT contractors' files or payment records.

We also noted that a large number of students continued to receive educational payments even though S&T records showed their visas had expired and other students received payments for medical services even though S&T records showed their training eligibility had expired.

To correct these deficiencies, the report contains five recommendations requiring improved controls and coordination over participant training expenditures, and closer monitoring of participants.

Formal comments to our draft report were received from both the Bureau for Science and Technology and the Bureau for Management. These comments were considered in finalizing this report. However, we would like to note that the Bureau for Science and Technology's (S&T) comments were not completely responsive to the audit findings and recommendations.

For example, S&T commented that although it shared the concern about the problems discussed in the report, many of the issues involve responsibilities of Regional Bureaus and the Office of Financial Management and were not S&T's responsibility. As stated in our audit scope and throughout the audit report, our review covered student participants managed by S&T/IT and their contractors. Consequently, implementation of the recommendations addressed to S&T is necessary to correct the program deficiencies identified in this report and ensure the integrity of approximately \$35 million of annual training expenditures covering nearly 6,000 students managed by S&T/IT.

S&T did not directly respond to the recommendations in the report. For example, regarding recommendation 4, S&T stated that being out of visa status is a violation of INS regulations and does not invalidate training programs nor the payment for those programs. We agree, and the report does not imply otherwise. However, participants out of visa status could result in students remaining in the country illegally and a problem that contractors should monitor.

In March S&T officials advised that they would provide revised comments to our draft report. However, to date no comments have been received.

Please advise me within 30 days of any additional information relating to corrective actions planned or taken to implement the recommendations. We appreciate the cooperation and courtesies extended to our staff during the audit.

EXECUTIVE SUMMARY

The A.I.D. Participant Training Program is a vital element of foreign assistance. Its goal is to assist in upgrading the educational and human resources of developing countries by providing technical and academic training to foreign nationals. These foreign nationals are referred to as "participants" which is a shortened version of "participants in development." For fiscal years 1983 through 1985, A.I.D. provided an estimated \$445 million for participant training. During fiscal year 1985, there were approximately 13,000 participants in the United States.

The placement and oversight of participants is largely performed by private sector firms and nonprofit organizations and institutions under contract with A.I.D. These contractors usually assume full responsibility for the management of participants in accordance with A.I.D. training regulations and procedures. In fiscal year 1985, more than 180 contractors were involved in the management of A.I.D. participants.

The Bureau for Science and Technology, Office of International Training (S&T/IT) is responsible for participant training policy and procedures, oversight of the Participant Training Program, and direct management of several participant training contractors and monitoring contractor performance.

This economy and efficiency audit was conducted to determine whether adequate controls and systems were in place to effectively manage the Participant Training Program, and to identify problem areas which would prevent effective management. The audit disclosed several areas where improvements were needed to ensure that training funds were properly and effectively expended. Specifically, effective procedures were not established for identifying unused training funds. Consequently, approximately \$9 million excess participant training monies accumulated over several years in the Master Disbursing Account (MDA). These funds could have been used to reduce A.I.D.'s training budget requests or reprogrammed to relieve budget constraints in other A.I.D. operations.

For the fourth quarter of fiscal year 1986, we estimate that the Master Disbursing Account will have funds available totaling \$22.4 million with only \$13.5 million in liabilities. The excess \$8.9 million has not been reprogrammed or deobligated/decommitted because an effective

procedure was not in place to accomplish this task. The lack of a procedure to identify and deobligate/decommit unneeded funds, plus the use of an unrealistic contingency/inflation factor has caused the accumulation of excess funds in the account. As a result, the Agency's \$5 million in unneeded participant training funds remained in the MDA in FY 1983 and were not available for other A.I.D. development activities.

Secondly, the audit revealed that training expenditures were made for participants who were not enrolled in school. A.I.D. participant payment records showed that approximately \$6 million was paid to universities and other training institutions on behalf of 555 participants who were not shown in the current or history participant training information system files. Furthermore, according to our verification of university records, payments of approximately \$1.1 million were made on behalf of 127 students who were not registered at the universities shown on the contractor or Agency records. These conditions occurred because A.I.D. had not established adequate controls over participant files or expenditures.

A.I.D. Handbook 10 requires that S&T/IT manage all aspects of the Participant Training Program. S&T/IT was not properly managing this program because its information system did not contain accurate data and S&T/IT did not reconcile its records with payment records maintained by the Office of Financial Management. Consequently, A.I.D. did not have accurate data to properly manage payments of approximately \$30 million per year for participant training.

Thirdly, short term or "technical" participants should be monitored more closely. A.I.D. spent \$50 million annually to train approximately 6,700 technical students with no assurance that participants attended classes regularly, performed satisfactorily, or even completed training courses. The A.I.D. Handbook did not require training institutions to submit student attendance reports or performance evaluations. S&T/IT is responsible, through its contractors, for monitoring both academic and technical participant training. Although A.I.D. had been providing increased funding for technical training, there was no assurance that participants received the training.

A.I.D. paid \$2.3 million on behalf of participants whose student visas, according to S&T/IT records, had already expired. Many of these payments were made for two or more years following the expiration of the visa. This situation occurred because either contractors were lax in initiating

necessary extensions or maintaining accurate records and in reporting to A.I.D., or A.I.D. did not update and monitor visa data.

A valid visa was mandatory for all A.I.D.-funded participants and contractors were required to maintain accurate visa status records for participants. S&T/IT was required to maintain visa records. However, S&T/IT records on participant visa status suffered from a lack of consistent monitoring by S&T/IT, both of contractor performance and of the validity and completeness of its own records. As a result, S&T/IT did not have accurate data to verify that the \$30 million spent annually on participant training were for participants who remained in valid visa status.

To help improve the management of the Participant Training Program we are recommending that (1) procedures be developed which provide for more effective and efficient use for unused training funds, (2) procedures be developed which require regular reconciliation of data in the S&T/IT Participant Training Information System with participant payment data in the Office of Financial Management, (3) the A.I.D. Handbook be amended to require instructor evaluation of technical participants, attendance and performance and (4) procedures be developed which ensure that participant visa data are kept accurate and current.

Management Comments

Formal management comments were received from the Bureau for Science and Technology and the Bureau for Management.

A full text of management comments is attached to this report as Appendix 1.

Office of the Inspector General

AUDIT OF THE
PARTICIPANT TRAINING PROGRAM

TABLE OF CONTENTS

	<u>Page</u>
PART I - INTRODUCTION	1
A. Background	1
B. Audit Objectives and Scope	3
PART II - RESULTS OF AUDIT	4
A. Findings and Recommendations	6
1. Millions of Obligated Excess Participant Training Funds Remained Idle for Several Years	6
2. Participant Training Expenditures Were Made for Students Who Were Not Enrolled in School	11
3. A.I.D. Should Require Closer Monitoring of Short-Term Participants to Assure That Training Was Completed	18
4. Participant Training Expenditures Were Made for Participants Whose Visas Had Expired	25
B. Compliance and Internal Control	30
PART III - EXHIBIT AND APPENDICES	
A. Exhibit	
Payments For A.I.D. Participants By Country With No Record Of Attendance At The University	
B. Appendices	
1. Management Comments	
2. List of Recommendations	
3. Report Distribution	

AUDIT OF THE
PARTICIPANT TRAINING PROGRAM

PART I - INTRODUCTION

A. Background

The A.I.D. Participant Training Program is a vital element of foreign assistance. Its goal is to assist in upgrading the educational and human resources of developing countries, particularly in skills related to economic development, by providing technical and academic training for foreign nationals. For fiscal years 1983 through 1985, A.I.D. provided an estimated \$445 million for participant training.

Participant training is a result of projects agreed upon by the host government and the A.I.D. mission in that country. In some cases, projects cover broad development objectives with training included as only a single element. Increasingly, however, major projects are being designed to upgrade human resources through general manpower development activities where participant training is the only program objective.

Participant training is divided into "academic" and "technical" training. Academic training is defined as that which takes place in an accredited institution of higher learning and leads to a degree. Primary emphasis in the Agency is on masters and Ph.D. programs, while associate (two-year) and bachelor (four-year) degree programs are the exception. A.I.D.'s policy is to fund a participant through only one degree. Training not leading to an academic degree is classified as technical. Technical training includes observational visits, on-the-job training, special programs and seminars, and training in an academic institution for specialized courses.

Participants are generally selected jointly by officials of their own government and by A.I.D. personnel in the host country. They receive academic or technical training in the United States or, less often, in third countries. Participants agree to return to their own country to work in their specified field for at least two years and to use their education and training to develop and implement new programs for their country.

The placement and oversight of participants during their training programs is largely performed by private sector firms and nonprofit organizations and institutions under

contract or other arrangements with A.I.D. These contractors usually assume full responsibility for the management of participants in accordance with A.I.D. training regulations and procedures. In fiscal year 1985, more than 180 contractors were involved in the management of A.I.D. participants.

The Bureau for Science and Technology, Office of International Training (S&T/IT) is responsible for participant training policy and procedures, oversight of the Participant Training Program, and direct management of several participant training contractors and U.S. Government offices which provide training. S&T/IT also provides, primarily through contract or cooperative agreements, a broad array of support services to all A.I.D. participants, including reception at ports-of-entry, orientation, English language programs, and a health insurance program.

The A.I.D. Administrator has given a strong emphasis to development training, stressing the importance of higher level training to more effectively meet the changing needs of managers, scientists, technicians, and institutional leaders in all sectors. The number of A.I.D.-sponsored participants receiving academic or technical training in the U.S. increased almost 40 percent between fiscal years 1983 and 1985. There were approximately 12,500 participants in the U.S. during fiscal year 1985, as shown in the following schedule.

NUMBER OF FISCAL YEAR 1985 PARTICIPANTS
BY GEOGRAPHIC AREA

<u>Geographic Area</u>	<u>Academic</u>	<u>Technical</u>	<u>Total</u>
Africa	2,054	1,217	3,271
Asia	657	1,146	1,803
Latin America & Caribbean	811	2,858	3,669
Near East	<u>2,197</u>	<u>1,603</u>	<u>3,800</u>
	<u>5,719</u>	<u>6,824</u>	<u>12,543</u>

B. Audit Objectives and Scope

The objectives of this economy and efficiency audit were to (1) determine whether adequate controls and systems were in place for S&T/IT to effectively manage the Participant Training Program and (2) identify problems which may have prevented S&T/IT from performing its management role. The work was performed at S&T/IT, the Office of Financial Management, the United States Department of Agriculture (USDA) and Partners for International Education and Training (PIET) which, by agreements with S&T/IT, managed 31 percent of all A.I.D. participants; and at America-Mideast Educational and Training Services, Inc. (AMIDEAST), the Institute of International Education (IIE), and the African American Institute (AAI) which together managed 21 percent of A.I.D. participants. We based our results on the financial records and training data for approximately 15,900 participants who were managed by S&T/IT and their contractors. To accomplish our objectives, we held discussions with A.I.D. and contractor personnel and analyzed reports and data on participants held by S&T/IT, PIET, USDA, AMIDEAST, IIE, AAI, and the Office of Financial Management. The audit was made in accordance with generally accepted government auditing standards.

AUDIT OF THE
PARTICIPANT TRAINING PROGRAM

PART II - RESULTS OF AUDIT

This audit was made to determine whether adequate controls and systems were in place to effectively manage the Participant Training Program and to identify problems which would prevent effective management. The audit identified a number of problems. Specifically, A.I.D. had not established effective procedures for handling unused training funds and several million dollars of unliquidated training funds remained idle for several years. Further, improved controls were needed over participant training expenditures for short-term participants.

S&T/IT, which manages the Participant Training Program, was aware of inadequacies in their Participant Training Information System (PTIS) and had taken steps to improve its completeness and accuracy. In a recent exercise, S&T/IT sent the participant information file to the A.I.D. missions for updating. The exercise disclosed 2,500 participant records which contained errors and many participants who were not in the file at all. S&T/IT also requested that missions establish procedures to ensure that data on all their participants were collected and maintained within a single mission office.

Nevertheless, the PTIS remained inaccurate and incomplete. Notably, the audit disclosed that A.I.D. had paid approximately \$6 million in educational costs on behalf of 555 participants who were not listed in the S&T/IT PTIS files. Our further review of university records disclosed that payments of approximately \$1.1 million were made on behalf of 127 students who were not registered at the universities shown on the contractor or payment records. The audit also disclosed that since 1979, payments totaling \$2.3 million had been made to participants whose visas (per S&T/IT records) had expired. Furthermore, 7 percent, or 896, of fiscal year 1985 participants had visa termination dates which were blank or already expired.

In addition, the audit noted inadequate procedures with regard to unused participant training funds. The audit showed that approximately \$9 million in excess Participant Training monies accumulated over several years in the Master Disbursing Account. With no procedures to inform Missions of unused funds or to promptly deobligate/decommit and return such funds, surplus amounts accumulated and were

refunded to the U.S. Treasury. Consequently, all funds originally obligated/committed for participant training did not benefit developing countries, and participant training expenditures were overstated.

The audit also noted that controls over short-term or "technical" participants, were not adequate. Accordingly A.I.D. could not ensure for the \$50 million spent annually on technical training that participants attended class regularly, performed adequately or completed training courses.

To help improve the management of the Participant Training Program this report recommends that (1) procedures be developed to provide for more effective and efficient use of unused training funds, (2) procedures be developed which require regular reconciliation of the S&T/IT Participant Training Information System with participant payment data maintained in the Office of Financial Management, (3) the A.I.D. Handbook be amended to require better monitoring of technical participants, and (4) procedures be developed to ensure that participant visa data are kept current.

A. Findings and Recommendations

1. Millions of Obligated Excess Participant Training Funds Remained Idle for Several Years

The Master Disbursing Account (MDA) process and the Participant Payment System (PPS) needs to be changed so that participant training budgets are not overestimated and excess unliquidated obligations/commitments can be deobligated/decommitted and reprogrammed. The MDA is a clearing account used to accumulate funds obligated/committed for participants who are managed by S&T/IT and to pay the associated participant training costs. The PPS is intended to operate in parallel and contain the detail for the MDA. The initial concept was to maintain on unliquidated obligations a balance equivalent to outstanding liabilities.

A.I.D. had not established effective procedures for identifying unused training funds. Consequently, approximately \$9 million in excess participant training monies accumulated over several years in the MDA. The initial concept of the MDA process was to break-even over the long run.

For the fourth quarter of fiscal year 1986, we estimate that the MDA will have funds available totaling \$22.4 million with only \$13.5 million in liabilities. The excess \$8.9 million had not been reprogrammed or deobligated/decommitted because an effective procedure was not in place to accomplish this task. The lack of a procedure to identify and deobligate funds, plus the use of an unrealistic contingency/inflation factor has caused the accumulation of excess funds in the account. As a result, \$5 million in participant training funds were returned to U.S. Treasury in fiscal year 1983. These funds could have been reprogrammed to other developmental activities.

Recommendation No. 1

We recommend that the Assistant to the Administrator for Management:

- a. develop a reconciliation process which periodically identifies excess balances in the MDA and reports these amounts to A.I.D. and missions, and
- b. periodically review the validity of the contingency/inflation factor used in computing participant training budgets.

Discussion

The MDA will have a \$8.9 million surplus at September 30, 1986, and if current trends continue, the surplus will continue to grow. Quarterly credit transfers from the field are averaging \$7.3 million while A.I.D./Washington disbursements for participants are averaging \$6.5 million. In other words, for every \$100 of credit transfers received from A.I.D. missions during fiscal years 1981 thru mid-1986, only \$89 was spent.

The initial concept of the MDA process was to break-even over the long run; however, the account has accumulated excess funds because of two factors. First, poor budget development and an unrealistic contingency/inflation factor caused the credits transferred to exceed disbursements by an average \$3.2 million per year. The training contractors and programming agents prepare budgets using current cost; the Office of Financial Management, Program Accounting & Finance Division (FM/PAFD) were adding a contingency/inflation factor of eleven percent. (This factor was reduced to six percent in fiscal year 1986.) This final amount is then transferred to the MDA by the Missions. The inflation factor appears unrealistic. For example, the consumer price index for 1986 through July declined at an annual rate of 0.2 percent, and since participant cost can be predicted with a fair amount of certainty, the contingency appears unnecessary. Also, the inflation/contingency factor is added to all elements of a participant's budget, including the contractor charge. There is no reason to apply the inflation factor to the contractor cost since it is fixed over the life of the contract.

Secondly, the lack of an effective process to identify and deobligate/decommit excess funds and return to A.I.D. missions when students cancel or drop out prevented FM/PAFD from reducing the accumulation of funds. A.I.D. missions could make adjustments for excess credit transfers, but FM/PAFD did not report to A.I.D. missions on the status of funds transferred and were not always aware of the credits that could be recovered. Some obligations/commitments were maintained long after the document had expired. For example, a Malawian participant was cancelled from the training program he was to attend at the University of Connecticut in fiscal year 1985. The mission transferred \$34,158 to the MDA for this training; however, FM/PAFD disbursed only \$1,300 for the participant. The excess, \$32,858, was still maintained in the MDA as of May 31, 1986, as an obligation. The following schedule shows examples of excess funds in the MDA for students who cancelled or dropped out of school.

<u>Training Expiration Date</u>	<u>Amount</u>	<u>Mission Credit Transfers</u>	<u>FM/PAFD Expensed</u>	<u>Excess Cash Transfer</u>
9/30/82	\$ 24,690	\$ 20,400	\$16,564	\$ 3,836
3/05/86	91,015	34,893	20,664	14,229
3/05/85	105,881	10,406	40	10,366
12/31/83	18,292	14,441	275	14,166
12/31/81	57,750	37,724	12,595	25,129
3/05/85	<u>39,037</u>	<u>34,158</u>	<u>1,300</u>	<u>32,858</u>
TOTALS	<u>\$336,665</u>	<u>\$152,022</u>	<u>\$51,438</u>	<u>\$100,584</u>

The MDA is a clearing account used to accumulate funds obligated/committed by Project Implementation Orders/Participant (PIO/P) for participants who are managed by S&T/IT and to pay the associated participant training cost. It is simply an accounting mechanism to aggregate PIO/P obligated/committed funds into a single accounting office to pay the bills.

The PPS, which is separate and distinct from the MDA, is intended to operate in parallel with the MDA; however, there are two significant differences. First, the final PIO/P budget is recorded in the PPS in one initial entry; whereas, the PIO/P budget is recorded in the MDA on a pro-rata basis over the life of the PIO/P. Secondly, the MDA contains only summary expenditure data, while detailed expenditures for individual PIO/Ps are recorded in the PPS.

The A.I.D. mission divides the final PIO/P total into equal quarterly amounts over the life of the PIO/P. For example, if the PIO/P is for two years, it is divided into eight shares and one-eighth is transferred to the MDA each quarter. An obligation is created on the A.I.D. mission books and liquidated on a pro-rata basis when the funds are transferred to the MDA. In addition, the USAID controller records an expenditure against the PIO/P and transfers an offsetting credit to M/FM on the U-101 Financial Report.

The quarterly credit transfers are recorded in the MDA control allotment accounts at the appropriation level. Disbursements from the MDA are made from a single summary

appropriation account. At the end of each month the disbursements from the summary appropriation account are charged to the various control allotment accounts based on each accounts pro-rata share of the total MDA unliquidated balance.

All disbursements (except for certain A.I.D./Washington administered costs such as contractors fees, orientation at the Washington International Center, and mid-term seminars) are recorded against the individual PIO/Ps. A.I.D./Washington does not report back to A.I.D. missions on the status of the funds that they have transferred to the MDA. Since the inception of the PPS in 1978, A.I.D. missions had transferred almost \$152.6 million to the MDA. Of this amount, FM/PAFD had expended \$120.2 million, leaving \$32.4 million in unliquidated obligations/commitments.

FM/PAFD is responsible for devising, implementing, and maintaining obligations/commitments in the MDA and PPS. They should assure that obligations/commitments are not over-obligated or over-expended against underlying allotments.

No amount should be maintained as an obligation unless it is supported by documentary evidence showing that a valid and binding agreement has been executed, and that the obligation was incurred before the expiration of fund availability. Upon expiration of the PIO/P, the recorded obligation should be reduced by FM/PAFD to the net value of issued disbursing authorization. Each obligation document having an unliquidated balance, along with the related supporting documents, should be examined to determine the validity of the unliquidated balance. Any unliquidated balances that have ending dates which have expired by the close of the fiscal year are considered invalid if the unliquidated amount exceeds the disbursements or expected expenditure. When it is determined that the unliquidated balances exceed the funds required, prompt deobligation/decommitment action should be taken.

FM/PAFD indicated that the MDA, and the PPS and other financial reporting systems are not sophisticated enough to provide accurate and timely data to determine when and how much to deobligate/decommit and return to A.I.D. missions, or request additional funding in case of shortages; consequently, the large surplus must be maintained as a hedge against possible future shortages caused by the unreliable financial reporting systems.

A.I.D. could make more efficient use of available participant training resources. The \$8.9 million budget

surplus should be deobligated and returned to the A.I.D. missions for use on other development projects. In addition, the present MDA process distorts USAID expense reporting for projects involving participant training. Since there is no reporting back to the A.I.D. missions on the status of the funds transferred, the USAIDs report the amounts transferred as being expensed. The final expenditure is actually the amounts disbursed by FM/PAFD. Consequently, A.I.D. missions' participant training expenses are generally overstated.

Management Comments

M/FM concurred that weaknesses in accounting and errors exist in the Participant Payment System and that a balance has built up in recent years in the MDA. M/FM also agreed that more effort needs to be made to alert missions which appear to be seriously over obligating/committing funds in PIO/Ps and acknowledged that they could develop an informational report to missions which appear to be remitting excessive credit transfers to the MDA account.

Office of Inspector General Comments

An informational report from FM to missions which over obligate/commit funds in PIO/Ps is responsive to the recommendation.

2. Participant Training Expenditures Were Made for Students Who Were Not Enrolled in School

A.I.D. participant payment records disclosed that approximately \$6 million was paid to universities and other training institutions on behalf of 555 participants who were not shown in the current or history PTIS files. Furthermore, according to our verification of university records, payments of approximately \$1.1 million were made on behalf of 127 students who were not registered at the universities shown on the contractor or Agency payment records. These conditions occurred because A.I.D. had not established adequate controls over participant payment expenditures to assure that payments were for bona fide participants.

A.I.D. Handbook 10 requires that S&T/IT manage all aspects of the Participant Training Program. S&T/IT was not properly managing this program because its information system was not accurate and S&T/IT did not reconcile its records with payment records maintained by the Office of Financial Management. However, we believe that a program that costs more than \$30 million per year should be given the necessary attention and resources to develop efficient and effective management and accounting systems.

Recommendation No. 2

We recommend that the Director of the Office of International Training, in conjunction with the Controller in the Office of Financial Management, develop a periodic reconciliation process which reconciles Participant Training Information System data with Office of Financial Management participant payment data and identifies and corrects inaccurate data.

Discussion

From October 1, 1979 to May 16, 1986, A.I.D. paid approximately \$6 million in training costs for 555 students who were not in S&T/IT's current or history Participant Training Information System (PTIS) file. The PTIS is A.I.D.'s main information system for collecting and reporting participant training data. Its data base is composed of 17 elements, including participant's name, country of origin, contractor's name, and training institution.

We compared PTIS data with the Office of Financial Management's Participant Payment System (PPS)--see page 8 for a description of the PPS--and found that A.I.D. had paid

approximately \$6 million to train 555 participants who were not in the PTIS current or history file of participants.

We then contacted 89 universities which were shown to have received payments totaling \$4.6 million for 248 of the 555 participants with no records to determine if the participant had attended the universities. These universities reported that they had no records of attendance for 127 participants (51 percent) for whom A.I.D. had paid \$1.1 million to train (see Exhibit).

The fact that A.I.D. paid to train participants who were not in S&T/IT's files or university records shows that A.I.D. did not have adequate control over approximately \$35 million in annual participant training expenditures, and further had no assurance that all expenditures were for participants that actually received training. The following table and examples illustrate this condition.

PAYMENTS FOR STUDENTS, BY COUNTRY AND UNIVERSITY,
WHO HAVE NO PTIS FILES OR ACADEMIC RECORDS

<u>Country</u>	<u>Training Institution or University</u>	<u>Amount Expended</u>
Kenya	Georgia	\$ 2,452
Ghana	Pennsylvania	32,019
Tanzania	West Virginia State	3,626
Lesotho	Georgia	3,452
Portugal	Wisconsin	5,720
Somalia	Mississippi State	1,350
Latin America Regional	Tulane	1,410
Columbia	Boston	2,275
Niger	Colorado State	4,726
Sudan	Howard	38,732
Unknown	UCLA	1,917
Jamaica	California State Polytechnic	6,271
Jamaica	George Washington	4,360
Costa Rica	George Washington	2,372
West Indies	Utah State	8,292
West Indies	Missouri	1,899
Egypt	San Diego State	1,575
Honduras	Management Science for Health	15,760
Honduras	Unknown	61,275
Honduras	Georgetown	18,590
Honduras	New Mexico	82,545

A.I.D. had no assurance that training expenditures were for participants who actually received training. For example:

- Payment records showed that a participant from Ghana attended the University of Pennsylvania in pursuit of an academic degree. Although \$32,019 was paid to a contractor between September 1982 and December 1985 for this training, there was no record at S&T/IT or the university that the student attended.
- In fiscal years 1982 and 1983 A.I.D. spent \$6,271 for a participant from Jamaica to attend a technical course at California State Polytechnic University. S&T/IT did not have a record of this participant, and the university reported that he had never enrolled at that institution.
- In fiscal years 1983 and 1984 USAID/Sudan spent \$38,732 to a contractor for a Sudanese to attend a nondegree program at Howard University. The university reported that he did not attend the school, and S&T/IT had no record of the participant. Our further review indicated that the participant had attended a special three-month program in radio broadcasting at the university's radio station in 1983.
- Between September 1980 and September 1982, \$3,626 was expended for a participant from Tanzania to obtain an academic degree at West Virginia State. Neither the university nor S&T/IT had a record of this student.
- A.I.D. payment records on contractors showed that approximately \$33,000 was spent for two participants from Honduras to obtain masters degrees in education administration at the University of New Mexico in 1983-84. However, there was no record at S&T/IT or the university that the students ever attended. Furthermore, our review of participant training records in Honduras also showed no evidence of the students or their attendance at the university.

A.I.D. did not have adequate control over participant training expenditures for two reasons. First, the PTIS did not provide sufficient and accurate information needed to effectively manage the participant training program. For example, the PTIS did not contain cost data for participant training. Without this, A.I.D. could not readily analyze and report costs of participant training. Also, the PTIS could not provide accurate and up-to-date participant information because there was never any reconciliation between payments made and student participation.

The following schedule shows the contractors handling A.I.D. participants during fiscal year 1985.

<u>Contractor</u>	<u>Total Partici- pants</u>
Partners For International Education and Training*	2,619
AMIDEAST	1,515
U.S. Department of Agriculture*	1,236
Institute of International Education	718
Academy For Educational Development	519
Government of Tunisia	469
A.I.D./S&T/IT	396
African American Institute	384
National Association of the Partners of Alliance	302
American Institute for Free Labor Development	263
Organization of American States	239
Phelps-Stokes Fund	159
Latin American Scholarship Program - American Univ.	150
Agricultural Cooperative Development International	144
Family of the Americas Foundation	133
Johns Hopkins University	102
National Family Planning Coord. Board	92
University of Minnesota	89
Development Associates	85
Aurora Associates	81
Southeast Consortium for International Development	81
University of Illinois - Urbana	76
166 contractors with less than 75 participants each	2,691
<u>188 total contractors</u>	<u>12,543</u>

- * "Programming agents" who are under contract with the Bureau for Science and Technology, Office of International Training, to develop and monitor training programs for A.I.D. participants.

A.I.D. management had been aware of some of their information system problems and had been working to solve them. For example, A.I.D. was implementing an automated Participant Training Management System (PTMS) for USAIDs to use in tracking participants and developing country training plans. Also, S&T/IT provided PTIS records of

participants in training in fiscal year 1984 to all A.I.D. missions for reconciliation with their own records.

A.I.D.'s efforts to improve the accuracy of its participant information, however, were not successful. To illustrate, full implementation of the PTMS was one or two years away; also, it was not mandatory that all USAIDs implement it, which could result in an incomplete data base. Furthermore, thirty-eight percent of the payments made for participants who were not in S&T/IT's current or history files were made in fiscal years 1985 and 1986. Therefore, the fiscal year 1984 reconciliation effort did not completely resolve the problems in the PTIS, presumably because contractors continued to fail to submit participant data to S&T/IT.

A second reason inaccuracies persisted in the PTIS was that S&T/IT did not reconcile its data with the Office of Financial Management's Participant Payment System (PPS) to identify data errors. As discussed earlier, the fact that payments were made for 555 participants who were not in S&T/IT's information system was found by matching the participant and payment data. A.I.D. should regularly perform this procedure to identify and investigate data errors so corrective action can be taken.

A.I.D. Handbook 10, Chapter 5 states "The Office of International Training . . . is responsible for establishing participant training policy and guidelines for all Participant training in coordination with A.I.D. Missions, Bureaus, and Offices; and for the management of direct training Participants and their programs in the United States." S&T/IT did not fulfill its management responsibilities because it did not establish adequate controls over participant training.

Since fiscal year 1983, A.I.D. has made available about \$150 million per year to train participants. Sufficient and accurate information needed to effectively manage the training program was not available to S&T/IT. Consequently, A.I.D. did not have adequate control over the expenditure of participant training funds.

Management Comments

S&T felt the recommendation was not practical and that FM has established satisfactory payment procedures. They pointed out that the PTIS is a general management information system that is neither a record of eligibility or accounting data nor a obligation/disbursement control system.

Office of Inspector General Comments

We disagree with S&T's position. S&T/IT has the responsibility for maintaining adequate controls over students they manage under the participant training program. Currently, the payment system is vulnerable to fraud or abuse. Payments of \$30-35 million per year are significant enough to establish controls that would, at a minimum, ensure the payments are for bona fide students. Consequently, we have retained the recommendation as it was stated in our draft report.

3. A.I.D. Should Require Closer Monitoring of Short-Term Participants to Assure That Training Was Completed

A.I.D. had no assurance for the \$50 million spent annually to train approximately 6,700 technical students that participants attended regularly, performed adequately, or even completed training courses. This is because the A.I.D. Handbook did not require training institutions to submit student attendance reports or performance evaluations. The Office of International Training is responsible through its contractors for monitoring both academic and technical participant training. Although A.I.D. had been providing increased funding for technical training, there was no assurance that participants received the training.

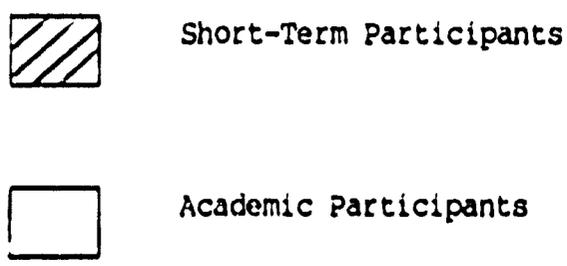
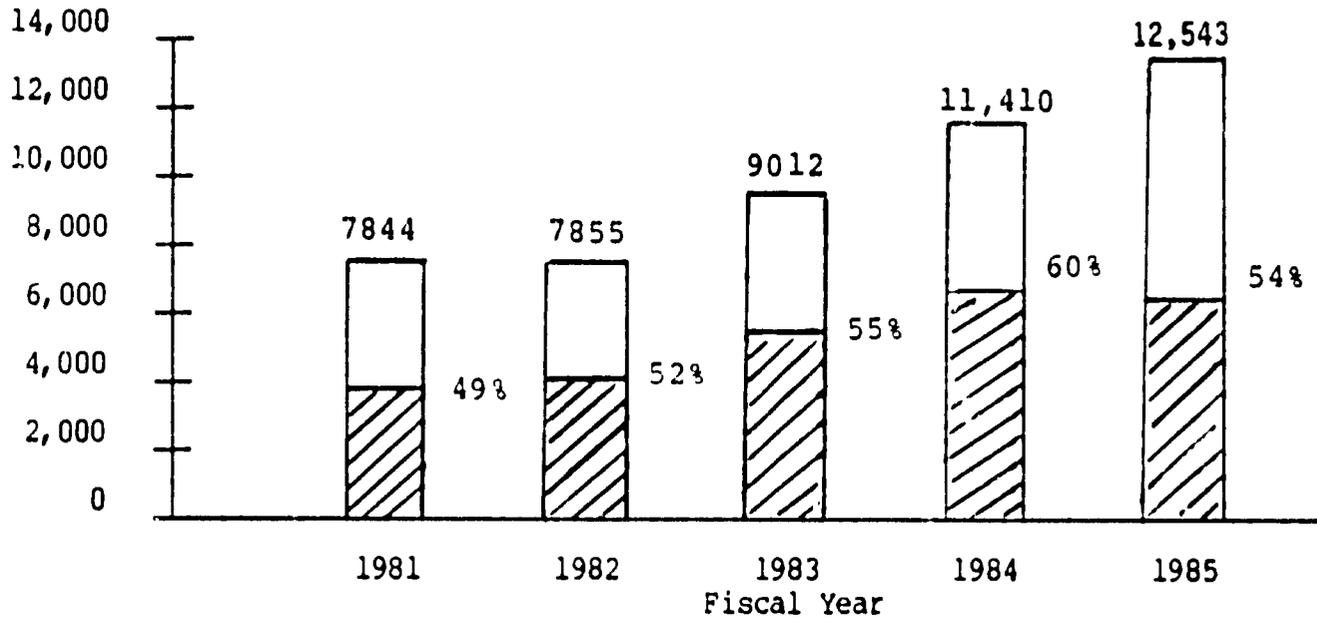
Recommendation No. 3

We recommend that the Senior Assistant Administrator, Bureau for Science and Technology, initiate an amendment to Handbook 10 to require that the progress of individual technical participants be recorded by the course instructor and reported on a form similar to the Academic Enrollment and Term Report used for academic participants. The record should include data on attendance, at a minimum, and where appropriate, data on participant performance and whether a certificate of completion was awarded.

Discussion

A.I.D. did not know whether technical participants attended training courses regularly, performed adequately or stayed to the end of courses because the A.I.D. Handbook did not require that the training institution submit student performance evaluations such as required for academic participants. One large contractor, Partners for International Education and Training/AMIDEAST had a form which they used for this purpose, but as institutional submission was not required under A.I.D. regulations, university response rates were only about 60 percent. Another contractor, the United States Department of Agriculture, required that the lead instructor for in-house courses submit a report on "the strengths and weakness of the course," but specific participant problems were seldom addressed. Thus, the contractors who managed technical participants for A.I.D. had no assurance that participants attended courses regularly and performed well. Also, they were not aware if certificates of completion had been issued for all participants.

A.I.D. Handbook 1 has encouraged technical training both as a means of "moderating the costs of training and as one of the most pedagogically effective ways of providing training relevant to specific needs." As a result, the number of short-term or technical participants increased from 49 percent of total A.I.D. participants in fiscal year 1981 to a high of 60 percent in 1984, as shown in the following exhibit.



These programs ranged from a two-week course in Agricultural Development at the Local Level to a twelve-week program in the Technical and Economic Aspects of Soybean Production. Such programs consisted of observational visits, on-the-job training, special seminars, and study tours.

Examples of technical training programs attended by A.I.D. participants are shown in the table below.

EXAMPLES OF TECHNICAL TRAINING PROGRAMS

<u>Country and (No. of Participants)</u>	<u>Training Institution/ Type of Training</u>	<u>Expenditure</u>
Costa Rica (15)	George Washington University/ Dance	\$115,000
Egypt (30)	Colorado State University/ Water Management	121,141
El Salvador (10)	K. Salmon Assoc./ Supervision	34,100
El Salvador (19)	Texas A&M University/ Fruit & Vegetable Production	30,286
El Salvador (33)	Utah State University/ Water Management	173,410
Guatemala (10)	University of California/ Family Planning	70,000
Guatemala (30)	INCAE, Miami/ Family Planning	138,300
India (19)	Colorado State University/ Irrigation	500,000
Liberia (2)	University of Wisconsin/ Agriculture	21,000
Various (50)	A.I.D. & U.S. Forest Service/ Wildfire Suppression	221,550
Venezuela (20)	Disaster Preparedness Conference	41,700

S&T/IT was responsible through its contractors for monitoring both academic and technical training. Handbook 10 on Participant Training stated that the progress of participants was to be monitored by: (1) telephone, letters, and personal visits, (2) "special reports" submitted by technical participants and (3) by Academic Enrollment and Term Reports (AETRs) submitted by academic participants.

The contractors who managed participant programs provided a lesser degree of monitoring for technical participants than for academic participants. The progress of academic participants was adequately monitored through discussions with campus advisors, correspondence, and campus visits. In addition, academic participants submitted AETRs which detailed current courses, grades earned in the previous term, participant comments on academic problems, and comments by the participant's academic advisor. However, technical participants, because of the short-term nature of their programs, did not submit AETRs and were not monitored by letters and personal visits. In addition, technical participants did not submit "special reports" which evidenced participant progress or achievement.

Since technical participants were not adequately monitored, A.I.D. and the contractors who managed the program did not know for sure whether the participants attended regularly, performed adequately, or even completed training courses. Several examples follow:

- A.I.D. participants attended an eight-week USDA course in the summer of 1985 on the Management of Government Organizations at a cost of approximately \$150,000. A course report submitted by the lead instructor mentioned that three participants had "dropped out along the way," another three were ill quite a lot, and one had such severe family and personal problems that even when present was hardly able to participate. The report mentioned also that the class was constantly missing participants "who had disappeared to attend to some logistical detail." However, the course report did not identify participants and the contractor who managed the A.I.D. participants in this course received no attendance records to show who did not attend or who missed class and how often. Furthermore, the contractor made no effort to recoup advance maintenance paid. Technical participants often received a lump sum maintenance payment for the whole program. This was paid at the start of the program, and a prorated refund should have been collected for participants who left early. Also, in at least one case the participant data form sent by this contractor to update S&T/IT participant

records at program end did not indicate that the participant had in fact departed early. In addition, the training contractor had no assurance that these participants had been awarded completion certificates.

- A PIO/P issued in May 1985 obligated \$70,000 for Guatemalan participants to attend an eight-week technical course in Family Planning Management. Ten participants were selected by the Guatemalan government and A.I.D. mission and were sent to the program. However, according to the departure cable, only nine persons completed the seminar and returned to Guatemala. The contractor's monitoring records did not contain enough information to determine which participants actually attended or completed the course.
- A PIO/P issued in January 1984 obligated \$4,780 for a participant from Mexico to attend a course in Maternal Child Health and Family Planning from January 23 through March 16, 1984, at the Johns Hopkins University. The contractor's records showed that as of July 1986 the university had not submitted a voucher for the participant's tuition, indicating that the participant may not have attended the course, even though the participant had received maintenance payments of approximately \$2,000. The contractor's records did not contain any certification or other evidence that the participant had completed, or even attended, the course.
- A.I.D. budgeted \$221,000 for 56 participants to attend a three-week Wildfire Suppression Training Program. Nine out of 56 students failed the final examination given at the end of the course even though the course had been taught in the participants' native language. The contractor files had no attendance records, nor any indication of who had failed or who had completed the course.
- In another case, USAID/El Salvador obligated \$173,410 to send 33 participants to a five-week course on Farm Water Management at Utah State University's International Irrigation Center. A cable from the A.I.D. mission noted that there had been disciplinary problems in previous courses and recommended that the university implement "an effective participant control procedure" which included regulations for course related participation, class attendance, and final evaluation of participants. The cable requested that such evaluation include information on the number of days the participant was absent from class, information which could be used to seek reimbursement of maintenance

payments. It also requested that the institution issue completion certificates only to those individuals who had satisfactorily completed the course--full attendance being one criterion for satisfactory completion. As a result the university is now taking attendance in this course, and is issuing three levels of certificates: superior, satisfactory, and minimum participation certificates.

A.I.D. officials as well as contractors indicated that short-term programs are often harder to handle than academic programs for a number of reasons. Programming agents do not always have as much lead time as for degree students to set up requested programs, and last minute substitution of participants in short-term programs is common. In addition, because of the short duration of the programs and the fact that many consist of study at several locales, irregularities may not always be brought to the timely attention of the contractor. Also, many technical programs are scheduled for large groups of participants from a single country, and in such cases the contractor can only assume, unless informed otherwise, that individual participants attended and performed as expected. We feel that the above situation demonstrates the need for an effective control system to assure that the training was received as planned.

Progress reports on individual participants submitted at course end would provide the basis for tuition payments, and for maintenance payment adjustments when necessary. Such reports would include data on attendance, participant performance, and whether a certificate was awarded.

A.I.D. had no assurance for the \$50 million spent annually on technical training that (1) short-term participants completed the training, (2) participant performance justified the award of course certificates, and (3) maintenance allowances were adjusted for those participants who left early or did not attend. Information on attendance of technical training courses was needed to assure A.I.D. that participants received training and to provide the basis for accurate payment of participant allowances. The information on performance and certificate award would alert participants to the seriousness of the program and assure A.I.D. that program objectives are being accomplished.

Management Comments

S&T concurred that there should be increased monitoring of selected groups of technical participants. However, they felt that evaluation by course instructors on a form similar to the Academic Enrollment and Term Report is neither

practical nor possible for many types of technical training such as observational visits, study tours, and on-the-job training because there is often no instructor nor criteria for the successful completion of training. Consequently, S&T did not concur with the recommendation nor the idea that a blanket policy should exist. Also, S&T did not think it appropriate for S&T to amend Handbook 10 in this regard because almost all technical trainees are the responsibility of the missions.

Office of Inspector General Comments

We agree that participant evaluations would not be practical in some cases, such as observational visits. However, we disagree with S&T's position that it is inappropriate for S&T to amend Handbook 10. A.I.D. Handbook 17, Chapter 20, Section 20 M.l.b. lists one of S&T/IT's functions as follows:

. . . "Directs the development, implementation and maintenance of policies, regulations, procedures, and standards governing A.I.D.-sponsored nationals." . . .

We believe this is a sufficient basis for recommending S&T as the action office for Recommendation No. 3.

4. Participant Training Expenditures Were Made for Participants Whose Visas Had Expired

A.I.D. paid \$2.3 million on behalf of participants whose student visas had already expired according to S&T/IT records. Many of these payments were made for two or more years following the expiration of the visa. This situation occurred because either (1) contractors were lax in initiating necessary extensions or in maintaining accurate records and in reporting to A.I.D., or (2) A.I.D. was faulty in not updating and monitoring visa data.

A valid J-1 Visa (Exchange Visitor Visa) was mandatory for all A.I.D.-funded participants, and contractors were required to maintain accurate visa status records for each participant they managed. In addition, S&T/IT was required to maintain a record of visa and other participant training information. However, S&T/IT records on participant visa status suffered from a lack of consistent monitoring by S&T/IT, both of contractor performance and of the validity and completeness of its own records. As a result, S&T/IT had little assurance for the \$150 million spent annually on participant training that participants remained in valid visa status or that contractors were performing as required.

Recommendation No. 4

We recommend that the Director of the Office of International Training, Bureau for Science and Technology, develop procedures requiring that participant visa data be kept current. Such procedures should focus on patterns of inadequate reporting by all participant training contractors and require coordination with cognizant bureaus for those contractors not managed by S&T/IT.

Discussion

A review of A.I.D. financial records revealed that since fiscal year 1979, payments totaling \$2.3 million were made on the behalf of participants whose visas (per S&T/IT records) had expired. Such payments after visa expiration dates were made for over six hundred participants, and payments for 166 of these participants were made in two or more years following the fiscal year of visa expiration. For example, a participant attending the University of Southern California had a visa termination date of June 30, 1983. Payments totaling \$23,000 were made for this participant in fiscal years 1984 and 1985. Another participant at the University of South Dakota had a visa

termination date of June 27, 1984, but payments totaling \$36,000 were made in the next two fiscal years. In fact, 10 participants received payments in excess of \$30,000 after the apparent expiration date of their visas as shown below:

PARTICIPANTS IDENTIFIED BY COUNTRY WHO WERE PAID
A TOTAL OF \$30,000 OR MORE IN THE FISCAL YEARS
AFTER THEIR VISA EXPIRATION DATES

<u>Country of Participant</u>	<u>Visa Expiration Date</u>	<u>Amount Paid After Visa Expiration</u>
India	8/19/81	\$ 83,217
Senegal	8/24/80	41,915
Egypt	9/30/81	38,926
Yemen	6/27/84	36,013
Caribbean Region	9/16/82	34,990
Swaziland	12/29/80	33,544
Swaziland	8/18/80	32,742
Kenya	8/15/79	31,908
Cameroon	9/03/80	31,685
Philippines	10/23/82	<u>30,395</u>
Total		<u>\$395,335</u>

As of April 1986, the visa termination dates for seven percent, or 896, of the fiscal year 1985 participants in S&T/IT records were either blank or already expired. Of these 896 participants, 478 were handled by six contractors, each of which, per S&T/IT records, showed blank or expired visa termination dates for 28 percent or more of the participants they managed as shown in the following schedule:

<u>Contractor</u>	<u>Total Participants Managed (FY 85)</u>	<u>Participants With Blank or Expired Visas *</u> (as of 4/26/86)	
		<u>Number</u>	<u>Percent</u>
Government of Tunisia	469	310	66%
Organization of American States	239	84	35%
Latin American Scholarship Program - American University	150	43	29%
Harvard Institute for Inter- national Development - MUCIA	67	19	28%
Michigan State University	21	10	48%
University of California - Davis	<u>17</u>	<u>12</u>	71%
TOTAL	<u>963</u>	<u>478</u>	50%

* Based on participants on board 13 months or more.

As of July 31, 1986, after efforts by S&T/IT to correct the Participant Training Information System records "with no visa coverage," there was still 910 participants--an increase of 14 participants--for whom accurate visa data was lacking.

Situations such as these occurred because either (1) contractors were lax in initiating necessary extensions, in maintaining accurate records or in reporting the data to S&T/IT or (2) S&T/IT was not updating and monitoring information in their data files. Certainly the high percentage of blank or expired termination dates for a number of contractors suggest that the former may be true.

A valid J-1 visa (Exchange Visitor Visa) was mandatory for all A.I.D.-funded participants, including individuals trained under USAID, host country and centrally funded contracts. Missions and contractors used form 1AP-66A, "Certificate of Eligibility for Exchange Visitor (J-1) Status" for obtaining a J-1 visa. Initially, the form was

completed by the mission, signed by a designated American officer, and one of five copies was forwarded by the mission to S&T/IT. Subsequent extensions used the same form and were generally initiated by the contractor managing the participant. The contractor then forwarded the form to S&T/IT. The A.I.D. copy of the IAP-66A was the primary input document for the S&T/IT information system on participant visa status.

Contractors were required to maintain an accurate record of the visa status of each participant it managed and to resolve promptly any discrepancy between the visa expiration date and the projected training termination date. While all contractors were required to submit a participant data form to S&T/IT, which included visa data, S&T/IT contractors were required additionally to submit monthly visa status reports. These reports included participant arrival dates, estimated completion dates, visa expiration dates, and a statement on any action intended or taken with regard to the participant's visa.

The Office of International Training was required to maintain automated systems to compile participant training data, including data on visa status. While S&T/IT had a clear contractual responsibility to monitor the performance of its own contractors, its responsibility for other contractors was more indirect. The USAID or A.I.D. office signing such contracts had direct responsibility for assuring that training under the contract would be accomplished in accordance with the policies, guidance and reporting requirements of A.I.D. Handbook 10 - Participant Training. However, S&T/IT, in fulfilling its responsibilities to monitor contractor performance and maintain information on participants under the various contracts, is responsible to insure that all contractor reporting requirements are met.

The Office of International Training is aware of the blank and incorrect visa data problem and is working to correct it. S&T/IT considers the problem to be primarily a reporting problem and has worked with its own contractors to resolve discrepancies for participants managed by them. However, incorrect or missing visa data on participants managed by "outside contractors" had not been adequately addressed. Consequently, S&T/IT records on participant visa status suffered from a lack of consistent monitoring by S&T/IT, both of contractor performance and of the validity and completeness of its own records.

As a result of inconsistent monitoring, S&T/IT had little assurance that the \$35 million spent annually on participants

managed by their offices were for participants who remained in valid visa status, or even more importantly that contractors, mainly those engaged by the USAIDs and other bureaus, were performing as required. While the expiration of the visa of a participant enrolled in school may have little more effect than to inconvenience the participant or embarrass the contractor, the greater concern is that the participant may not be in school and may be staying in the U.S. illegally.

Visa status information was either lacking or outdated for a significant number of PTIS records. A review of such omissions and discrepancies revealed a pattern of nonreporting by certain non-S&T contractors. In order to help ensure that illegal aliens are not in the U.S. and to fulfill S&T/IT's responsibilities with regard to maintaining accurate participant records, S&T/IT should develop procedures to assure that visa data be kept current, focusing especially on significant cases of contractor nonperformance.

Management Comments

S&T stated that contractors are required to maintain visas current and that being out of visa status is a violation of the U.S. Immigration and Naturalization Service regulations which A.I.D. does not have authority to enforce.

Office of Inspector General Comments

According to A.I.D. Handbook 10, S&T/IT is responsible for evaluating "the effectiveness of all aspects of participant training, with emphasis on appraisal of contractor . . . performance" . . . This performance includes maintaining current visas for participants.

B. Compliance and Internal Control

Compliance

Our audit tests disclosed noncompliance with A.I.D. Handbook 19, Chapter 2, Obligation Procedures. (See Finding No. 1.) Nothing came to our attention to indicate that untested items were not in compliance with applicable regulations and policies.

Internal Control

The audit revealed that internal controls for assuring the integrity of the administrative and financial data in the Participant Payment System (PPS) were inadequate. Erroneous financial data and outdated administrative information have been entered and have remained in the system for several years without being detected. For example, in July 1981, a transaction was recorded in the PPS which indicated that one participant was paid \$690,902 in one tuition payment. A review of the supporting documents showed that the participant was only paid \$1,878; a project implementation order number was incorrectly recorded for the dollar amount. Nevertheless, the error went undetected until this audit. In another example, a computer programming problem caused the fiscal year 1983 expenditures for a significant number of participants to be erroneously duplicated in fiscal year 1984, meaning that the participant expenditure data for fiscal year 1984 are totally unreliable. This error also went undetected until this audit. Although the Participant Payment System and the Master Disbursing Account (MDA) were intended to operate in parallel, the two systems were apparently not reconciled.

A.I.D. also had inadequate internal controls to assure that short-term participants received the training for which it had paid (See Finding No. 3).

AUDIT OF THE
PARTICIPANT TRAINING PROGRAM

PART III - EXHIBIT AND APPENDICES

PAYMENTS FOR A.I.D. PARTICIPANTS BY COUNTRY WITH
NO RECORD OF ATTENDANCE AT THE UNIVERSITY

<u>Participant Country</u>	<u>University</u>	<u>Amount</u>		<u>Contractor: 1/</u>
		<u>Obligated</u>	<u>Expended</u>	
<u>Academic Participants 2/</u>				
Kenya	Georgia	\$ 35,234	\$ 2,452	USDA
Kenya	Boston	26,117	26,631	RLA
Kenya	Cal. State	47,631	13,800	USDA
Egypt	Wisconsin	32,279	27,536	RLA
Egypt	Connecticut	12,531	5,560	PIET
Ghana	Pennsylvania	45,747	32,019	PIET
Ghana	Northeastern	31,472	25,703	RLA
Bangladesh	Chicago	19,718	18,573	RLA
Bangladesh	Kansas State	21,014	1,096	RLA
Tanzania	W. Va. State	15,896	3,626	USDA
Syria	American	35,000	22,814	RLA
Cameroon	Colorado St.	43,603	8,954	RLA
Nepal	Indiana	30	6,051	PIET
Morocco	UCLA	40,376	29,023	PIET
Morocco	So. Carolina	16,242	2,688	SECD
Lesotno	So. Illinois	37,228	28,216	RLA
Botswana	New Mexico	36,089	36,784	RLA
Botswana	No. Carolina	51,417	34,211	SECD
Southern Africa Regional	Geo. Wash.	17,600	10,998	RLA
Yemen	Geo. Wash.	98,115	80,862	PIET
Yemen	Central Florida	34,497	1,125	SECD
Honduras	Missouri	15,260	16,542	A.I.D./W
Honduras				
(5 participants) 3/	New Mexico	<u>107,297</u>	<u>82,545</u>	PIET
Sub-Total (27 participants)		\$820,393	\$517,809	
<u>Technical Participants 2/</u>				
Lesotho	Georgia	\$ 4,732	\$ 3,452	USDA
Southern Africa Regional	So. California	7,805	7,344	A.I.D./W
Bangladesh	So. California	5,075	4,371	PIET
Portugal	Wisconsin	6,817	5,720	PIET
Somalia	Miss. State	7,464	1,350	USDA
Panama	Tulane	0	1,410	PIET
Latin American Regional	Tulane	0	3,185	PIET

PAYMENTS FOR A.I.D. PARTICIPANTS BY COUNTRY WITH
NO RECORD OF ATTENDANCE AT THE UNIVERSITY

<u>Participant Country</u>	<u>University</u>	<u>Amount</u> <u>Obligated</u>	<u>Expended</u>	<u>Contractor</u> <u>1/</u>
<u>Technical Participants</u> <u>2/</u> (Continued)				
Liberia	So. California	0	6,252	PIET
Columbia	Boston	7,070	2,275	PIET
Niger	Colorado State	5,781	4,726	USDA
Unknown	UCLA	0	1,917	PIET
Costa Rica	Nebraska	16,890	10,951	USDA
Thailand	California/ Berkley	7,959	4,140	A.I.D./W
West Indies	Utah State	9,421	8,292	PIET
West Indies	Texas Southern	19,586	2,772	PIET
West Indies	Missouri	1,774	1,899	PIET
Jordan	Missouri	5,110	1,575	PIET
Pakistan	So. Carolina	2,140	3,850	PIET
Burundi	Geo. Wash	5,459	9,810	PIET
Costa Rica	Geo. Wash	0	2,372	PIET
Jamaica	Geo. Wash	0	4,360	PIET
Jamaica	Cal. State Poly.	10,310	6,271	USDA
Egypt (12 participants)	Cal. State Poly.	47,565	39,798	USDA
Sudan	Howard	20,941	38,732	A.I.D./W
Sudan	No. Carolina	13,317	3,746	OHR
Sudan	No. Carolina	,0	1,300	PIET
Sri Lanka	No. Carolina	3,373	3,180	PIET
Egypt	No. Carolina	24,763	22,145	CENS
Egypt	No. Carolina	2,834	2,515	OHR
Egypt (16 participants)	Texas Tech	92,022	29,350	USDA
Egypt	Harvard	7,780	1,550	PIET
Egypt (10 participants)	W. Illinois	40,400	40,400	USDA
Egypt	San Diego St.	12,744	1,575	OHR
Egypt (3 participants)	Connecticut	0	7,105	A.I.D./W
Egypt	Connecticut	19,132	9,681	PIET
Malawi	Connecticut	39,037	1,300	PIET
Sierra Leone (2 participants)	Connecticut	15,757	13,966	PIET
Tanzania	Connecticut	8,270	1,375	PIET
Unknown (2 participants)	Connecticut	90,641	39,835	OHR
Yemen	Connecticut	7,322	6,524	A.I.D./W

PAYMENTS FOR A.I.D. PARTICIPANTS BY COUNTRY WITH
NO RECORD OF ATTENDANCE AT THE UNIVERSITY

<u>Participant Country</u>	<u>University</u>	<u>Amount</u> <u>Obligated</u>	<u>Expended</u>	<u>Contractor</u> ^{1/}
<u>Technical Participants</u> ^{2/} (Continued)				
Togo	Columbia	0	1,410	PIET
Guatemala (10 participants)	California/ San Francisco	71,579	64,800	PIET
Guatemala	Georgetown	0	15,813	PIET
Honduras ^{3/}	Georgetown	9,977	18,590	PIET
Honduras ^{3/}	Unknown	63,990	61,275	A.I.D./W
Honduras ^{3/}	Management Science for Health	19,036	15,760	A.I.D./W
Honduras (6 participants)	MIT	<u>0</u>	<u>16,200</u>	<u>PIET</u>
Sub-TOTAL (100 participants)		<u>\$733,873</u>	<u>\$556,219</u>	
GRAND TOTAL (127 participants)		<u>\$1,554,266</u>	<u>\$1,074,028</u>	

1/ Contractor Abbreviations:

A.I.D./W - A.I.D./Washington
 CENS - Bureau of the Census
 OHR - A.I.D./Office of Human Resources
 PIET - Partners for International Education & Training
 RLA - Roy Littlejohn Associates
 SECD - Southeast Consortium for International Development
 USDA - U. S. Department of Agriculture

2/ Data is for one participant unless otherwise noted.

3/ No record at the A.I.D. Mission

February 2, 1987

MEMORANDUM FOR IG/PSA, WILLIAM C. MONTONEY

FROM: M/FM/CONT, *Heaps 4/20*
for Curtis W. Christensen

SUBJECT: Draft Inspector General Report: Audit of The
Participant Training Program

REFERENCE: Your October 7 memo to Mr. Brady and Mr. Rollis

Thank you for the opportunity to comment on the subject draft report. We will restrict our comments to the portion of the report dealing with your Recommendation No. 1 as Recommendations 2 through 5 are directed to the Office of International Training.

The report points out certain weaknesses in accounting and errors in the Participant Payment System (PPS) system. We tend to agree that weaknesses do exist. However, we must point out that the PPS is not an official accounting record but is only an information system designed to help in tracking participant payments and assist in providing statistical data and information useful in tracking trends in the Master Disbursing Account (MDA). Therefore, information from the PPS should not be used to draw formal conclusions on the status of the MDA.

We agree that the MDA balance has increased over the past few years. Whether this balance is excessive in relation to existing liabilities of the fund is subject to judgment. As the office with responsibility for assuring the integrity of the MDA, we may have been understandably conservative in the establishment of inflation factors. Our position is based upon our understanding that there are lags in billings and should we not provide a sufficient inflation factor, there would be insufficient funds to cover cost increases and budget shortages. However, in FY 1986 prior to the start of this audit, we decided to reverse the growth in the MDA balance by cutting the inflation rate to 6 per cent which is about 2 per cent below the current inflation rate for universities. We believe this is a realistic rate. We are prepared to make additional cuts in the inflation /contingency rate if our analysis and judgement indicate that the balance should be reduced further, but question why the draft report makes only slight mention of our reduction of the inflation factor.

-2-

We believe that by establishing a trend line the MDA can be adequately controlled so that excessive surpluses or deficits do not develop. Surpluses built up on prior years will be returned to the missions in the form of reduced costs budgeted in current PIO/P's. No funds will be lost over the long term.

We accept Recommendation No. 1 and agree to develop an information report to be sent to Missions which appear to be remitting excessive credit transfers. This report will be geared to identify Missions which are sending credit transfers for participants who cancel or drop-out.

We agree that more effort needs to be made to alert Missions which appear to be seriously over obligating/committing funds in PIO/Ps. However if budgeting for PIO/Ps is carefully done there is no reason to believe that the MDA is harbouring any invalid or excessive obligations recorded on Mission or AID/W records.

The schedule on page 14 is an example of how analysis of partial data can present conflicting and misleading conclusions. If we accept the auditor's position that the countries listed have remitted over \$17 million in excess funds which should be deobligated then the MDA is not in surplus by \$9 million, but rather it is in a deficit position by over \$8 million. The report should be revised to clarify what this schedule represents.

The discussion which begins in the last paragraph on page 16 and continues through the second paragraph on page 18 should not be included in this report. This discussion implies that each PIO/P must be treated as an obligation under the rules cited in 31 USC 1501 and that each PIO/P must be reviewed for deobligation each fiscal year. This discussion fails to recognize the nature of the PIO/P as a commitment document, rather than an obligation document. The report also fails to recognize the the impact of this discussion on the entire MDA concept.

Please call Elmer Owens on 632-0066 if you have any questions.

76

SENIOR ASSISTANT ADMINISTRATOR

MEMORANDUM

TO: IG, Herbert L. Beckington

FROM: S&T, N. C. Brady *llg*

SUBJECT: Draft Inspector General Report: Audit of the
Participant Training Program

Following are our comments in response to the subject audit report.

We would be pleased to discuss these comments with you.

Attachment:

Listed below are the written comments of the Bureau for Science and Technology on each of the recommendations in the draft IG report: Audit of the Participant Training Program.

General Comment: While the Bureau for Science and Technology shares the concern about the problems discussed in the draft report, it should be noted that S&T/IT does not have management authority or responsibility for A.I.D.'s entire program of participant training. S&T/IT has direct management responsibility for only 31% of the total number of participants trained each year and of only 20% of the total MDA. Many of the concerns in the draft report raise issues which involve the responsibilities of the Regional Bureaus and of the Office of Financial Management.

Recommendation No. 1: The S&T Bureau has no comment to offer since it concerns the AA for Management.

Recommendation No. 2: The PTIS is a management information system which provides S&T/IT with general data about trends in participant training. It is not a record of eligibility or accounting data nor a control system of obligations and disbursements. This recommendation is not practical and FM/PAFD has established satisfactory payment procedures which do not involve the PTIS.

Recommendation No. 3: We concur there should be increased monitoring of selected groups of technical participants. However, evaluation by course instructors on a form similar to the Academic Enrollment and Term Report is neither practical nor possible for many types of technical training such as observational visits, study tours, and on-the-job training. There is often no instructor nor criteria for the successful completion of training. Thus we do not concur with the procedural recommendation nor the idea that a blanket policy should exist. Also, the recommendation that the Senior Assistant Administrator for S&T amend Handbook 10 is not appropriate. In fact, almost all of A.I.D.'s technical trainees are the responsibility of the Missions and not of S&T/IT nor the S&T Bureau.

Recommendation No. 4: Contractors are required to maintain visas current. Being out of visa status is a violation of INS regulations which we do not have the authority to enforce. Being out of visa status does not invalidate training programs nor the payment for those programs.

Recommendation No. 5: The IG provided S&T/IT with a list of 1,529 names which the IG had not identified in the PTIS. S&T/IT accounted for 1,180 of these with the balance of 349 still to be identified. The labor intensive and time consuming task of recovering these names from the old, hard copy files of the contractor is neither cost effective nor justifiable.

LIST OF RECOMMENDATIONS

Page

Recommendation No. 1

6

We recommend that the Assistant to the Administrator for Management:

- a. develop a reconciliation process which periodically identifies excess balances in the MDA and reports these amounts to A.I.D and missions, and
- b. periodically review the validity of the contingency/inflation factor used in computing participant training budgets.

Recommendation No. 2

11

We recommend that the Director of the Office of International Training, in conjunction with the Controller in the Office of Financial Management, develop a periodic reconciliation process which reconciles Participant Training Information System data with Office of Financial Management participant payment data and identifies and corrects inaccurate data.

Recommendation No. 3

18

We recommend that the Senior Assistant Administrator, Bureau for Science and Technology, initiate an amendment to Handbook 10 to require that the progress of individual technical participants be recorded by the course instructor and reported on a form similar to the Academic Enrollment and Term Report used for academic participants. The record should include data on attendance, at a minimum, and where appropriate, data on participant performance and whether a certificate of completion was awarded.

LIST OF RECOMMENDATIONS (Cont)

	<u>Page</u>
<u>Recommendation No. 4</u>	25

We recommend that the Director of the Office of International Training, Bureau for Science and Technology, develop procedures requiring that participant visa data be kept current. Such procedures should focus on patterns of inadequate reporting by all participant training contractors and require coordination with cognizant bureaus for those contractors not managed by S&T/IT.

Report Distribution

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RIG/A/W	1
IG/EMS/C&R	16