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*REPORT OF THE
COMPTROLLER GENERAL
OF THE UNITED STATES*



Strengthening And Using
Universities As A Resource
For Developing Countries

In 1975 the Agency for International Development awarded \$42.9 million in contracts and grants to U.S. universities, part of which was specifically for strengthening the universities' capabilities to deal with problems of developing countries.

GAO found that not all such grants had been made in priority areas of interest, which limited use of the capabilities being developed. GAO recommends that such grants be made only when clearly necessary to develop capabilities the Agency needs.

Contracts and grants have usually been awarded noncompetitively often on the basis of work proposals the universities developed. GAO recommends that the Agency procure services from the universities only in response to Agency programing needs and consider all potential sources when awarding contracts for such services.

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MAY 5, 1976

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COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D. C. 20548

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The Honorable Daniel K. Inouye
Chairman, Subcommittee on Foreign
Operations
Committee on Appropriations
United States Senate

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Dear Mr. Chairman:

In response to your April 17, 1975, request we have reviewed the Agency for International Development's use of colleges and universities, consultants and advisers, and private and voluntary organizations in carrying out foreign assistance programs. This report discusses the Agency's use of universities as a development resource, and it suggests that your Subcommittee may wish to explore with the Agency the differing views concerning whether grants should be given to universities to develop or strengthen capabilities if the Agency has no planned use for these capabilities. Separate reports will be issued on the other two subject areas in your request.

In accordance with your wishes, we did not follow our usual practice of submitting the report to the Agency or the universities for their official comments. We did, however, discuss our findings with Agency officials and consider their comments in preparing this report, and the universities having grants and contracts used as illustrations in this report were informed of the pertinent material. We reviewed the Agency's practices, and it was not our intent to judge the universities beyond their activities under Agency grants or contracts.

This report contains recommendations to the Administrator of the Agency for International Development concerning the need to better plan and use university capabilities, being developed with grants under section 211(d) of the Foreign Assistance Act, and the need to consider all potential sources when procuring services from universities to meet Agency programing needs.

As you requested, this report will be available for general distribution 2 weeks after it has been received by your Subcommittee. Release to the Agency will activate

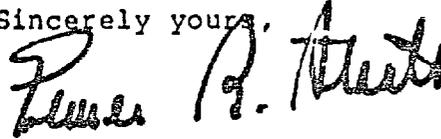
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section 236 of the Legislative Reorganization Act of 1970 which requires the head of a Federal agency to submit a written statement on actions taken on our recommendations to the House and Senate Committees on Government Operations within 60 days, and to the House and Senate Committees on Appropriations with the agency's first request for appropriations made more than 60 days after the date of the release of the report.

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Sincerely yours,



Comptroller General
of the United States

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ABBREVIATIONS

AID	Agency for International Development
GAO	General Accounting Office
LDC	Less Developed Country

REPORT OF THE COMPTROLLER
GENERAL OF THE UNITED
STATES

STRENGTHENING AND USING
UNIVERSITIES AS A RESOURCE
FOR DEVELOPING COUNTRIES
Agency for International
Development

D I G E S T

The Foreign Assistance Act of 1961 directs that the Agency for International Development, to the extent practicable, use the facilities and services of the private sector, including educational institutions, in carrying out assistance programs.

During fiscal years 1967-75, the Agency awarded \$442 million to U.S. colleges and universities for such services as training, technical assistance, or research.

In reviewing Agency relationships with universities, GAO found that:

- Agreements for services often were based on universities' unsolicited proposals.
- The Agency generally made awards on the basis of subjective considerations without competitive cost or technical proposals.
- Services procured were not always directly related to the Agency's immediate programming needs.
- Special awards made to improve the universities' response capabilities were not always in priority areas.

RECOMMENDATIONS TO THE SUBCOMMITTEE
AND THE AGENCY ADMINISTRATOR

GAO is recommending to the Agency Administrator that:

- All potential sources be objectively and subjectively considered when technical services contracts are awarded. (See p. 11.)

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--Technical services contracts and contracts to develop overseas educational institutions to be awarded in response to specific program needs, and contract objectives be clearly stated so the Agency can determine whether the contractor is performing adequately. (See pp. 11 and 18.)

--In the program planning process, bureaus and missions be required to give full consideration to capabilities developed by universities at Agency expense so the considerable investment will yield the greatest return. (See p. 7.)

In the Agency's view, grants to strengthen U.S. universities' capabilities to develop and carry out programs concerned with social and economic development in developing countries are an appropriate use of funds even though the Agency may have no plans for using the strengthened capabilities.

The Subcommittee should consider whether Agency funds should be used to develop capabilities for which there is no planned use or whether grant funds should be directed toward key problem areas identified by the Agency, strengthening university capabilities where a need exists and there is planned use for the strengthened capabilities.

If the Subcommittee determines that such grants should be made to develop capabilities in the key problem areas, it may wish to require that the Agency Administrator, before awarding grants to develop university capabilities, insure that the grants are necessary to create additional resources essential to development programming needs. To the extent possible, the planned uses for these resources will sustain these capabilities without "maintenance" funding. (See p. 7.)

GRANTS TO STRENGTHEN
U.S. UNIVERSITY CAPABILITY

A 1966 amendment to the Foreign Assistance Act authorized the Agency to provide funds to U.S. research and educational institutions to strengthen their capabilities to develop and carry out programs concerning economic and social development in developing countries. From 1968 through 1975, the Agency awarded

\$42.8 million to 45 institutions specifically to strengthen their developmental capabilities. (See p. 5.)

The lack of agreement within the Agency on the intent of the authorizing legislation resulted in some awards being made without adequate Agency-wide planning or agreement on how the developed capabilities would be used. By design, the universities used most of the money to hire additional staff in the area in which capabilities were to be developed. As some grants expired and the development of programing needs could not support the new capabilities that generally were embodied in individuals, the Agency had to decide whether to let the capabilities dissipate or to provide continued funding to maintain them. (See p. 7.)

In several instances where development programing demands were not sufficient to support the capabilities at the universities, the Agency extended the grants to maintain the capabilities. Unless the Agency adequately plans for using the capacities developed at the universities with grant funds, some maintenance funding may be needed indefinitely. (See p. 9.)

CONTRACTS FOR TECHNICAL SERVICES

Contracts under which universities provide technical services cover a wide range of activities. These contracts have generally been awarded non-competitively on the basis that the selected university had the "predominate capability" to do the work in the time required.

Many predominate capability justification statements did not show that other potential sources had been adequately considered. Contracts were awarded to the selected universities primarily on the basis of prior work for the Agency. In many cases, a project proposal was developed jointly by a university and the Agency on the assumption that any contract to carry out the project would go to that university.

A recent revision to the Agency's procurement regulations provides for limited competition, in contracting with universities, based on

technical proposals without cost data. GAO has some reservations that the revision will result in greater competition, but it is too early to judge the results of the revision. (See pp. 17 to 22.)

RESEARCH CONTRACTS

Since 1962 the Agency has given \$83 million to U.S. universities under its central research program. Virtually all research contracts are based on unsolicited proposals received in response to the Agency's request for assistance in defining development problems and proposing innovative solutions.

On occasion the Agency moved its research contracts from one university to another when the principal investigator moved. The latitude given to researchers appears to carry over into the monitoring of research contracts. Monitors did not always know of the contractors' progress or whether research results were being adequately used. (See pp. 23 to 31.)

LONG-TERM CONTRACTS TO DEVELOP EDUCATIONAL INSTITUTIONS OF LESS DEVELOPED COUNTRIES

The traditional type of Agency relationship with universities was, until the early 1970s, the multiyear contract to establish or strengthen institutions of higher education in developing countries. Such contracts have generally been awarded noncompetitively on the basis of the Agency's subjective analysis of U.S. universities' experience, capabilities, and commitment to long-term involvement.

GAO found that some contracts had been extended over 15 years and that the Agency sometimes had difficulty agreeing with the universities on when the jobs were completed. Project evaluations sometimes were not timely enough that the contractors' progress in fulfilling the contract objectives could be ascertained. (See pp. 32 to 36.)

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DIRECT AND INDIRECT COSTS OF
UNIVERSITY GRANTS AND CONTRACTS

The Agency reimburses a university for the direct and indirect costs of services provided. Indirect costs are reimbursed at a percentage rate of direct costs. How this rate is computed and what it means have been widely misunderstood. Universities use different accounting systems and compute the rates using different direct-cost bases; therefore, universities' indirect cost rates should not be compared. The important factor is the total cost of providing the services. (See pp. 38 to 42.)

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CHAPTER 1

INTRODUCTION

During hearings held on April 17, 1975, the Chairman, Subcommittee on Foreign Operations, Senate Committee on Appropriations, asked us to review the Agency for International Development (AID)-financed contracts and grants with universities. 97

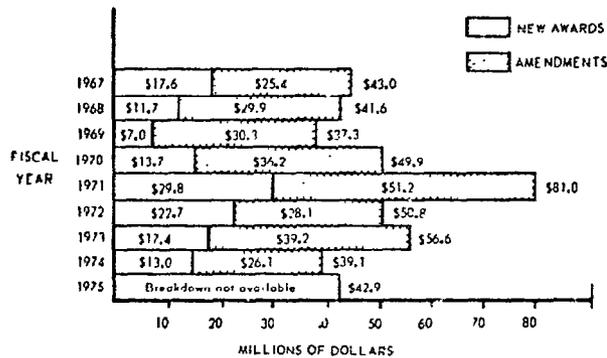
The Foreign Assistance Act of 1961, as amended, states that, to the extent practicable, AID will use the facilities and services of the private sector, including educational institutions, in carrying out assistance programs. In response to this legislation AID has awarded a multitude of grants and contracts to U.S. universities. Contracts and grants awarded for the following purposes were included in our review:

- Grants to U.S. universities to develop their own capability to deal with problems of less developed countries.
- Contracts to provide a wide range of technical assistance activities, both in the United States and in less developed countries, including training for AID employees.
- Contracts to perform research in areas such as population, agriculture, and health.
- Contracts to develop educational institutions overseas.

DOLLAR VOLUME

Statistical data collected from various sources, including the AID Auditor General and the Office of Contract Management, show the following approximate annual value of AID-university contracts and grants from fiscal years 1967 through 1975.

Value of Aid-University Contracts and Grants by New Awards and Amendments, Fiscal Years 1967 - 1975



Since 1967, the value of university contracts and grants has represented from 2 to 5 percent of AID's total appropriation. At the end of December 1963, 72 U.S. universities were working under active contracts and grants with AID. By the end of June 1974, the number of universities had increased to 134. The following table based on AID's June 30, 1974, report of university contracts shows, for each of the four purposes stated above, the number of universities involved, and the number of contracts or grants awarded.

<u>Purpose of contracts or grants</u>	<u>Number of universities</u>	<u>Number of contracts/grants</u>
Grants primarily to strengthen the U.S. universities own capacity to deal with problems of less developed countries	46	69
Contracts for a variety of technical services in the United States and in less developed countries, including training for AID personnel	47	87
Contracts for research in development problems	28	36
Contracts to develop educational institutions in less developed countries	32	47

CONTRACTS VERSUS GRANTS

AID policy states that contracts are the normal legal relationship for the procurement of goods or services and that grants should not be used as substitutes for contracts, thereby rendering inapplicable the rules and procedures set forth in the Federal and AID Procurement Regulations. Grants are not to be used for the performance of projects over which AID plans to exercise a substantial degree of operational control. It is appropriate to use grants in carrying out the purposes of the Foreign Assistance Act when emphasis is placed on promotion of the independent capacity, integrity, and quality of the organization or program supported, rather than on specific work and the manner in which it is performed on a day-to-day basis.

Although AID's policy guidelines concerning the use of contract or grant instruments are clearly stated, we found that the application of this policy to relationships with universities is much less clear. We found instances where contract and grant instruments were used to accomplish nearly the same purpose. For example, small research projects are funded under a prime contract and subcontracts at one university and under a prime grant and grant amendments at another university.

MAJOR RECIPIENTS

For certain activities, we identified the major recipient universities over a number of years. This data for institution-building grants and for research contracts is shown in appendixes II and III, respectively. The following table shows the dollar value of all university contracts, grants, and amendments, by functional category, awarded during fiscal year 1975:

<u>Functional category</u>	<u>Dollar amount of awards</u>
Population and health	\$ 8,267,000
Food and nutrition	23,485,000
Education (includes participant training)	9,440,000
Employment	770,000
Other	945,000
Total	<u>\$42,907,000</u>

AID-UNIVERSITY RELATIONS

From 1965 to 1973 AID and the universities had a formal relationship established through the Advisory Committee on AID-University Relations. The Advisory Committee, made up of representatives of five university associations, met twice annually with top AID officials. After the dissolution of the formal Advisory Committee in 1973, AID planned to continue informal meetings with the university associations. These planned informal meetings did not succeed in maintaining or furthering a good working relationship with the universities, and during 1974 AID took major steps to establish a new dialog with the universities. The renewed series of meetings began with the National Association of State Universities and Land Grant Colleges in November 1974. Through this series of meetings, AID and the association have dealt with numerous problem areas.

On December 20, 1975, the Foreign Assistance Act of 1961 was amended to add title XII. Title XII established an expanded role for universities in the area of foreign assistance, and it was the intent of the amendment sponsors that U.S. land grant and other universities would become partners with AID in implementing the Famine Prevention and Freedom from Hunger Amendment. As of March 1976 implementing procedures had not been established. In formulating its new relationship with universities in the food and agricultural field, AID should consider the problems discussed in this report, particularly the need to adequately plan for how the strengthened capabilities of U.S. universities will be used in carrying out development activities.

The results of our review reported in the following chapters represent our findings concerning those contracts and grants at which we looked. We do not suggest that the same problems exist with respect to all AID-university contracts and grants. However, we cannot be sure that these or other problems do not exist with respect to other AID contracts and grants with universities.

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CHAPTER 2

GRANTS TO STRENGTHEN CAPABILITIES

OF U.S. INSTITUTIONS

Section 211(d) was added to the Foreign Assistance Act in 1966 to permit AID to provide foreign assistance funds to U.S. research and educational institutions "to strengthen their capability to develop and carry out programs concerned with the economic and social development of less developed countries." The first grants under this authority were made in fiscal year 1968. As of December 31, 1975, AID had made 54 grants totaling \$42.8 million to 45 universities under the 211(d) program.

HISTORICAL SYNOPSIS

Although section 211(d) was added to the act in 1966, AID did not begin making the 5-year grants until fiscal year 1968. In 1970 AID redefined its priorities, establishing the concept of Key Problem Areas. In 1973, as the first grants neared expiration, AID faced the decision of whether or not to renew them. At that time AID began a comprehensive review of the 211(d) program and extended some of the grants to postpone a decision on their renewal, pending the results of the review. In October 1974, AID issued a new policy statement on section 211(d) grants, based on the results of the review. Under this policy, selected grants are extended to "utilize" the developed capacity.

BACKGROUND OF SECTION 211(d) PROGRAM

AID and its predecessor agencies had always contracted with universities to carry out specific development activities, but AID believed that its working relationship with the universities could be improved. A special study financed by AID to address this problem concluded in 1964 that the major problem in the AID-university relationships was that, whereas AID believed it needed the multidisciplinary resources available in the universities, the universities were generally not committed, on an institution-wide basis, to regular involvement in overseas activities. The agency saw a need to somehow stimulate the universities to a broad commitment to international activity.

A legislative proposal prepared by the administration in 1966 included two elements which would provide funds to universities to stimulate the establishment and strengthening of programs of international studies (1) the International Education Act would authorize funding to create a balance

in university curriculums between international and domestic programs and (2) the section 211(d) amendment to the Foreign Assistance Act would authorize funding to create resources upon which AID could draw to meet its current and future development program needs.

In discussing the proposed legislation, AID told the Advisory Committee on AID-University Relations that the Agency was attempting to make a clear distinction between (1) activities in the foreign aid field authorized and financed under the Foreign Assistance Act and (2) activities to strengthen education in international fields not for foreign aid purposes but to permit the United States to better fulfill its role as a member of the world community of nations.

In the House of Representative's Committee on Foreign Affairs Report (No. 1651, June 23, 1966) the 211(d) amendment was seen as enabling universities to develop on-campus competence through indepth studies directed toward particular subjects, the emphasis of which would be on technical programs directly related to economic growth. AID would then be able to draw upon the universities' findings for programing and implementation. Thus, section 211(d) was seen as complimentary to the International Education Act which would permit the development of educational expertise, including language and area studies, as an end in itself.

The International Education Act authorized \$140 million in grants for fiscal years 1967, 1968, and 1969; however, no funds were appropriated to carry out the act. The amendment adding section 211(d) to the Foreign Assistance Act, which was only a small part of this total legislative package, was passed in September 1966 and became the part of the legislation under which the universities could receive funds to develop international expertise. Section 211(d) provided that up to \$10 million in Foreign Assistance Act funds could be used in a fiscal year to strengthen the capabilities of universities.

Subsequently, two interpretations of the intent of section 211(d) developed. On the one hand, universities, whose expectations had been built up by the prospect of grant funds for developing international programs as an end in itself under the International Education Act, tended to expect 211(d) funds to be made available for that purpose. Within AID, some officials had expectations for section 211(d) which closely paralleled the universities' views. Other AID officials held to the view that section 211(d) was for developing expertise which AID needed. Before the

amendment was passed, AID supporting documents had stated that the Agency should maintain the initiative on the grants, programing outward from operational needs rather than relying on unsolicited proposals from the universities.

To implement section 211(d), AID planned first to determine the problem areas which required grants for the universities to develop expertise. Then a determination was to be made as to what type of resources and organizational arrangements would be necessary to address each problem area. Once that decision was made, the most appropriate university would be selected.

IMPLEMENTATION OF SECTION 211(d) PROGRAM

In making section 211(d) awards, AID tried to establish a pattern of interuniversity linkages by making the creation of consortia--combinations of universities--a condition of grants or by strongly encouraging the formation of consortia concurrent with the making of the grants. The formality of the consortia ranged from actual incorporation of a body subscribed to by the member universities, such as the Midwest Universities' Consortium for International Activities, to simple agreements that the recipients would meet regularly for discussions to avoid duplication of effort.

Universities were advised to consult with AID prior to preparing formal proposals stating how the grant money would be used to strengthen capability in the problem area. We found that a university's prior involvement with AID was a major factor in determining which universities would be invited to submit proposals. In fact, some of the first section 211(d) awards were made to replace or supplement existing agreements. For example, the University of Wisconsin had already been working on the problem of land tenure under a research contract. AID determined that a section 211(d) grant would be a preferable instrument and made an award to replace the research contract. Similarly, Johns Hopkins University had been involved in health work under AID contracts, and a section 211(d) grant was awarded to supplement existing arrangements. Auburn University also received a section 211(d) grant to replace other funding arrangements.

The disagreement within AID on how section 211(d) was to be applied apparently was not reconciled. Our review of the awards showed that, while many were made for the study of such known specific problems as agricultural production, others were made to develop competence in fields not identified as specific problem areas--for example, comparative legislative studies.

Our review showed that some of the awards, not directed to specifically known problems, and the capabilities developed were used very little by AID. For example:

--In 1969, AID awarded \$1,240,000 to Yale University to strengthen its expertise in the relationships between law, development, and modernization. In 1971, Stanford University was awarded a companion grant for \$700,000. Neither of these universities received any follow-on contracts for AID work in this subject area, although, in the case of the Yale grant, AID said that faculty members associated with the program had provided consultant services through contracts to AID and developing countries and the program supported by the grant has provided training to developing country students supported by AID.

--In 1971 AID awarded companion section 211(d) grants to Duke University, the University of Hawaii, and the University of Iowa, in the amounts of \$500,000, \$235,000, and \$265,000, respectively, for comparative legislative studies. No follow-on contracts were awarded to any of these schools for work in this area.

In contrast, it appears that many of the grants for expertise in solving particular problems were generally beneficial to AID, as evidenced by subsequent utilization of the developed capacity under other contracts. For example, section 211(d) grants to Colorado State University and Utah State University in water resources have been followed by a total of 15 contracts in the same subject area. Michigan State University, which received a section 211(d) grant in international agricultural economics, received 10 follow-on contracts.

The above examples show that the process established for award of section 211(d) grants did not always succeed in insuring that the grants were made in AID's priority areas. AID officials responsible for the comparative legislative studies grants stated that the grants reflected AID needs and were awarded, after debate and discussion, on the basis of a decision by the AID Administrator. Other responsible AID officials stated that the comparative legislative studies grants are not reflective of Agency needs, either now or at the time they were made. The fact that the grants were made must be attributed to a lack of agreement between various bureaus within AID concerning what the agency's needs are and how to fulfill them.

Our review also showed that, where section 211(d) grants had been awarded to two or more universities in the same subject area, follow-on contracts were often awarded to only some member universities of the group. For example, in 1968 AID awarded section 211(d) grants in the amount of \$200,000 each to six universities to strengthen their capacity to provide assistance to AID in promoting agricultural development in India. (See app. II.) Four of these universities did not receive other contracts for agricultural development in India. One university received a contract for \$24,000 and the other received two follow-on contracts totaling \$304,000. Also, in the area of tropical soils, section 211(d) awards were made to five universities. However, only three of these universities received follow-on contracts for work in tropical soils.

In designing the policy to implement the section 211(d) program, AID had insisted that the universities be willing to relinquish a degree of their sovereignty in the interest of a viable division of labor between universities. The division of labor basis on which some awards were made resulted generally in smaller dollar awards for the member universities than if the total award had gone to one university. We found that not all universities were willing to participate on a consortium basis. For example, section 211(d) awards in livestock were made in fiscal year 1972 to Texas A&M University, Tuskegee Institute, Purdue University, and the University of Florida. Each institution received \$500,000, except Purdue, which received \$250,000. Although the universities have worked together in carrying out the various aspects of the program, there is a feeling on the part of some university members that their institutions should have received the entire award.

SECTION 211(d) EXTENSION:
UTILIZING CAPACITY OR MAINTAINING IT?

Under the new policy of October 1974, AID provides extended section 211(d) support to recipient universities working in carefully selected problem areas. The rationale cited for these extensions is that AID is shifting its emphasis in these problem areas from development of capacity to utilization of capacity.

Our review showed that AID was faced with one of the major problems of the section 211(d) program when the first grants approached expiration--the recipient universities, which had used section 211(d) funds primarily for personnel costs of faculty and graduate students, indicated that without some source of funding the number of personnel and level

of activities would have to be reduced. The capacity developed under the 211(d) grants, which was primarily embodied in individuals, would dissipate. This problem pervades the entire concept of institution building, i.e., of building into U.S. educational institutions a capability, or level of expertise, upon which AID would be able to draw to meet its programming requirements.

In considering this problem, we observed that the section 211(d) concept was based on two broad assumptions which did not hold true: (1) institutional capacity was something that could be built, would remain relatively stable, and would be available when needed; and (2) the growth pattern that universities were experiencing in 1966 would continue indefinitely and that this growth would enable them to continue activities after grant funds were expended.

Officials at one university expressed at the time of our review the belief that, if a university really did a good job of developing its capability, there would be adequate demand to sustain the capability. We do not believe this statement would hold true in all cases. For example, the fact that no follow-on contracts were awarded for comparative legislative studies, as discussed above, does not necessarily mean that those universities did not do a good job of developing their capacity. AID priorities simply did not lead to a demand for that particular expertise.

When AID officials were planning the section 211(d) program, they envisioned that the grants would not be used for specific projects--that specific projects would be funded separately from the section 211(d) grants. Examples cited earlier show that this occurred in some cases, but in many it did not. AID's programming elements, including the regional bureaus and the AID missions, did not generally understand and support the section 211(d) program. As a result, the expertise being developed under the grants was not regularly considered in the programming process.

Although AID recognized this fact in its 1973 review, the policy which resulted from the review did not provide any requirement that section 211(d) recipients should be given preference in the award of contracts for specific projects. We found that within AID there are strong differences of opinion on this issue. In our opinion, this lack of accord within the Agency is reflective of the way the section 211(d) program has been managed from the beginning. Grants were awarded in areas not particularly relevant

to AID needs, and even when the subject area of the grant seemed directly relevant to needs, the capacity was sometimes not used.

The recognition of a need for continued funding in the carefully selected problem areas led to at least two separate arrangements to maintain the capacity and hence protect AID's investment.

--The extension of the section 211(d) grants in a "utilization" mode, as authorized under the October 1974 policy change and noted above.

--The award of a "University Services Agreement" which is a grant composed of (1) core funding support to develop projects and (2) funding for the projects developed.

The University Services Agreement is a creation of AID's Bureau for Population and Humanitarian Assistance and actually predates the concept of section 211(d) "utilization" extensions. However, the similarities in intent of the utilization extension and the University Services Agreement can be demonstrated by the case of Johns Hopkins University, which received both types of grant following a section 211(d) grant for work in population and health. (See app. IV for list of contracts and grants in the areas of population and health at Johns Hopkins.)

The University Services Agreement was awarded to allow Johns Hopkins to use the expertise developed in population. It provided continuing support for the salaries of faculty, who were to develop projects in collaboration with less developed country institutions. These project ideas are submitted to AID and, if approved, are funded as subprojects from funds included for that purpose in the University Services Agreement grant.

The section 211(d) grant extension was awarded for Johns Hopkins to maintain the response capability established during the original grant in national planning and low cost health delivery systems. The major results were to be education and training, research, technical advisory services, information collection and dissemination, and institutional links. The work plan of the extension grant did not establish required levels for these results but listed illustrative research topics and expected numbers of people to be trained.

We found that documents related to the award of the section 211(d) grant extension often referred to the need to "maintain," "sustain," and "retain" the developed capability. There was considerable discussion within AID concerning this problem. Some consideration was given to awarding a contract to use the capability, but it appears that AID finally decided to award the section 211(d) extension because (1) Johns Hopkins believed it needed the flexibility that only a section 211(d)-type grant would allow and (2) a contract requires a specific scope of work, which AID at that time could not define.

Our review of AID's relationship with two other institutions showed a pattern of awarding contracts or grants to develop a response capability in the institution and then awarding continuation, or follow-on, contracts or grants to maintain the capacity.

Auburn University

Auburn University received a section 211(d) grant in aquaculture in 1970, to replace existing funding arrangements. This award must be viewed in historical perspective.

In 1966, AID requested the assistance of Auburn University (Alabama) in establishing a world-wide inland fisheries and aquaculture program. On the basis of several conferences and correspondence, Auburn prepared a proposal for a three-phase program to be carried out over a period of at least 5 years. This proposal was adopted as the work plan of a contract effective June 30, 1967, with AID providing \$160,000 for the first 18 months' work.

Phase I was to be concerned with the development of an adequate staff at Auburn and the identification of problems in less developed countries; Phase II with the extended development of facilities and expansion of research activities; and Phase III with further extension of host country demonstrations begun in Phase II.

We found that after 2 years and \$365,000, the original contract was terminated and replaced by a basic ordering agreement under which task orders would be issued for specific services. Task order I continued the core support for faculty which had been provided under the prior contract and authorized periodic survey and evaluation studies on a world-wide basis to determine aquaculture potential.

We found that in 1969, on the basis of surveys being conducted by Auburn in developing countries, AID/Washington officials administering the project saw that anticipated programs were not going to materialize and concluded that funding under the task order would have to be drastically reduced. There was, however, still considerable support for aquaculture in AID/Washington, so a search began for a mechanism to protect and maintain at least a portion of the expertise that Auburn "in good faith" had assembled. AID apparently concluded that the obvious device was a section 211(d) grant. Accordingly, AID requested that Auburn prepare a grant proposal that would allow Auburn to maintain the staff and facilities already developed under prior AID arrangements, and to continue the scope of services called for in the task order arrangement.

Auburn's section 211(d) grant ran from 1970 to 1975, and in 1975 was extended in the "utilization" mode until 1977. The basic ordering agreement with its task order arrangement, entered into in 1969, was continued in effect, with intermittent funding until 1973. In addition to the section 211(d) grant and the basic ordering agreement, AID has, since 1970, had a series of contracts with Auburn under which Auburn was to provide assistance in the development of fish culture techniques in less developed countries.

The Auburn example shows that AID was involved in building up university capacity to meet its perceived needs even before the section 211(d) program was initiated. This example also shows that the problem of developing a capacity for which demand does not materialize predates the section 211(d) program. The situation which arose at Auburn in 1970 was similar to that encountered when section 211(d) grants expire--the university could not maintain with its own funds the faculty which were added under AID's funding to develop capacity. In this case, the section 211(d) grant itself was used to "maintain" the capacity which had already been built up, and in 1975 AID again provided maintenance funding.

The University of Hawaii/
East-West Center

The federally-funded Center for Cultural and Technical Interchange Between East and West, generally known as the East-West Center, was established on the University of Hawaii campus by the U.S. Government in 1960, with the

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goal of providing better relations and understanding between the United States and the nations of Asia and the Pacific. The Center conducts programs in five areas: population, communications, food, cultural learning, and technology and development. In 1975 the Center separated from the University of Hawaii and became an independent institution. Under this new arrangement, some of the costs previously financed by AID contracts and grants will be funded through the State Department appropriation.

We identified three contracts/grants at the University of Hawaii and the East-West Center that were not awarded under section 211(d) but which appear to have the same intent--strengthening university and center capabilities. Each of these contracts/grants had terminated but new continuation awards have been received from AID. The original and continuation awards are identified in the following table. (See app. IV for list of AID contracts and grants at University of Hawaii and East-West Center.)

	<u>Award</u>	<u>Project period (including amendments)</u>	<u>Award amount (including amendments)</u>
University of Hawaii:			
School of Public Health	Original	6/66-6/70	\$ 326,000
	Continuation	6/71-9/75	1,667,000
East-West Center:			
Population Institute	Original	6/68-12/74	5,210,000
	Continuation	7/74-6/76	1,726,000
Communications Institute	Original	6/71-8/74	1,072,000
	Continuation	7/74-6/76	1,159,000

The original public health grant was intended to establish a family planning studies unit in the School of Public Health. Under the continuation grant, the university was expected to further develop and expand the school into a comprehensive academic center for family planning training, research, consultant and advisory service. During fiscal year 1971, an interim period between the original grant and the first continuation award, the center acted as a funding conduit to the program, providing \$150,000 of funds from another contract. At the time of our review, a second continuation grant had just been negotiated with AID. Therefore, the School of Public Health will have received continuous institution development funds from AID for at least 10 years.

The original population contract, which was received by the center in June 1968, was intended to establish a Population Institute within the center. With the contract, the Center was able to develop a capability in the population field. As the contract neared its expiration date, it became apparent that the institute would not be able to maintain its staff and program capability without continued AID support. Therefore, a continuation grant was negotiated with AID. The new grant had a stated purpose of making the new capabilities of the institute more available to governments and institutions of the Pacific. AID now expects that, at the end of the extended grant period, AID assistance for core staff and operational expenses will cease and the State Department appropriations will assume these costs. At that time, AID will have provided 8 years of continuous developmental funding.

The Center's Communication Institute received its original grant in June 1971. The purpose of the grant was to develop an institutional capability for information/education communication support of population programs in the less developed countries. As with the Population Institute, when the development grant expired in 1974, the institute was unable to maintain its staff and program without continued AID funding, so a continuation grant was negotiated with AID with a stated purpose of making the new capabilities of the center more available to the United States and the nations of Asia and the Pacific. AID expects that, at the end of the grant period, AID assistance for core staff and operating expenses will cease and the State Department appropriations will fund these costs.

We noted that, in all of the above cases, AID was providing continuing funds to universities in order to keep expertise assembled. In some cases, notably the University Services Agreement, these funds are used to develop new projects to be funded by AID. This does not, in our opinion, represent programing outward from Agency needs but puts the Agency in a defensive posture with respect to the universities. AID officials contend that AID is not always in a position to know what projects are needed, and much of what the universities do for AID is to identify activities to be performed. We believe that this situation adversely affects the Agency's ability to set objectives and to hold the university contractors to a level of performance. This is discussed further in chapter 3 on technical services contracts.

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CONCLUSIONS

In our opinion, the lack of agreement within AID concerning the intent of section 211(d) led to many awards being made without Agency-wide planning for how capability to be developed would be used. It appears that AID's decision to provide continued funding to prevent the universities from losing capacity they had developed was in some cases based on a desire to maintain the capacity and did not necessarily reflect AID programing needs.

RECOMMENDATION

The Administrator of AID should insure that its programing elements, including the country missions, give proper consideration to the capabilities being developed under section 211(d) grants, so that these considerable investments by AID will yield the greatest return.

MATTERS FOR CONSIDERATION BY THE SUBCOMMITTEE

The Subcommittee may wish to explore with AID its view that grants to strengthen U.S. universities' capabilities to develop and carry out programs concerned with social and economic development in developing countries are an appropriate use of AID funds even though AID has no short- or long-range plans for using the strengthened capabilities. In reviewing this matter with AID, the Subcommittee should consider the view held by others that grants should be made to develop capabilities only in the key problem areas identified by AID. If the Subcommittee determines that the latter view is a more appropriate use of AID funds, it may want to require that the Administrator of AID, before awarding new or extending old grants to develop university capabilities, insure that such grants are necessary to create additional resources essential to AID's programing needs, and that AID's planned use for this capability will, to the extent possible, sustain it without "maintenance" funding.

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CHAPTER 3

CONTRACTS FOR TECHNICAL SERVICES

Contracts under which universities provide technical services to AID cover a wide range of activities. For example, Colorado State University provided experts in water resource management to assist in carrying out AID-financed irrigation projects in Pakistan and the Philippines; the University of North Carolina helped AID prepare a project paper for a new project; Johns Hopkins University conducted a special program to train less developed country health planners; and other universities conducted workshops for AID employees. As of June 30, 1974, AID had 134 active contracts with 47 universities for various technical services, both in the United States and in less developed countries. The range of technical services can best be shown by considering the entire range of AID activity, and recognizing that AID calls upon the universities for expertise in all phases of this activity.

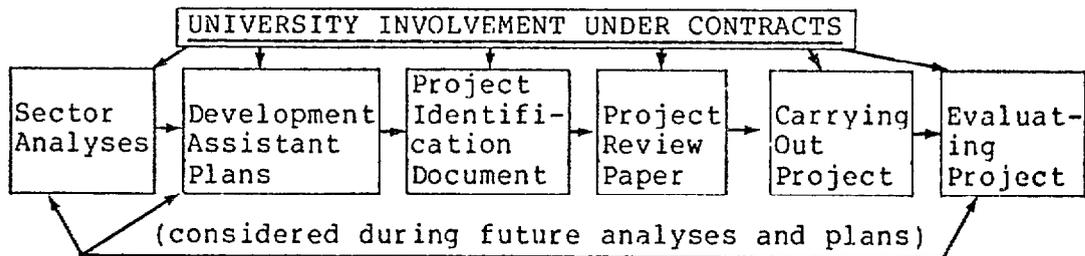
UNIVERSITY INVOLVEMENT IN AID ACTIVITY

AID's procedures for planning and carrying out foreign assistance activities are constantly evolving, and the procedure itself is not static but represents a continuous ongoing activity. Under the most recent modification to AID's procedures, the process begins with the identification of a development problem to be addressed. This then leads to consideration of alternatives, and selection of a preferred alternative. Overall development goals and strategy for a country are embodied in the 3- to 5-year development assistance plan and in sector analyses covering geographical areas or economic sectors. The plan and the sector analyses are not tied to the budget cycle but are prepared as AID/Washington or AID/country missions, see a need.

Within the budget cycle, AID/Washington transmits to AID/country missions a set of guidelines for preparing the field budget submission. The missions then prepare a budget of new proposed projects and continued projects consistent with the guidelines and with the development assistance plan and the sector analyses previously prepared. The projects in the field budget submission have gone through the first step of the approval process at the time they are included. The subsequent review of the budgets is paralleled by a review of each proposed project. To facilitate the review and approval process, a project review paper is prepared, which includes an analysis of inputs, outputs, and assumptions on which the decision should be based.

The regional and functional bureaus consolidate the appropriate field budget submissions into a bureau budget. The Bureau for Policy and Program Coordination reviews the Bureau budgets and consolidates them into the overall agency budget presentation.

This brief summary of the AID project identification and approval process includes several steps at which universities may be contracted for assistance, as shown below.



AID-university contracts for technical services have included university participation in most, if not all, of the above activities. The service to be performed by the university may range from as little as providing an expert for short-term advice on the implementation of a project, to the involvement of several individuals and other university resources in carrying out a multicountry project.

Our review of several AID-university contracts for technical services showed contractor selection procedures to be a problem area, as discussed below.

SELECTION PROCEDURE FOR UNIVERSITY CONTRACTORS

AID emphasizes collaboration between the host country, the Agency, and the private sector contractors in developing project ideas. Because of this collaborative approach, universities are involved in developing project ideas, and in some cases, AID provides funds to universities for the purpose of developing new project ideas. (See discussion on University Services Agreement, ch. 2.)

Our review showed that in most cases it is difficult to determine whether a project idea originated with AID or with the university. AID officials explained to us that most project ideas "evolve" in the course of continuous interaction between AID and the university. Consequently, for many projects, there is no point at which AID decides that the project should be done by a university, by contract with a private firm or a voluntary agency, or by

direct-hire staff. In most cases, when the project idea was developed in conjunction with a university, the project description implies that it will be carried out by a university, usually the one involved in planning the project.

In awarding contracts, AID has generally not required universities to bid competitively. Prior to 1972, university contracts were awarded on the basis of negotiation and were termed "sole source" awards. In most instances the selected university was not the only source from which the service could be obtained. Consequently, in 1972 AID amended its procurement regulations to include the concept of "predominate capability." Under this concept, contracts could be awarded without the solicitation of cost or technical proposals from more than one offeror, and without informal solicitation when, in AID's opinion, one institution had exclusive or predominant capability by reason of experience, specialized facilities, or technical competence to perform the work required within the time required and at reasonable prices. This type of award is required to be fully justified by the initiating technical office in a written document entitled "Justification for Noncompetitive Procurement."

Our review of "Justification for Noncompetitive Procurement" documents for a sample of technical services contracts showed that prior AID contracts in the same subject area, and hence the need for AID to capitalize upon its "invested" funds, was often given as a reason for noncompetitive procurement. For example, AID's Technical Assistance Bureau justified a noncompetitive procurement from Colorado State University, in part, on the basis of "Colorado State University's competence, experience, ongoing programs and working agreements, and AID's investment in a Basic Ordering Agreement with this university in the past."

Many of the contracts selected in our sample were follow-ons to previous contracts. In some of these cases, the justification statements were repetitions of the preceding justification statement. For example, AID's Office of Science and Technology requested that the contract office negotiate only with the University of North Carolina for a contract. In this instance, AID justified the single-source procurement on the basis of successful completion of the pilot course--a predecessor contract.

In early 1976 AID amended its procurement regulations to include a procedure under which universities would compete on the basis of technical proposals without cost data. Theoretically, this procedure would permit AID to

compare technical proposals to select the best qualified contractor, while not requiring universities to compete on the basis of cost.

The new procedure is applicable when the AID technical office, with the concurrence of the contracting officer, determines that the required skills or institutional relationships are available only from educational institutions or international research centers. Under this procedure, the technical officer is required to prepare (1) a list of selection criteria for the evaluation of potential contractors, (2) an initial source list of institutions considered capable of performance, and (3) a statement of the work to be done. The contract office then solicits technical proposals, without cost or price data, from the institutions on the source list. The technical proposals received are reviewed by a committee chaired by the technical office and, using the original criteria prepared by the technical office, the best technical proposal is chosen. The contracting officer then obtains cost and pricing data from the selected institution and enters negotiation. If a satisfactory contract cannot be obtained, the committee then recommends the next best technical proposal, and the contracting officer obtains cost and pricing data from that institution and enters negotiations. This procedure continues until a contract is obtained or the list is exhausted.

The new procedure does not differ substantially from the procedures employed under the prior "predominate capability" rule. Rather, it is an attempt to require a more systematic analysis to insure that the institution selected has predominant capability. However, under the new procedure, the AID technical office which was involved with the university in developing and refining the project idea, will write the description of the work to be done and the criteria for the selection of the contractor and will chair the committee which selects the best technical proposal. In our opinion, this procedure puts the AID technical office in a position to effectively control the selection of the university on a subjective basis and therefore does not differ substantially from the previous practice of selection on the basis of "predominate capability." Since this procedure was only recently added to the procurement regulations, the impact of this revision cannot be judged at this time.

Awards by amendment to existing agreements

AID has established a pattern of awarding over one-half of its university contract and grant dollars in the

form of amendments to existing agreements rather than in new agreements. From 1967 through 1974 the portion of university contract and grant dollars awarded under amendments ranged from a low of 55 percent in fiscal year 1972 to a high of 81 percent in fiscal year 1969.

In certain situations, regular amendments were planned when the initial contract was awarded. For example, AID may decide at the time of the initial award that, even though the contract is for a long-term project, the funding will be provided in annual (or other periodic) increments. The long-term contracts for developing educational institutions in less developed countries would be an example of such a situation. Other agreements have been written for carrying out a series of projects in many countries, with the intention that each additional project would be incorporated into the overall agreement and funded by an amendment. For example, the University of North Carolina was awarded a University-Services Agreement in 1971 to "develop and implement various population/family planning activities." As of September 1975 the agreement had been amended 20 times to undertake new projects as they were developed.

Other technical services contracts with universities were amended numerous times because the original contracts failed to clearly state the scope and objectives of the work to be performed. As a result, AID and the universities, in effect, continued negotiations after the contract was signed and during the contract, leading to amendments to change the objectives and scope of work. For example, we noted that after signing a 3-year contract with the University of North Carolina to field test a methodology for nutrition studies, AID found it necessary to amend the contract's scope of work in response to a difference of opinion with the university on what the original scope of work meant. This contract was later amended again to provide extended time and additional funds because the contractor indicated that certain parts of the work could not be done until late in the contract and that additional time would be needed to assess the results.

In our opinion, it is understandable that university contractors/grantees would propose new work under existing or new contracts, because in many cases it is difficult for university staff members working on an AID project to be assimilated into the university's other activities if AID support terminates. An AID official stated that university officials are very much aware of when their contracts and grants are about to expire, and that universities do not hesitate to submit new or extended funding proposals.

At one university we noted that it was an unwritten policy to encourage staff members to solicit government contracts and grants, and one department head told us that his people are expected to obtain outside support through contracts and grants to cover 50 to 75 percent of their salary. He said that, if a staff member is not successful at bringing in a substantial percentage of his salary costs through grant or contract business, he probably would not remain at the institution very long.

CONCLUSIONS

Contracts for technical services have generally been awarded noncompetitively, often for the performance of work proposals developed jointly by AID and the university. Many of these noncompetitive awards are justified primarily on the basis that a working relationship already exists between AID and the selected university. We believe that this type of award may contribute to the problem of objectives and scopes of work not being clearly stated.

Although the new procurement regulations are designed to increase the number of sources, we believe that it will not significantly change the award patterns, since the initiating technical office is still in a position to subjectively control the selection process. Furthermore, the practice of awarding the largest share of funds by amending existing contracts means that this change will affect less than half of all dollar awards.

RECOMMENDATIONS

We recommend that the Administrator of AID take action to insure that all potential sources are given adequate, objective and subjective--costs and contractor capability--considerations in the award of technical services contracts. AID should insure that technical services are procured only in response to defined development program needs and that the objectives of procurement actions are clearly stated so that AID can reasonably hold the contractor to a level of performance.

CHAPTER 4

CONTRACTS FOR RESEARCH

AID's research program has been in operation since 1962. As of June 30, 1975, U.S. universities had received \$83 million for research under the program. The distribution of these research funds among the universities is shown in appendix III.

The Central Research Program is coordinated by the Office of Research and University Relations in the Bureau for Technical Assistance. This office disseminates information to the research community and provides procedures for submitting research proposals to AID. AID has suggested several areas in which it believes research is needed; however, it also has called upon the research community to assist in defining the problem areas where research is needed. AID encourages innovative research proposals, especially from institutions which are well acquainted with foreign assistance needs.

AID receives many more proposals than it can finance. We found that virtually all the research projects funded under the Central Research Program result from unsolicited proposals. The approval process includes review by an internal committee--the Research and Development Committee--and an external committee--the Research Advisory Committee. The findings and recommendations of the external committee are advisory.

We reviewed two related research projects concerning fertility control techniques to determine why the research contracts were awarded, how the contractors' performance was monitored, what the relationship was between the contracts, and how the results are utilized. Our selection of these two contracts was based on the dollar amount involved and the subject matter. They may or may not be representative of AID's research program.

UNIVERSITY OF MINNESOTA: PROGRAM FOR APPLIED RESEARCH IN FERTILITY REGULATION

The Program for Applied Research in Fertility Regulation, known as the Minnesota Project, was originally presented to the AID Research Advisory Committee as a procedure in which the University of Minnesota would subcontract and manage at least 20 research projects over a period of 3 years. The Research Advisory Committee was concerned about the University of Minnesota, as the intermediary, being in the role of selecting and managing AID

research. Committee members expressed varying concerns about other possible intermediaries, levels of monitoring, delegation of responsibilities, and quality of the panel of experts. It was pointed out that the committee had until then not favored this type of arrangement. It finally granted approval to the project, but emphasized that this action should not be interpreted as approval for future research proposals to be set up in the same manner.

AID entered into the contract with the University of Minnesota on May 31, 1972, with initial funding of \$3.3 million for 3 years. The contract provided funds for a small administrative staff at Minnesota, for travel and consulting fees for a panel of experts for regular meetings to consider subproject proposals and progress on ongoing subprojects, and for the research studies to be carried out under subcontracts.

Research proposals, once approved by the panel of experts, must be approved by AID before being funded under subcontracts. The maximum funding level for subcontracts is \$50,000 per year, for a maximum of 3 years. Two of the experts are assigned to review each research proposal prior to consideration by the entire panel of experts. If the proposal is approved for funding, the same two reviewers are responsible for an annual progress evaluation, which must include a site visit.

Selection procedure

The Minnesota proposal was unsolicited, and therefore under AID Procurement Regulations, AID negotiated the contract without seeking other competitive sources. This procedure was followed on the basis that the proposal was the product of original thinking, had significant scientific or technical merit, and contributed to AID's research program objectives.

Extensive justifying documents were prepared by the Office of Population for use by AID internal reviewers and the external reviewers. Some of the arguments used to justify the awards of the contract proved later to have little validity. For example, one document justifying the "selection" of the University of Minnesota as the prime contractor stated:

"a) Location. It was felt desirable to situate this project at a mid-western university to draw upon the strong departments in medicine, physiology, and veterinary medicine found at universities in this region. * * * In addition, members

of the Scientific Advisory Committee and other consultants should have as close as possible geographic proximity to the institution coordinating the program. The central location of the middle western universities maximizes the pool of scientific talent easily available for frequent meetings."

The advantage of geographic location was considered in the contract, which refers to the makeup of a "peer advisory committee composed of experts* * *from institutions with sufficient geographic proximity to the University of Minnesota to allow frequent meetings."

The original panel of experts membership was from universities in the States of Minnesota, Michigan, Illinois, Nebraska, Colorado, and Iowa. However, AID records show that of nine meetings held by the experts during the first 2 years of the contract, one meeting was held in Minneapolis, two in Chicago, and the remainder in New Orleans (two); Miami (one); Washington, D.C. (one); Hot Springs, Virginia (one); and San Francisco (one).

The AID project monitor advised us that meetings held outside of the midwestern region were held at those locations because many of the members of the panel of expert, would be together at those locations for other professional society meetings.

We recognize the expediency of holding meetings in conjunction with meetings of professional societies; however, we noted that the cost to AID for meetings held in locations other than Chicago and Minneapolis is on the average, 133 percent more than the meetings in those cities. The extra cost to AID for the six meetings held outside the midwest was \$14,565 during the first 2 years of the contract.

Documents justifying the selection of the University of Minnesota also stated that:

"Cost to AID: The University of Minnesota does not plan to charge any off campus overhead for the subcontracts. This will result in considerable savings over the life of this project."

Our discussions with both project personnel and contract management personnel indicated that the above statement had limited and different meanings to the AID

people involved. We found no evidence that any attempt was made by decisionmaking persons in AID to quantify the "considerable savings." In our opinion, this statement was included to sell the project to higher officials.

Monitoring

As stated in the original contract, performance of the work was to be subject to the "technical directions" of the Office of Population. The project manager within the Office of Population was also the Chief of the Research Division. He was assisted by a co-monitor who worked 1 day per week. In addition, the cognizant contract officer performed some monitoring tasks, such as approving the selection of consultants and the award of subcontracts.

The contractor was required to submit comprehensive annual and interim 6-month progress reports to AID's Office of Population. The subcontractors were required to submit similar reports to Minnesota, which Minnesota in turn submitted to AID. Although the contract called for AID to receive 35 copies of the annual and 10 copies of the 6-month reports (including subcontract reports), the AID project monitor advised the contractor to submit only a few copies of each.

The direction to reduce the number of copies was based on observations by the project monitoring staff that the reports were not widely read in AID. The contract officer responsible for the Minnesota contract was also responsible for 25 other contracts, and she spent about 3 percent of her time on the Minnesota contract. The project monitor told us that she only has time to scan the Minnesota reports and that she concentrates primarily on other contracts which she considers problem cases.

The subprojects are monitored by the Minnesota staff and the panel of experts. The subcontractors are required to submit to Minnesota (1) monthly expenditure reports, (2) annual substantive progress reports, and (3) interim 6-month progress reports. The monthly expenditure reports are reviewed by the Minnesota project controller upon receipt, and the financial aspects of each subcontract are reviewed in depth at quarterly meetings of the Minnesota staff. The semi-annual and annual progress reports on each subproject are reviewed by the two originally assigned experts as part of their monitoring responsibility.

Our review of the monitoring of one subproject showed weaknesses. The subcontract was for \$67,000 over a 2-year

period. Four months into the subcontract one of the assigned reviewers cautioned Minnesota to watch the amount of money very carefully over the next 6 to 12 months: "for it is an awful lot of money for fairly simple design." The other assigned reviewer observed at the same time that "some results reported must have been obtained before this project was approved" and that Minnesota support appeared to be supplementary.

During the 11th month of the subcontract, the AID project co-monitor accompanied the two reviewers to visit the project. In reporting on the visit, one of the reviewers stated that in future progress reports the subcontractor should differentiate between work performed under the subcontract and prior work to allow for a careful evaluation of how AID money was being spent. The AID project co-monitor, reporting on the visit, stated that the subcontractor was substantially ahead of the time schedule and that Minnesota should remain alert to expenditures charged to the subcontract.

Our review showed that AID monitors were not aware of any special monitoring action that the Minnesota staff took in response to the warnings of caution expressed by the reviewers and the AID co-monitor. At our request, the AID project co-monitor obtained a telephone report of final expenditures under the subcontract. This report brought total expenditures under the subcontract to \$64,713, or 95.8 percent of the amount originally awarded.

Notwithstanding these observations, we found that the AID Research Advisory Committee, upon receiving the first 18-month progress report from Minnesota, had commended the emphasis on quality in subcontract review and selection and recommended the annual budget ceiling on subcontracts be raised to \$60,000.

Move to Northwestern University

In July 1974 the Program Director at Minnesota resigned and assumed a new position at Northwestern University. AID transferred the project to Northwestern and in the process increased the scope of work and extended the contract duration to June 30, 1978.

INTERNATIONAL FERTILITY RESEARCH PROGRAM

On June 30, 1971, AID entered into a contract with the University of North Carolina to conduct in less developed

countries comparative clinical trials of new means of fertility control, such as improved intrauterine devices and simpler, safer methods of sterilization. The contract term was 5 years, with initial funding of \$3.1 million for the first 3 years. In February 1975, the project, already located in a building off-campus, separated from the University and became a separate corporate entity as a nonprofit institution. Amendments increased the value of the project to \$9.1 million as of August 28, 1975.

Under the terms of the contract, the University of North Carolina was to identify study contributors in the United States and in less developed countries who would be willing to conduct the clinical trials, using materials supplied by the university, and report results to the university. The contract also provided for training at the University of North Carolina of less developed country physicians who would be conducting the clinical trials.

Selection procedure

The award of this contract to the University of North Carolina was made on a single-source basis in response to an unsolicited proposal. The project monitor, in justifying the sole-source award, stated that this University was "uniquely qualified" to carry out the program.

AID officials told us that the decision to enter into this contract with the University of North Carolina was based on (1) AID's already established interest in supporting comparative clinical trials and (2) AID's established working relationship with the principal investigators.

AID's relationship with the principal investigators apparently began in the mid-1960s. AID believed a need existed for comparative clinical trials of new fertility control techniques and provided financial support to the Pathfinder Fund's International IUD (intrauterine device) Program. When the two principal investigators on this project subsequently left Pathfinder Fund to take positions at the University of North Carolina, AID shifted its support of international clinical trials to North Carolina.

One aspect of the award of the North Carolina project illustrates a facet which we found common to both this and the Minnesota/Northwestern contract--a contract was awarded to an institution apparently because the principal investigators who had been working on the same or similar projects for AID at other institutions moved to a different university. This does not necessarily indicate a lack of proper

consideration by AID; however, we point this out to indicate one characteristic of some AID-university contracting practices.

Monitoring

The contract was monitored in AID's Office of Population by two persons serving as co-monitors. One concentrated on administrative aspects and the other on scientific aspects.

We found that day-to-day monitoring was weak because of the monitors' heavy workload. The primary means of monitoring the contract consisted of approximately weekly phone conversations with program staff and limited review of progress reports prepared and submitted by the contractor. While the contract specified which data was to be included in the reports, such as quantitative data on dissemination of results, it did not specify the criteria by which the project monitor should judge whether the contractor was performing at an adequate level.

The level of expenditures under the contract was also reported semiannually; but since the contractor could make any adjustments between line items he considered reasonable, AID had no basis for evaluation, other than the bottom line. Furthermore, the contract, covering 4-1/2 years and costing \$9 million, has never been audited by the Department of Health, Education and Welfare Audit Agency, the cognizant audit agency for the university.

Contractor performance was not evaluated by AID from its inception in 1971 until September 1975. This evaluation was made by the two AID project co-monitors, assisted by two outside consultants, both medical doctors. The evaluation team visited the contractor's headquarters in Chapel Hill, North Carolina, and field activities at 13 data contributing centers in 8 countries. The final report of the evaluation study was not completed at the time of our review, but preliminary reports by the individual team members revealed several problem areas.

- The team found instances where data contributing centers did not clearly understand the program or the necessity for having signed contracts, cost accounting records, and informed consent records.
- Some data contributors had not received, nor were they aware of the availability of, extra data analysis available from the contractor.

--Sometimes the contractor's staff have been unresponsive to contributing centers' communications, have been unselective in travel to sites and conferences, and have not been alert enough to stop contributors from initiating studies without proper authorizations and contracts.

In addition, the evaluators saw a need for better personnel selection policies by the contractor and better overall management practices, such as determinations regarding decentralizing training of contributors, analyzing of data, and coordination with other AID projects.

This project had been in existence for more than 4 years; over \$9 million had been obligated; and, although AID suspected that some problems existed, it only recently became fully aware of these operational problems and began taking corrective actions. We were informed that the evaluation study was not made earlier because travel funds were unavailable.

The findings of the evaluation team take on added significance in light of comments made to us by Office of Population officials when we initiated our review. We were told that the research projects we selected for review were two of their best run projects.

UTILIZATION OF RESULTS

AID has always given some consideration to how the research results would be used when approving research projects, but only in late 1974 were the approval procedures modified to require specifically that utilization of potential results be an element of consideration in the approval process. The two research contracts discussed above were both awarded prior to the procedural change, but in both cases we noted that the results of the research had not been extensively used.

With respect to the Minnesota/Northwestern project, the contractor's progress report at the end of the first 3 years of the contract stated that the majority of the research was ongoing and that the findings up to that time were not ready for application. With respect to the North Carolina project, results were disseminated through technical publications, but the less developed country contributors, the researchers, and the AID evaluation team generally agreed that additional means should be found to disseminate research findings.

CONCLUSIONS

Almost all of the AID-financed research under the Central Research Program is a result of unsolicited proposals from research organizations, including universities. Contracts are awarded to the institution making the proposal, after the review committees have considered the scientific merits of and need for the proposal. Other institutions possible capable of performing the proposed research project are not solicited for cost or technical proposals on the basis that the proposal is the product of original thinking. This procedure for awarding research contracts generally complies with procurement regulations.

Until recently, AID's procedures for approving research projects did not include, as a specific step, a requirement that consideration be given to how the research results would be used. In late 1974 the approval procedures were revised to require that planned utilization be specifically considered before a project could be approved. Because of the relatively long term nature of research projects, it is too early to determine the impact of this change in procedures. We believe that in considering research proposals, more consideration should be given to the practical application of research results within a reasonable timeframe.

CHAPTER 5

LONG-TERM CONTRACTS TO DEVELOP

LDC EDUCATIONAL INSTITUTIONS

The traditional type of U.S. university involvement in foreign assistance was, until the early 1970s, the multiyear technical assistance contract to help establish or improve educational and research institutions in less developed countries. Some U.S. universities had been involved in such cooperative relationships with developing country universities since the early 1950s with AID and predecessor agency support. The U.S. universities maintain teams of faculty at the developing country institutions to assist in teaching, research and administration. Host institution students and faculty are also brought to the U.S. campus for advanced degree training to qualify them to teach in an institution in their home country.

From 1960 until 1974, almost half of AID funds obligated for education, and substantial amounts obligated in such other fields as agriculture, health, and public administration, were to support higher education in less developed countries, primarily under these long-term contracts. This "university-to-university" approach became the normal form of U.S. university contribution to development assistance. From 1960 to 1970, the average yearly obligation for aid to professional and higher education was \$36 million, peaking in 1967 when 74 U.S. universities were working in 40 developing countries.

This mode of U.S. university participation has rapidly diminished. From 1971 to 1975, annual obligations for aid to professional and higher education declined from \$16 million to about \$6.5 million, with only 32 universities working in 25 developing countries in mid-1974. This reduction reflects a decrease in both number and size of university contracts for developing educational institutions in less developed countries.

Our review of several of AID's long-term contracts to improve developing country educational institutions showed that some problems persist despite AID's attempts to improve these relationships. The following case example will illustrate some of these problems.

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COLORADO STATE UNIVERSITY
CONTRACT TO DEVELOP THE
ASIAN INSTITUTE OF TECHNOLOGY

Through its contract relationship with Colorado State University, AID assisted in the establishment of the Institute in Bangkok, Thailand, in 1959 as the Southeast Asia Treaty Organization Graduate School of Engineering. In November 1967 the school was chartered as the independent Asian Institute of Technology. AID has provided continuous funding support to the Institute from the time it was founded until 1975, a period of over 16 years, at a cost of about \$10.9 million.

AID officials indicated the Institute was one of the more successful projects financed under the Regional Economic Development Program. As of November 1973, 662 engineers from 18 countries had received advanced degrees; and for the 1973-74 academic year, enrollment was 348 students. The 65 faculty members come from 18 different countries.

The AID contract with Colorado State University was the primary channel through which the United States assisted the Asian Institute of Technology. As of June 1974, the U.S. contribution to the Institute made up about 45 percent of total contributions from all donors.

PROBLEMS IN MEASURING PROGRESS

The purpose of the Colorado State University contract was to provide technical advisory services for the establishment and operation of the school. This was to include procurement of equipment and training of participants. Specific contract objectives were to develop (1) an overall organizational and operational plan, (2) a graduate engineering research program, and (3) a curriculum for advanced degrees in engineering.

We noted that throughout the life of this project, AID had difficulty in determining the level of progress by the contractor toward the objectives stated in the contract. Some of this difficulty appears to have resulted from lack of, or faulty, reporting both by AID technical personnel and by the contractor.

Weaknesses in AID Evaluations and Reporting

AID policy requires an annual appraisal report on all technical assistance projects, although this requirement may be waived for any year during which the project was the

subject of an independent outside evaluation. We found that annual project appraisals were not made for at least the last 3 years. Officials informed us that a project appraisal report was to be prepared soon, based partly on the contractor's final report after the project was completed. In our opinion, an appraisal report at this stage, prepared on the basis of the contractor's own report, would have little value for AID management.

In addition to not preparing project appraisal reports, AID technical personnel often did not prepare regular contractor performance evaluation reports, which are also required by AID policy. Reports that were prepared sometimes lacked detail. This deficiency in evaluating and reporting on contractor performance was noted by the Inspector General of Foreign Assistance in several similar contracts with other universities. The Inspector General found that many contractor performance evaluation reports did not accurately reflect the situation being reported upon.

Some contractor performance evaluation reports made in connection with the Colorado State University contract did contain useful narrative comments. For example, AID officials noted in a 1972 report that the 6-month progress reports required by the contract from the Colorado State team in Thailand lacked information which would permit measurement of progress toward objectives. Specifically, the reports did not (1) establish targets and plans for each 6-month period, (2) cite progress toward or problems inhibiting achievement of these targets, or (3) make recommendations concerning current needs in the fields of activity under the terms of the contract.

Need to Better monitor progress

We found that in the administration of the Institute, Colorado State tended to use its own personnel instead of training Asians for the administrative duties. This was noted by the AID Auditor General, but AID technical personnel responsible for monitoring the project did not identify and report this practice as a weakness in contractor performance.

In discussing the need for progress evaluations with the responsible AID officials, we were told that the project was actually appraised each year in the annual budget review. However, we noted that the budget review consisted of discussions with the contractor, based on the contractor's statement of progress achieved during the past year and his plans for the coming year. This, in our opinion, is not a substitute for the independent evaluation of contractor performance

and the annual project appraisal which are required under AID policy.

SIGNIFICANCE OF NONCOMPETITIVE AWARD

The contract with Colorado State University was awarded after the university performed a feasibility study under an AID contract. The feasibility study report recommended "That [Colorado State University] sponsor the development of the school and define other aspects of the proposed institution, such as initial programs, staffing requirements, and research."

We recognize the practicality of follow-on awards which utilize knowledge and experience developed during a feasibility study; however, we believe that awarding a contract on the basis of the university's assessment of the work to be done may contribute to later difficulty in monitoring progress. This is particularly true when AID's decision is based on the contractor's own assessment of his performance, rather than on an independent AID evaluation. AID's experience with this contract--21 amendments extended over a 15-year period--suggests the existence of an element common in university contracting situations, namely an absence of agreement with the contractor as to when his job is completed.

It appears that, when AID negotiates contracts with a single university based on the university's proposal, AID is spared the task of rigorously stating the objectives of a project, as would be necessary if AID prepared a formal request for proposals. In this regard, AID contract management officials state that the most common deficiency in project proposals is the lack of a contractable scope of work, i.e., a scope of work to which the contractor can be held. As a result, later attempts by AID technical personnel to evaluate contractor performance or assess the achievement of project objectives may be difficult, if not impossible.

PROBLEMS IN ESTABLISHING SISTER INSTITUTION RELATIONSHIPS

One of AID's objectives in contracting with U.S. universities to help establish or strengthen developing country universities is to foster a sister institution relationship between the U.S. and developing country universities, which will continue after AID financing has ended. Through such an ongoing relationship, the developing country institution would, theoretically, continue to be strengthened by the U.S. university.

We were told by an AID official that the Agency's success in establishing sister institution relationships has been limited by a reluctance on the part of U.S. universities to commit their own funds to develop or maintain such relationships. AID documents indicate that because U.S. institutions have not maintained a close relationship, developing country institutions established or strengthened with AID financing have a tendency to regress significantly when the AID support is terminated.

Evidence indicates that this problem may exist in the case of Colorado State's relationship with the Asian Institute of Technology. Although AID had provided for a systematic reduction of Colorado State personnel during the last 4 years of the contract--13, 12, 10, and 8, respectively--the likelihood of a significant regression was raised by an Institute official who expressed dismay that the U.S. faculty would be withdrawn so abruptly. He indicated that a longer more gradual phaseout of U.S. faculty would be preferable. The Institute official's concern may be quite valid, for example, as noted earlier, the contractor tended to administer the Institute rather than to train Asians to do it. Also, the apparent inability of U.S. universities to use their own funds to maintain overseas relationships may mean that the university will be unable to continue supportive activities such as faculty visits and exchanges. Because the contract was only recently terminated, it is too early to determine whether this AID-fostered relationship will survive.

CONCLUSIONS

AID's contracts with U.S. universities to develop higher education institutions in less developed countries have generally been long-term relationships, not only because the job to be done takes time but also because AID and the contractor have not clearly agreed on what the objectives are or when they have been reached. We believe that AID has relied too heavily on the contractor's own assessment of his performance and this has resulted in years of continual amendments to the contracts. This heavy reliance has also contributed to a weakness on the part of AID to take a firm position on when the work is completed and terminate the contract.

We believe that AID's practice of awarding contracts without cost or technical proposal competition contributes to this problem because AID has not been forced to clearly state the contract objectives as would be necessary if the contract were awarded competitively.

RECOMMENDATION

The Administrator of AID should recognize the basic cause of the problem and require that specific contract objectives be clearly stated so that the Agency can determine whether the contractor is performing adequately at specific points during the contract.

CHAPTER 6

DIRECT AND INDIRECT COSTS OF UNIVERSITY GRANTS AND CONTRACTS

Grants and contracts awarded by AID to universities usually involve the performance of such services as research, training, and planning or carrying out technical assistance projects, and the cost of performing these services is reimbursed by AID. The university costs are composed of two elements: direct and indirect costs. Indirect costs are reimbursed as a percentage rate of direct costs. How these rate are computed and what the percentage rate means has been widely misunderstood by individuals not directly involved in the relationships between the Federal Government and the university community. Universities use different accounting systems and compute indirect cost rates using different direct cost bases; therefore, comparisons of indirect cost rates should not be made. The important factor is the total cost of providing the service.

Federal agencies award a large number of grants and contracts to educational institutions. In 1958 the Bureau of the Budget issued Circular A-21, establishing Government-wide principles to be applied in determining the costs of services performed by educational institutions. These principles prescribe which direct and indirect costs are allowable for reimbursement and define the methods to be used in establishing indirect cost rates.

A related circular designated a single Federal agency as responsible for negotiating indirect cost rates to be applied to all Federal agency grants and contracts at a given institution. Similarly, a single agency was designated cognizant audit agency responsible for auditing all Federal grants and contracts at a given institution. Wherever possible, the same agency was designated to both functions at a single institution. For example, at Johns Hopkins University, the cognizant audit and negotiating agency is the Department of Health, Education and Welfare; at the University of Hawaii, the cognizant audit and negotiating agency is the Department of Defense.

Bureau of the Budget circulars on this matter have been superseded by Federal Management Circulars promulgated by the General Services Administration, but the principle of establishing a single agency to negotiate indirect cost rates for all Federal Government contracts and grants at an institution and to audit all Government contracts and grants at the institution remain the same.

INDIRECT COST RATES

The negotiation of the indirect cost rates at a university is based on a proposal prepared by the university, reflecting its actual direct and indirect costs for the most recent accounting period. In considering the proposal, the cognizant negotiating agency may request an advisory audit by the cognizant audit agency. The regulations also provide that all agencies having grants or contracts with the institution will be notified of the planned negotiations and be invited to participate in the negotiation conference. However, we were told that the Department of Health, Education and Welfare, as a cognizant negotiating agency, has informed other agencies that they will no longer be notified in advance of planned indirect cost rate negotiations.

Variations in indirect cost rates

Four separate indirect cost rates are usually established at each institution--an oncampus and an offcampus research rate and an oncampus and an offcampus educational service agreement rate. Some universities establish these four rates separately for each department while others establish university-wide rates. The offcampus rates apply to work being performed at locations away from the main campus, which in the case of AID generally means in less developed countries. The offcampus rate is generally somewhat lower than the oncampus rate because certain indirect costs, such as building and equipment use, library use, and maintenance, are not applicable.

There are many reasons why universities have different indirect cost rates. A discussion of the various problems involved in establishing rates and a more detailed explanation of why the rates differ from institution to institution is in GAO report "Study of Indirect Costs of Federally Sponsored Research Primarily by Educational Institutions" (B-117219) June 12, 1969.

The two more significant factors causing different indirect cost rates between institutions are that (1) institutions do not use identical accounting systems and (2) institutions do not compute the indirect cost rate using the same direct cost base. The principles established in the Federal Management Circular recommend that direct salaries and wages be used as the base for establishing indirect cost rates; however, other bases may be used, provided it can be demonstrated that they produce more equitable results.

Our review showed that universities use several variations of the direct salaries and wages base. Some examples are:

1. Salaries and wages, plus overtime premium and retirement costs.
2. Straight-time direct labor dollars including holidays and excused absences and excluding overtime premium and sabbatical leave costs.
3. Direct salaries and wages including vacation, holidays and sick pay but excluding other fringe benefits.

A much more significant impact on the indirect cost rates occurs when a university uses a version of total direct costs as the base. This lowers the indirect cost rate since the amount of indirect cost is distributed over a larger base; hence, the indirect costs are a lower percentage of the direct cost base.

The following example shows how the indirect cost rate is affected by varving the direct cost bases, even though the actual amounts of direct costs and indirect costs do not change. Assume for example, that an institution incurs the following costs in a given period:

Direct costs:	
Direct salaries and wages	\$ 4,000,000
Fringe benefits	1,000,000
Other direct costs	3,000,000
Capital expenditures	<u>2,000,000</u>
Total direct costs	<u>10,000,000</u>
Indirect costs:	
Total indirect costs	<u>2,000,000</u>
Total costs	<u><u>\$12,000,000</u></u>

Using the above identical sets of costs, the indirect cost rate will vary as the direct cost base is changed, as shown below.

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<u>Base</u>	<u>Base amount</u>	<u>Indirect cost</u>	<u>Indirect cost rate</u>
Salaries and wages	\$ 4,000,000	\$2,000,000	50%
Salaries and wages plus fringe benefits	5,000,000	2,000,000	40
Total direct costs less capital expenditures	8,000,000	2,000,000	25
Total direct costs	10,000,000	2,000,000	20

As shown above, the comparison of indirect cost rates alone should not be made. However, because the complexity of the rates and bases is not widely understood, there is a tendency to view lower indirect cost rates as being more favorable to the Government. The university community is aware of this perception on the part of many public officials. Johns Hopkins University, in 1973, took action to improve its image in this respect. Prior to that time Johns Hopkins had computed indirect cost rates on a salaries and wages base. In 1973 the university began using a modified total direct cost base and also began computing rates university-wide instead of separately for each department. These and other modifications made at that time resulted in generally lower indirect cost rates. For example, the indirect cost rate for research carried out oncampus by the School of Hygiene dropped from 41 percent to 34 percent.

In its request to the cognizant negotiating agency for approval of these changes, Johns Hopkins listed several reasons for the changes but stated that one of its objectives was to eliminate the improper emphasis on rates and that using the larger base would eliminate large fluctuations in rates. In discussions with Johns Hopkins officials, we were told that they were not unaware of the fact that lower rates are viewed as preferable by many Government officials, even though the rate itself is not meaningful when compared with rates at other institutions.

AID involvement in negotiations

One of the responsibilities of AID's Overhead and Special Costs Negotiation Branch of the Office of Contract Management is to review the indirect cost rates established by the cognizant negotiating agency. Although AID money is usually a very small part of the total Federal grant and contract money going to any single university, AID often has a special interest in the negotiations since AID contracts and grants involve more offcampus work than do grants or contracts from other Federal agencies. AID has been involved, along with

the cognizant agency, in negotiations with several universities, in an attempt to insure that the established rates are favorable to AID. AID has recently been involved with the Department of Defense, the cognizant audit agency, in negotiating an indirect cost rate for the East-West Center, which had become separate from the University of Hawaii in July 1975. In this case, although the East-West Center is not a degree granting institution, the Office of Management and Budget, on March 10, 1976, said it had no objections to AID being the cognizant negotiating agency for the Government at the Center.

We found that as a general rule AID accepts without question indirect cost rates established by the cognizant negotiating agency. However, on a sampling basis, or when substantial amounts for overhead above that already paid to an institution on a provisional basis are claimed against one or more AID contracts, AID does review rates established by the cognizant agency to assure the appropriateness of the rates to AID programs. Such reviews are generally conducted with the cooperation of the cognizant negotiating agency.

We noted one instance where AID recovered \$34,000 from the University of Missouri after AID convinced the university that the indirect cost figure, negotiated by the Navy and used in AID contracts, was not correct for AID contracts. In another instance AID recovered \$40,000 from Auburn University when it was determined from a sample review of the cognizant agency's negotiation agreement that an off-campus rate for the university's agricultural experiment station was appropriate for AID overseas contract effort. At the time of our review AID was in the process of negotiating a settlement of indirect costs charged under the Colorado State University contract described in chapter 5. This negotiation may result in a recovery of about \$14,000 by AID.

DIRECT COSTS

The largest element of direct cost under most university contracts and grants is salaries and wages. According to U.S. Government-wide principles set forth in a Federal Management Circular, direct costs charged for salaries and wages are to be based on the university's payroll distribution system. The payroll distribution system is a means of allocating wage and salary charges to the different activities the faculty or staff may be working on. While direct costs charged for wages of nonprofessionals are to be supported by time and attendance records, salary charges of professional staff are only required to be supported by monthly certifications

signed by the staff member and his supervisor that the payroll distribution accurately reflects the level of effort expended.

We reviewed the procedures at four universities for charging professional salaries to Federal grants and contracts. The normal procedure of salary distribution at the universities was to allocate each faculty member's salary to the activities--contracts, grants, instruction, administration, etc.--on which the individual was to be working, based on projected budgets. At the end of each month, the faculty member and his supervisor were to sign an after-the-fact certification that the allocation of salary accurately reflected the relative amount of effort devoted to each activity. The after-the-fact certifications were being made, but because time and attendance records are not required, we could not verify the accuracy of the direct time charges.

At several institutions we were told that professional staff member direct time charges to Government contracts and grants, as well as charges to other university activities, were largely based on the judgment of the individual staff member. An evaluation of whether or not this method of charging direct professional staff time to U.S. Government contracts and grants results in fair and accurate charges is outside the scope of this review. However, in our selective sample we noted one instance where an incorrect time charge had been certified correct for a 4-month period. In this instance the faculty member was charging one AID contract for 22 percent of his time although he was spending nearly 100 percent of his time on a different AID contract. We were informed that the reason for this erroneous certification was that the university's accounting system could not be changed until contractual coverage was actually received. According to the university, the faculty member began working on the basis of oral authorization of an AID official. After the contract was received, the university's accounts were adjusted retroactively for the 4-month period.

CONCLUSIONS

The Federal Government awards a large number of grants and contracts to educational institutions each year. To avoid confusion, duplication, conflicting directions, and unnecessary work for institutions receiving grants and contracts from more than one agency, a single Federal agency has been assigned to determine allowable indirect costs and to audit each educational institution. Because AID's portion of total Federal grants and contracts for any one institution is relatively small when compared to total Federal funds provided, AID cannot have a significant influence on the indirect cost rates established.

Universities use different accounting systems and compute indirect cost rates on different direct cost bases; therefore, comparisons of indirect cost rates between universities should not be made since the rate itself has no special meaning. AID should be primarily concerned with obtaining the lowest direct cost for a contract or grant, since direct costs make up the base to which a rate established for all Federal agencies at that institution is applied.

CHAPTER 7

SCOPE OF REVIEW

We examined AID's use of universities in carrying out foreign assistance programs, addressing the central issues of (1) the extent to which universities are used, (2) the reasons for using universities, and (3) the ways in which universities are used.

We reviewed the legislative history of pertinent sections of the Foreign Assistance Act, including hearings, committee and conference reports, and floor debates. We examined AID documents concerning the interpretation and implementation of this legislation and discussed related policies and procedures with AID officials.

We reviewed available AID statistical and financial reports and audit reports by the AID Auditor General, the Inspector General of Foreign Assistance, the Department of Health, Education, and Welfare Audit Agency, and the Defense Contract Audit Agency.

To obtain the views of university officials, we sent questionnaires to the universities which were awarded grants to strengthen their capabilities in solving problems of less developed countries. We received 41 responses to 54 questionnaires we sent out, a response rate of 76 percent. We also visited four universities to review records and to discuss with officials the universities' policies and procedures with respect to AID contracts and grants. We held numerous discussions with officials of other universities, the National Association of State Universities and Land Grant Colleges, the National Association of College and University Business Officers, and Department of Health, Education and Welfare personnel responsible for negotiating university indirect cost rates and for auditing university contracts.

Because of time constraints, we limited our review to selected contracts and grants at selected universities. We did not visit the less developed countries to review the extent to which university contract and grant activities were ultimately benefiting the populations of the recipient countries.

NUMBER AND VALUE OF AID UNIVERSITY
CONTRACTS AND AMENDMENTS BY FISCAL YEAR

<u>Fiscal year</u>		<u>Number awarded</u>	<u>Value (million)</u>
1967	Contracts	98	\$17.6
	Amendments	320	25.4
			<u>\$43.0</u>
1968	Contracts	67	\$11.7
	Amendments	394	29.9
			<u>\$41.6</u>
1969	Contracts	68	\$ 7.0
	Amendments	434	30.3
			<u>\$37.3</u>
1970	Contracts	81	\$13.7
	Amendments	421	36.2
			<u>\$49.9</u>
1971	Contracts	149	\$29.8
	Amendments	388	51.2
			<u>\$81.0</u>
1972	Contracts	139	\$22.7
	Amendments	557	28.1
			<u>\$50.8</u>
1973	Contracts	84	\$17.4
	Amendments	562	39.2
			<u>\$56.6</u>
1974	Contracts	88	\$13.0
	Amendments	567	26.1
			<u>\$39.1</u>

APPENDIX II

APPENDIX II

FOLLOW-ON CONTRACTS USING CAPACITYDEVELOPED UNDER SECTION 211(d) GRANTS

<u>Institution</u>	<u>Contract</u>	<u>Section 211(d) grant</u>			<u>Follow-on contracts</u>	
		<u>From</u>	<u>To</u>	<u>Amount</u>	<u>Number</u>	<u>Value</u>
International agricultural economics:						
Cornell University, New York	CSD-2823	6/24/70	11/02/75	\$ 290,000	2	\$ 637,796
Iowa State University	CSD-2824	6/24/70	9/30/76	870,000	2	1,476,181
Michigan State University	CSR-2826	6/29/70	6/28/76	745,000	10	2,700,285
University of Minnesota	CSD-2815	6/24/70	9/30/76	934,969	-	-
Southern University, Louisiana	CSD-3414	5/19/72	5/18/77	500,000	-	-
Virginia State College	CSD-3415	5/19/72	5/18/77	500,000	-	-
Agricultural development in India:						
University of Illinois	CSD-1922	5/31/68	12/31/73	200,000	1	24,000
Kansas State University	CSD-1931	5/31/68	12/30/73	200,000	2	304,185
University of Missouri	CSD-1921	5/31/68	6/30/73	200,000	-	-
Ohio State University	CSD-1928	5/31/68	6/30/75	200,000	-	-
Pennsylvania State University	CSD-1932	5/31/68	12/31/75	200,000	-	-
University of Tennessee	CSD-1927	5/31/68	12/31/73	200,000	-	-
Water resources:						
University of Arizona	CSD-2457	5/23/69	6/30/77	665,000	-	-
Colorado State University	CSD-2460	5/23/69	6/30/77	1,050,000	7	1,159,818
Utah State University	CSD-2459	5/23/69	6/30/77	945,000	8	701,905
University of California at Riverside	TA-G-1141	6/30/74	6/20/79	1,000,000	-	-
Oregon State University	TA-G-1221	6/20/75	5/29/80	1,000,000	-	-
Tropical soils:						
Cornell University, New York	CSD-2834	6/30/70	12/31/75	500,000	1	320,000
University of Hawaii	CSD-2833	11/02/70	11/01/75	581,451	2	705,630

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Institution	Contract	Section 211(d) grant		Amount	Follow-on contracts	
		From	To		Number	Value
North Carolina Statr. Univer- sity	CSD-2835	11/02/70	11/01/75	\$ 500,000	5	\$ 962,285
Prairie View A&M College, Texas	CSD-2836	6/30/70	11/02/75	500,000	-	-
University of Puerto Rico	CSD-2857	3/04/71	3/02/76	500,000	-	-
Aquaculture and marine resources:						
Auburn University, Alabama	CSD-2780	6/24/70	6/23/77	1,100,000	15	1,283,841
University of Rhode Island	CSD-2455	5/07/69	6/30/77	1,325,000	2	28,787
Ruminant livestock production:						
Texas A&M Univer- sity	CSD-3675	6/30/72	6/28/77	500,000	2	94,400
University of Florida	CSD-3684	6/30/72	6/29/77	500,000	1	300,000
Purdue Univer- sity, Indiana	CSD-3683	6/29/72	6/28/77	400,000	-	-
Tuskegee Insti- tute, Alabama	CSD-3676	6/29/72	6/28/77	500,000	-	-
Soybean production:						
University of Illinois	CM-G-73-49	9/17/73	9/16/78	500,000	4	51,752
University of Puerto Rico	TA-G-73-50	9/17/73	9/16/78	500,000	2	590,560
Land tenure:						
University of Wisconsin	CSD-2263	11/28/69	6/30/77	2,120,000	1	91,100
Health and population planning:						
Johns Hopkins Uni- versity, Mary- land	CSD-1939	5/23/68	3/28/77	2,470,000	8	9,605,475
University of Michigan	CSD-2171	6/28/68	6/30/74	1,250,000	1	332,212
University of North Carolina	CSD-1940	5/31/68	5/31/74	2,400,000	17	13,933,252
Nutrition:						
Massachusetts Institute of Technology	TA-G-1113	5/31/74	5/31/79	685,000	3	174,951
Law, Development and Modernization:						
Stanford Univer- sity, California	CSD-3151	5/28/71	5/28/76	700,000	-	-

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Institution	Section 211(d) grant				Follow-on contracts	
	Contract	From	To	Amount	Number	Value
Yale University, Connecticut	CSD-2485	6/27/69	6/27/76	\$ 1,240,600	-	\$ -
Comparative Legisla- tive Studies:						
Duke University, North Carolina	CSD-3295	6/30/71	6/30/76	500,000	-	-
University of Hawaii	CSD-3293	8/11/71	8/10/76	735,000	-	-
University of Iowa	CSD-3294	8/11/71	8/10/76	265,000	-	-
Economic, Social and Political Develop- ment and Moderniza- tion:						
Midwest Universi- ties Consortium International Activities	CSD-2958	5/28/71	5/27/76	1,000,000	5	6,607,529
University of Michigan	CSD-2547	11/20/69	6/30/78	2,467,535	1	577,000
Southern Illinois University	CSD-2514	6/30/69	6/30/75	1,000,000	-	-
Tufts University, Massachusetts	CSD-2810	6/30/70	6/28/75	965,773	-	-
Pace University, New York	OTR-G- 73-251	6/29/73	6/28/78	160,000	-	-
Educational Develop- ment:						
University of California at Los Angeles	CSD-2825	6/24/70	6/23/75	600,000	-	-
Florida State University	CSD-2945	4/28/71	4/30/76	1,000,000	6	478,527
Stanford Univer- sity, California	TA-G-1053	9/13/73	9/13/78	1,000,000	-	-
University of California at Berkeley	TA-G-73-17	3/14/73	3/13/78	998,354	1	17,500
University of Massachusetts	TA-G-1112	5/31/74	5/31/79	750,000	1	121,500
Science and Technology:						
Cornell Univer- sity, New York	CSD-3158	8/11/71	8/10/76	610,000	1	23,500
Massachusetts In- stitute of Tech- nology	CSD-3360	10/15/71	10/15/76	900,000	3	334,800
Georgia Institute of Technology	CM-G-73-18	2/23/73	2/22/78	800,000	2	217,500
University of Arizona	TA-G-1111	5/31/74	5/31/79	1,045,000	1	22,496
Total				<u>\$42,728,682</u>	<u>117</u>	<u>\$43,878,767</u>

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APPENDIX III

APPENDIX III

FUNDS AWARDED TO UNIVERSITIESUNDER AID'S CENTRAL RESEARCH PROGRAM

<u>University</u>	<u>1962 to 1975</u>				<u>Total</u>
	<u>Food and nutrition</u>	<u>Population and health</u>	<u>Education and human resources</u>	<u>Selected development problems</u>	
University of North Carolina	\$	\$9,578,624	\$	\$	\$9,578,624
Michigan State University	4,404,273		610,000	37,880	5,052,153
University of Wisconsin	3,503,275	665,746		494,478	4,653,499
Purdue University, Indiana	4,641,430				4,641,430
Cornell University, New York	3,498,785			932,425	4,431,210
Johns Hopkins University, Maryland	200,836	4,125,332		19,408	4,345,576
North Carolina State University	3,714,608				3,714,608
Utah State University	3,606,131				3,606,131
University of Minnesota		3,349,523			3,349,523
Colorado State University	3,279,000			21,000	3,300,000
Harvard University, Massachusetts	604,129	347,199		2,326,645	3,277,973
Yale University, Connecticut				3,133,777	3,133,777
University of Illinois	980,996	1,948,502		24,000	2,953,498
Texas A&M University	2,753,768				2,753,768
Oregon State University	2,622,271				2,622,271
University of Nebraska	2,354,614			24,800	2,379,414
Ohio State University	2,140,901				2,140,901
University of New Mexico		a/1,953,938			1,953,938
University of Puerto Rico	1,500,059				1,500,059
University of Hawaii	1,171,630	51,000			1,222,630
Kansas State University	1,177,857				1,177,857
Stanford University, California			1,081,476		1,081,476

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APPENDIX III

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<u>University</u>	<u>Food and nutrition</u>	<u>Population and health</u>	<u>Education and human resources</u>	<u>Selected development problems</u>	<u>Total</u>
Massachusetts Institute of Technology	\$ 724,357	\$	\$	\$ 252,000	\$ 976,357
University of Pittsburgh		719,284		158,380	877,664
University of Florida	819,011				819,011
Stanford Research Foundation, California	564,037			238,603	802,640
Washington University-- St. Louis		607,000			607,000
Rice University, Texas				590,182	590,182
Princeton University, New Jersey				420,826	420,826
University of Notre Dame, Indiana		413,050			413,050
University of California	223,273			181,289	404,562
Wake Forest University, North Carolina		393,471			393,471
Williams College, Massachusetts				356,329	356,329
Syracuse University, New York	355,475				355,475
University of Montana	350,000				350,000
University of Pennsylvania				349,282	349,282
Iowa State University				330,000	330,000
University of Michigan				326,679	326,679
University of Oklahoma		269,000			269,000
Brandeis University, Massachusetts				250,594	250,594
New York University		205,340		25,000	230,340
Medical College of Wisconsin	195,376				195,376
Medical, College of Virginia		130,200			130,200
University of Rhode Island	109,706				109,706
Northwestern University, Illinois				89,300	89,300
University of Georgia	84,366			"	84,366
The Rockefeller University, New York		77,196			77,196
University of Colorado		76,433			76,433
University of Southern Florida			65,129		65,129
Mississippi State University	40,680				40,680

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APPENDIX III

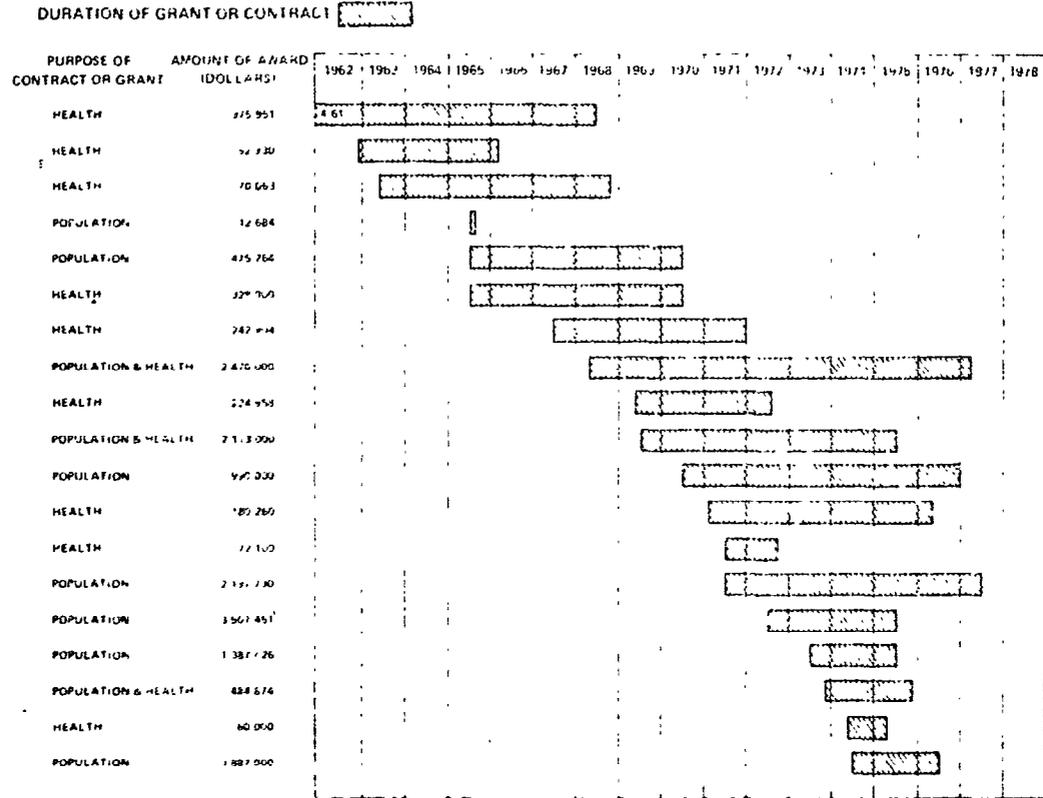
APPENDIX III

<u>University</u>	<u>Food and nutrition</u>	<u>Population and health</u>	<u>Education and human resources</u>	<u>Selected development problems</u>	<u>Total</u>
Columbia University, New York	\$	\$	\$ 27,196	\$	\$ 27,169
George Washington Uni- versity, Washington, D.C.				25,000	25,000
Howard University, Washington, D.C.				25,000	25,000
Washington State Uni- versity				25,000	25,000
University of Missouri				25,000	25,000
Indiana University				24,995	24,995
Carnegie Mellon Univer- sity, Pennsylvania				24,779	24,779
Rutgers University, New Jersey	23,360				23,360
University of Chicago				11,000	11,000
Vanderbilt University, Tennessee				7,000	7,000
Haverford University, Pennsylvania				5,405	5,405
Northern Illinois Uni- versity				2,500	2,500
Total	<u>\$45,644,204</u>	<u>\$24,910,838</u>	<u>\$1,756,605</u>	<u>\$10,785,725</u>	<u>\$83,097,372</u>

a/Contract formerly with the University of Illinois.

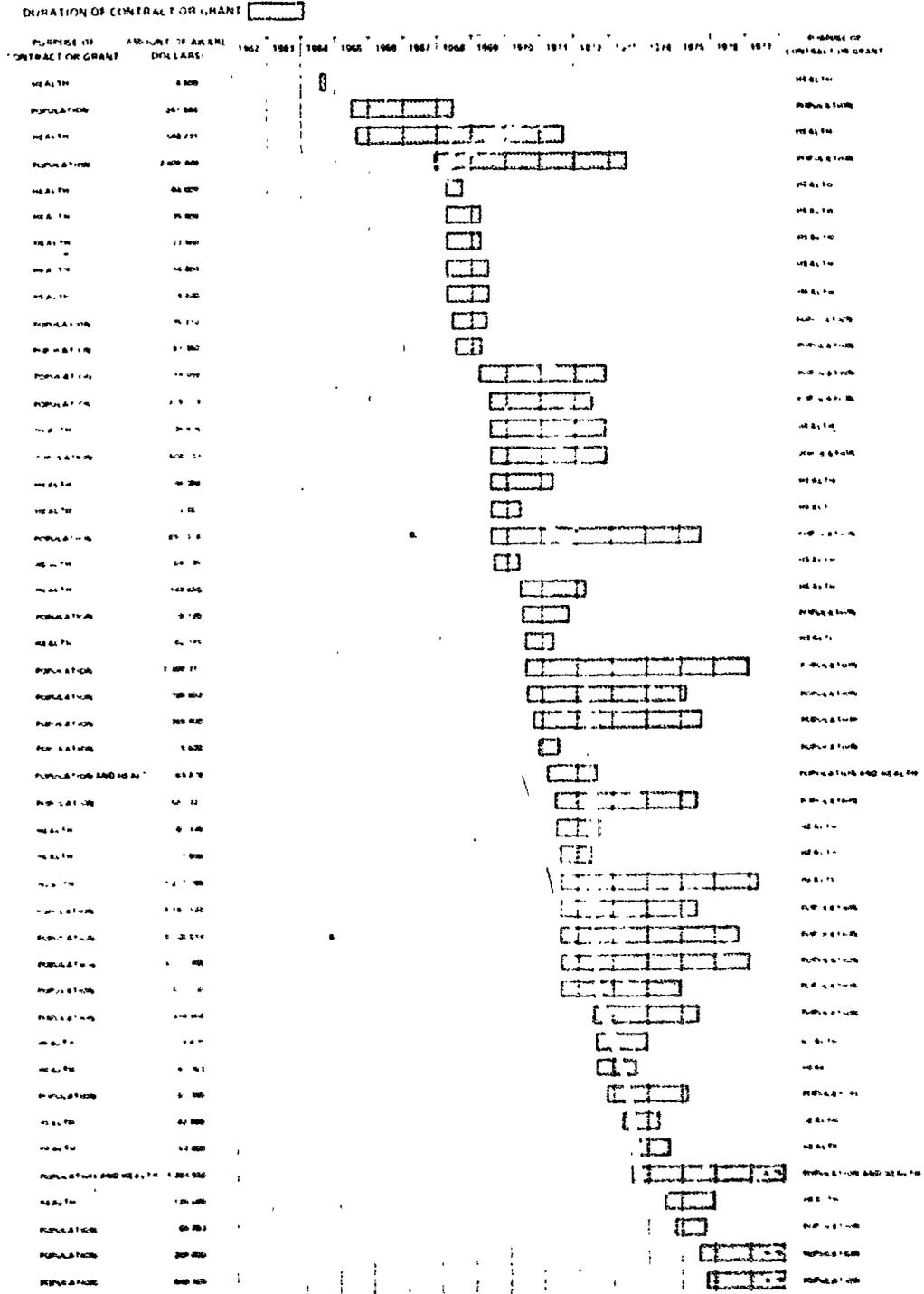
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ALL Contracts and Grants with
 Johns Hopkins University in the Areas of Population and Health
 (Sorted in Order of Award Date)



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AID Contracts and Grants with
The University of North Carolina in the Areas of Population and Health
(Shown in Order of Award Date)



APPENDIX VI

APPENDIX VI

AID Contracts and Grants with the
University of Hawaii and the E. A. West Center
(Shown in Order of Award Date)

TERMINATION OF CONTRACT OR GRANT

PURPOSE OF CONTRACT OR GRANT	AMOUNT OF AWARD (DOLLARS)	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977
TRAINING PARTICIPANTS	380,425	■	■	■	■	■	■	■									
EDUCATION	1,058,853	■	■	■	■	■	■	■	■								
EDUCATION	861,808	■	■	■	■	■											
EDUCATION	19,211				■												
TRAINING OFFICERS	172,273					■	■	■	■								
POPULATION	329,150						■	■	■	■							
TRAINING OFFICERS	2,246,188						■	■	■	■							
HOSTEL FELLOWSHIP	11,817						■										
EDUCATION	2,811,880						■	■	■	■	■	■	■	■	■	■	■
TRAINING PARTICIPANTS	386,215							■	■	■	■						
TRADE CONFERENCE	19,200								■	■							
POPULATION	5,216,750								■	■	■	■	■	■	■	■	■
POPULATION	542,985									■	■	■	■	■	■	■	■
AGRICULTURE	501,415									■	■	■	■	■	■	■	■
POPULATION	1,873,400										■	■	■	■	■	■	■
POPULATION	1,687,477											■	■	■	■	■	■
LEGISLATIVE STUDIES	238,800											■	■	■	■	■	■
TRAINING PARTICIPANTS	262,357											■	■				
POPULATION AND HEALTH	171,812												■	■	■	■	■
TRAINING PARTICIPANTS	271,881													■	■	■	■
POPULATION	1,188,808														■	■	■
AGRICULTURE	488,620															■	■
POPULATION	1,78,888															■	■
EDUCATION	188,888																■
AGRICULTURE	28,888																
HEALTH	57,888																
POPULATION AND HEALTH	182,888																

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SENATE HEARINGS BEFORE A SUBCOMMITTEE OF
THE COMMITTEE ON APPROPRIATIONS
FOREIGN ASSISTANCE AND RELATED PROGRAMS APPROPRIATION
FISCAL YEAR 1976
APRIL 17, 1975

Mr. FASTER. One illustration, the FSR group was 3,496 as of May 1974. The average at March 1975 is 3,47. That reflects a slight reduction, and indicates there is a slight downward trend. They have stopped the growth and they are going down.

There is one other thing they have done. They have just established a policy of assigning Foreign Service personnel to only those AID Washington positions which are equal to one grade above or one grade below their grade. This hasn't been the practice in the past. There could be three or four different grades.

Senator INOUYE. You don't have the extreme situation where an employee will just come in once a month to pick up his paycheck?

Mr. FASTER. I think that problem is becoming less, and I think we are talking about the other approach and getting down to 350 in the subcomplement pool. As I mentioned earlier, the Vietnam situation is going to cause some problems.

Senator INOUYE. We can understand that and we stand prepared to do whatever we can to treat this as a matter of special concern. It is a unique problem and we understand that.

Mr. FASTER. All right, sir.

Senator INOUYE. Now, Mr. FASTER, this subcommittee has oversight responsibility over a full range of activities involved in foreign assistance and some of these activities are being carried out by so-called voluntary or private organizations and nongovernmental.

Frankly, we don't have the detailed information about the operations which I feel is necessary if this committee is to carry out in proper fashion this oversight responsibility.

So I would like to take this opportunity to officially ask you to make timely reviews on the separate topics. One is AID financed university contracts, another is on the way that the AID

Second, AID's use of private consultants and advisers.

And, third, AID's relationship to and practices of private and voluntary organizations. I believe this is a broad one.

I have given the staff, our committee staff, instructions as to the nature of these reviews and I will ask them to meet with appropriate officials on your staff to work out the specific areas to be covered and the timing of the report.

Mr. FASTER. We can do that, and I think all three areas are significant and warrant studies.

Senator INOUYE. I think it is very important because here again it doesn't help when one receives a nameless letter or rumors suggesting that certain universities have a contract because of pressure and that university was a dummy operation or had an inadequate staff to carry out the project. We would like to know what the truth is.

Mr. FASTER. All right, thank you.

Senator INOUYE. There is a personal side to that request. As chairman of a subcommittee, I suppose there are some who may feel that I may use that position to enhance the position of Hawaiian enterprises and the University of Hawaii. I know has a couple of contracts with AID. I would like you to look specifically into those to determine whether these contracts are good and whether the University of Hawaii is carrying out its part and giving the taxpayers their money's worth.

Mr. FASTER. Very good, sir. (underscoring added)