

June 28, 2000

MEMORANDUM FOR: ANDREW J. SAMET
Deputy Under Secretary for
International Labor Affairs

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FROM: JOHN J. GETEK
Assistant Inspector General
for Audit

SUBJECT: WORLDWIDE STRATEGIES, INC.
Letter Report No. 18-00-007-01-070

The Office of Inspector General (OIG) completed a survey of Worldwide Strategies, Inc.'s (WSI) contract (No. J-9-K-7-0020) with the U.S. Department of Labor's Bureau for International Labor Affairs (ILAB). The purpose of the survey was to evaluate WSI's and ILAB's administration of the contract with the intent of determining whether any changes were needed that would affect this and subsequent ILAB technical assistance contracts. In as much as the services required by the contract are delivered overseas, we did not evaluate program results.

This contract is for conducting technical assistance projects in Central and Eastern European developing countries and is in its fourth and final year. ILAB is in the process of issuing a Request for Proposal for this same service.

No administrative deficiencies were detected at WSI. We did observe areas where we suggest changes to ILAB's processes. These were in the areas of invoicing, contract management and reporting and are discussed later in this report. These suggestions, we believe will enhance efficiency while maintaining effective internal control.

INTRODUCTION AND BACKGROUND

The Bureau of International Labor Affairs - ILAB carries out the Department of Labor's (DOL) international responsibilities under the direction of the Deputy Under Secretary for International Labor Affairs, and assists in formulating international economics, trade, and immigration policies affecting American workers. ILAB implements these objectives through several distinct activities, including the coordination and implementation of technical assistance programs in developing countries for the purpose of strengthening labor standards and social safety net programs. ILAB uses the term "bilateral technical assistance" to describe direct government-to-government efforts to promote the increased effectiveness of economic development activities and social safety net programs.

ILAB Bilateral Technical Assistance Program - Since 1990, ILAB has conducted bilateral technical assistance projects in Central and Eastern Europe. These projects have been supported by the United States Agency for International Development (USAID) through USAID SEED (Support for East European Democracy) funds, which are transferred to DOL/ILAB through an Interagency Agreement.

To provide this assistance, ILAB utilizes experts in the fields of employment and unemployment services, self-employment and entrepreneurial skills development, vocational counseling and development, occupational safety and health issues, labor management relations, social sector restructuring, social insurance development, vocational skills development training, and labor marketing analysis.

Worldwide Strategies, Inc. - WSI was incorporated in 1985 as Western States Multi-Service Corporation, a for-profit company whose original purpose was to manage medical and rural health services in the western United States. In May 1999, the name was changed to its present name, Worldwide Strategies, Inc., to more accurately reflect the work of the company.

WSI is a wholly-owned subsidiary of Mountain States Group, Inc. (MSGI), a private, not-for-profit corporation which is involved in a variety of activities in Idaho, including refugee resettlement, mental health, access to rural health care, childhood development and HIV AIDS prevention. MSGI receives funding for its nonprofit activities from a variety of sources, including the State of Idaho. WSI was formed to give its parent company the ability to compete for small business opportunities in which the parent company had experience and expertise.

ILAB's Contract With WSI For Technical Assistance Services - In 1996, DOL's Office of Administration and Management (OASAM), Office of Procurement, issued on ILAB's behalf a Request for Proposal (RFP) to deliver technical assistance services to Central and Eastern Europe. The competitively procured contract was awarded to WSI in January 1997. The contract was for 1 year with three 1-year options. DOL has renewed each option year and the contract is scheduled to expire in January 2001.

The purpose of the contract was to provide highly qualified experts to conduct work on SEED technical assistance projects. The contract required the experts to perform: (1) policy and program analysis, (2) project proposal writing, (3) implementation plan design and update, (4) training design and delivery, (5) advisory and consultation services, and (6) monitoring and reporting.

The funding for this contract was anticipated to be about \$7.2 million, with the funds being obligated as each project was approved. As of April 18, 2000, DOL has reimbursed WSI \$4.6 million for its services. Most of WSI's expenses have been for salaries, travel, and contractual services.

OBJECTIVES, SCOPE AND METHODOLOGY

Our survey objective was to gather and evaluate information for the period January 27, 1997 through April 3, 2000, to determine whether the administration of the WSI contract was being performed in the most cost effective manner. We did not evaluate the program results because these services were delivered overseas.

On April 3, 2000, we met with the Director, Office of Foreign Relations, to inform him of our impending survey. On April 18, 2000, we met with the Contracting Officer's Technical Representative to understand how he managed the contract. We conducted our fieldwork from April 24 to May 5, 2000, at WSI headquarters in Boise, Idaho, where we held discussions with WSI staff and reviewed documentation in support of their claimed costs and their internal control systems. We held an exit conference with these same officials on May 5, 2000, and with ILAB officials on May 30, 2000, to discuss the results of our survey.

Our work was performed in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States.

SURVEY RESULTS

The Structural Revision to ILAB's Bilateral Technical Assistance Program Did Not Include a Corresponding Revision to Certain Administrative Requirements and Placed an Unnecessary Burden on Both ILAB and WSI in the Areas of Invoicing, Contract Management and Reporting - With the inception of USAID SEED funds, ILAB envisioned one to four bilateral technical assistance projects each month. The contractor's administrative requirements were designed to support this type of project and each project was to be initiated and managed through the issuance of a task order.

Subsequently, ILAB concluded that the projects were implemented at too high a level in the developing country's political structure and, therefore, the projects were less successful in restructuring localized economic institutions than had been anticipated. To improve desired outcomes, in January 1998, ILAB adopted the USDOL Adjustment Model, an integrated approach to help workers, enterprises and communities impacted by economic restructuring.

The Model targets basic labor market services on a community level. The intent is to utilize the economic restructuring of a single community as a catalyst for restructuring other communities, with the overall objective of economically restructuring the entire country. A primary component of the Model is its emphasis on a minimum 18-month project, with each project being supported by a contractor who must establish an office in that country for the duration of the project.

We believe that this revision to the structure of the program, without a corresponding revision to certain administrative requirements, has placed an unnecessary burden on both ILAB and the contractor. We noted the following:

Contractor Invoicing

WSI typically has 12-14 task orders operating concurrently, supporting activities of 4 or 5 technical assistance projects in the developing countries. To claim reimbursement for costs, WSI submits a monthly invoice for each task order. Attached to each invoice are the original and two copies of all receipts, a requirement imposed on WSI by ILAB.

Upon receipt of the invoices, the COTR: (1) compares the labor hours submitted on the invoice to that on the time sheets, (2) verifies that the appropriate travel authorizations exist, that the airline ticket is attached, and that the rate is reasonable, (3) verifies that hotel, meal and incidental costs are within the allowable per diem rate, and that there is a hotel receipt, and (4) verifies that receipts exist for equipment and other charges and that they are within the allowable limits. After the COTR certifies that the documentation supports the invoice, he submits the original invoice to OASAM for payment.

We believe ILAB can maintain the same effectiveness in its oversight abilities by requiring WSI (and future contractors) to simply retain the receipts for future audits. When the COTR determines there is a need to review an invoice cost he can either require WSI to submit a copy of the supporting documentation, or visit WSI to audit the invoice(s). Therefore, we suggest ILAB discontinue requiring the contractor to submit receipts with its requests for reimbursement.

Contract Management

The annual budget for each ILAB project ranges from \$650,000 to \$1 million. Each project is funded by several task orders. To maintain control over its funds, ILAB placed an “unofficial” funding ceiling of \$100,000 - \$150,000 on each task order and contract cost modification. This ceiling was appropriate when WSI’s task orders were limited to short-term technical assistance projects. However, now that WSI is required to establish permanent overseas offices in each developing country, this ceiling is no longer practical. The change in program emphasis to long-term technical assistance has forced WSI to fund 12-14 activities concurrently. Since ILAB requires a separate task order for each technical assistance activity under each project, this places an administrative burden on both WSI and ILAB.

Normally, 4 to 8 weeks elapse from the time a contract cost modification is submitted by WSI to the time the approved modification is received back from DOL. The combination of the number of task orders and contract modifications in process, and ILAB’s policy of limiting the amount of funding available to the contractor, has resulted in contract modifications being in a continual state of preparation and approval. This is a burdensome funding process for both the contractor and ILAB.

We suggest that ILAB (1) consolidate all technical assistance projects in each developing country under one task order, when appropriate, and (2) fund these projects to at least 50 percent of their completion. This should result in a streamlined and more efficient contract management process.

Contractor Reporting

WSI's contract requires that it submit a monthly progress report, with a program and financial management section, for each task order. Additionally, ILAB requires separate (1) reports for its Office of Foreign Relations, and (2) "local economic development" (LED) reports. The progress report is a summarization of individual consultant reports provided to the contractor, which must be consolidated and reformatted prior to submission to ILAB. The LED report originates from WSI's project office and must also be reformatted by the contractor prior to submission to ILAB. The progress reports and LED reports must be replicated for each developing country and are received by ILAB about 4-6 weeks after occurrence of the events which are reported.

The Central and Eastern European projects are monitored by a combination of USAID missions, contractor headquarters personnel, and the ILAB national office. There also are frequent telephone and electronic communications between WSI project offices and these entities. Furthermore, WSI must report to USAID. It accomplishes this by providing monthly narrative reports to USAID Eastern European mission offices. Therefore, information reported in monthly progress reports is outdated by the time it is received by ILAB.

Simplifying this reporting process should result in greater efficiencies both to ILAB and its contractors. To ensure that ILAB receives information on the progress of these projects in a timely manner, we suggest the following: (1) ILAB should consider utilizing electronic reporting for present and future contractors (2) for future Requests for Proposal, ILAB should identify software that will ensure compatibility between ILAB's and the contractor's computer systems for the purpose of electronic reporting, and (3) eliminate the financial portion of the monthly progress reports, as it is merely a duplication of financial information already received through the submission of invoices.

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We appreciate the cooperation and assistance provided by your staff and WSI staff during our survey. A response to this report is not necessary; however, if you or your staff has any questions concerning this report, please contact me on 219-8404. As a courtesy, we are providing a copy of this report to WSI.

cc: **OIG**

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Director, DAO

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