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BY THE U.S. GENERAL ACCOUNTING OFFICE

**Report To The Chairman And Ranking
Minority Member Senate Committee
On Foreign Relations**

**USIA Has Taken Action
To Improve The Management
Of The Private Sector Program**

The United States Information Agency (USIA) redirected its Private Sector Program in fiscal year 1982 without a clear expression of program objectives or grant selection criteria. As a result, USIA awarded grants to nonprofit organizations in support of educational and cultural exchange programs to increase mutual understanding between the people of the U.S. and other countries that had not been thoroughly reviewed. Also, the grant review process was performed without experienced reviewers.

Congressional inquiries have led USIA to institute numerous changes in an effort to improve the management of the program. This report describes the problems with program administration and the planned changes.



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UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

NATIONAL SECURITY AND
INTERNATIONAL AFFAIRS DIVISION

B-214509

The Honorable Charles H. Percy
Chairman, Committee on Foreign Relations
United States Senate

The Honorable Claiborne Pell
Ranking Minority Member,
Committee on Foreign Relations
United States Senate

This report on the United States Information Agency's management of its Private Sector Program was undertaken in response to your request of October 21, 1982. As agreed with your office, we limited our review to (1) the Agency's management of the Private Sector Program and (2) the trends in funding private organizations.

As arranged with your office, we are sending copies of this report to the Director of the United States Information Agency. Copies will also be available to other interested parties who request them.

David A. Littleton
Frank C. Conahan
Director

D I G E S T

GAO, at the request of the Chairman and Ranking Minority Member of the Senate Foreign Relations Committee, reviewed the United State Information Agency's (USIA's) management of grants to private sector non-profit organizations in support of the educational and cultural exchange programs. The review was requested because of concerns about the type of activities being supported and the method of awarding grants. (See p. 1.)

GAO compared the selection criteria and administrative processes used for the fiscal year 1982 Private Sector Program with those used in previous years. (See p. 5.)

PRIVATE SECTOR PROGRAM

The program is one of four major components of USIA exchange-of-persons activities. It has been the focal point in USIA's effort to fulfill the legislative mandate to involve private nonprofit U. S. organizations in the exchange-of-persons programs. The 1982 program awarded \$7.5 million to 67 organizations. (See pp. 1 and 2.)

FUNDING TRENDS

The funding trends for the 1982 program changed from past practices, particularly for new organizations. The average size and the number of large grants to new organizations were significantly higher than in the past. (See pp. 27 to 30.)

GUIDELINES

Since 1978, there have been a series of changes in the program's direction and administrative procedures. Usually clear

criteria were available to implement the changes. However, the 1982 program was changed to expand the participation of private sector organizations with new ideas or programs without specific selection criteria having been developed. (See pp. 8 to 13.)

MANAGEMENT OF 1982 PROGRAM

The redirected 1982 program attracted new organizations. However, the manner of selection and nature of some of the projects raised concerns. The reasons for the concerns can be attributed to a perception of politicization of the program, unclear program guidance, a limited review process, and lack of continuity and experience in the program staff. GAO believes USIA management approved grants that had not been thoroughly reviewed. (See pp. 17 to 23.)

GAO did not try to reach any independent conclusions on whether the program was politicized. The strong views of a number of program officials and USIA's internal assessment suggest that the program was perceived as being politicized. GAO concurs with the USIA internal assessment that USIA management must deal with the problem, even if it is only one of perception. (See pp. 15 and 16.)

USIA has tried to improve the program management. Based on congressional inquiries and its own internal assessment, USIA has restructured the program, established new guidelines for grantmaking, and initiated steps to improve the supervision exercised by the top management of USIA's Bureau of Educational and Cultural Affairs. (See pp. 23 to 26.)

GAO believes these steps should give USIA a better basis for administering the program. (See p. 26.)

AGENCY COMMENTS

USIA's comments have been incorporated where appropriate. USIA basically agreed with the report and had only a few suggestions for clarification.

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ABBREVIATIONS

| | |
|------|----------------------------------|
| GAO | General Accounting Office |
| USIA | United States Information Agency |

CHAPTER 1

INTRODUCTION

At the request of the Chairman and the Ranking Minority Member of the Senate Foreign Relations Committee, we reviewed the United States Information Agency's (USIA's) management of grants to private organizations in support of the educational and cultural exchange programs. The request resulted from concerns about the type of activities being supported by grants and the method of awarding grants to private organizations through USIA's Private Sector Program.

EXCHANGE PROGRAMS

USIA¹ was established by Reorganization Plan No. 2 of 1977 and began operation on April 1, 1978. The plan consolidated the former U.S. Information Agency and the former Bureau of Educational and Cultural Affairs of the Department of State. USIA's legislative mandate derives from the United States Information and Educational Exchange Act of 1948, as amended, and the Mutual Educational and Cultural Exchange Act of 1961, as amended (Fulbright-Hays Act). The purpose of the former act is, in part, to "increase mutual understanding between the people of the United States and the people of other countries." The latter act delineates how the nation's educational and cultural exchange programs should be administered.

USIA's Bureau of Educational and Cultural Affairs administers the exchange programs. There are also facilitative programs to enhance and supplement existing public and private efforts in the field of international educational and cultural exchanges. The actual or estimated funding levels for the exchange programs in fiscal years 1982, 1983, and 1984 were:

| | <u>1982</u> | <u>1983</u> | <u>1984</u> |
|------------------------------|--------------------|-------------------|-----------------|
| | (<u>actual</u>) | (<u>actual</u>) | (<u>est.</u>) |
| | -----millions----- | | |
| <u>Program</u> | | | |
| Academic | \$62.9 | \$63.7 | \$77.1 |
| International Visitor | 18.6 | 25.7 | 29.2 |
| International Youth Exchange | 1.4 | 3.5 | 4.4 |
| Private Sector | 7.5 | 6.7 | 7.3 |

¹The Agency was originally named the International Communication Agency. Public Law 97-241 redesignated the Agency as the United States Information Agency.

The major components of the exchange programs include:

Academic--The best known is the Fulbright Academic Exchange Program, which operates in 120 countries. Scholarships are awarded competitively each year to American and foreign students, teachers, and scholars to study, teach, and conduct research. There are other programs, including the Hubert H. Humphrey Fellowship Program, under which mid-career professionals from Third World countries receive a year of specially designed graduate-level training at selected U.S. universities.

International Visitor--Each year about 3,500 foreign leaders in such fields as government, labor, mass media, science, and education visit the United States generally for periods of up to 30 days. About 2,000 of these come at their own or their government's expense, while the remaining 1,500 are fully or partially funded by USIA.

International Youth Exchange Initiative--The Initiative is a cooperative undertaking between the U.S. government and the private sector to expand international exchange of young people--15 to 19 years old. The program is based on the belief that the exchange of young people--the "successor generation"--is the best insurance for durable and lasting mutual understanding between the United States and the participating nations.

Private Sector Program--This program seeks the assistance of the private sector in meeting the dual challenges of explaining American policies and society abroad and of expanding the program's resources. Consequently, USIA conducts a long-established assistance and grant program to private, nonprofit organizations involved in international exchange.

The Private Sector Program

USIA classifies the program into three categories--core, program enhancement, and current issues.

Core--Organizations have a long-standing relationship with USIA in administering an important segment of the program. These organizations maintain varying degrees of autonomy in program execution. Organizations receiving grants in this category in recent years include the following:

American Council of Young Political Leaders
Operation Crossroads Africa
The Experiment in International Living²
Partners of the Americas
(National Association of the Partners of the Alliance)
National Committee on United States-China Relations
Council of International Programs for Youth Leaders and Social Workers
AFS International/Intercultural Programs²
The Asia Society
Sister Cities International
(Town Affiliation Association of the United States)
United States Youth Council
Youth for Understanding²
Japan Society

Program Enhancement--Grants are given to support exchange initiatives, enhance other segments of the exchange program, or stimulate organizations with aims supportive of USIA's exchange objectives. An example is the Eugene O'Neill Theatre Center grant to conduct a series of projects related to the Caribbean-U.S. Theatre Exchange.

Current Issues--Grants are given to organizations to support specific short-term USIA policy or program objectives. This category includes such grants as the National Strategy Information Center's conference on For Your Freedom and Ours, the Ethics and Public Policy Center's seminars on Ethics and Nuclear Arms and Arms Control, and the Institute for Foreign Policy Analysis's conference on Japanese Security Perspectives and the Role of the United States in Providing for the Defense of Japan.

THE INTENT OF THE PRIVATE SECTOR PROGRAM

The Office of Private Sector Programs has been the focal point in USIA's effort to fulfill the legislative mandate to involve the private sector in the exchange-of-persons activities. The program is carried out under the Mutual Educational and Cultural Exchange Act of 1961, as amended; sections 104(e)(1) and 105(f) provide the specific authority.

Section 104(e)(1) states that:

"In providing for the activities and interchanges authorized by section 102 of this Act, grants may be made to or for individuals, either directly or through foundations or educational or other institutions, which foundations or institutions are public or private nonprofit. . . ."

²In fiscal year 1983, these organizations became core groups in the International Youth Exchange.

Section 105(f) states that:

". . . private individuals, firms, associations, agencies, and other groups shall be encouraged to participate to the maximum extent feasible in carrying out this Act and to make contributions of funds, property, and services . . . to be utilized to carry out the purposes of this Act. Funds made available for the purposes of this Act may be used to contribute toward meeting the expenses of activities carried out through normal private channels, by private means. . . ."

The activities to be supported through grants are set forth in section 102(a) and (b), which provide for a broad range of activities supported through grants and contracts (1) to provide for research, instruction, and visits of leaders, experts with specialized knowledge or skill, and other distinguished persons, (2) to provide tours for groups in the arts, sports, or any other form of cultural attainment, (3) to promote American studies, (4) to establish cultural centers, (5) to exchange books and other educational materials, (6) to promote language training, (7) to support U.S. representation at international, nongovernmental educational, scientific, and technical meetings, and (8) to promote research on the problems of educational and international exchange.

Congressional debates over Reorganization Plan No. 2 of 1977 raised questions about USIA's ability to maintain the integrity of the exchange programs. Many believed that the merger of the programs with the informational activities would politicize the exchange programs. In submitting the plan to the Congress, the President stated that:

"The new agency's activities must be straightforward, open, candid, balanced, and representative. They will not be given over to the advancement of the views of any one group, any one party or any one Administration. . . ."

The President further noted that "Maintaining the integrity of the educational and cultural exchange programs is imperative." The President, at the urging of congressional committees, submitted the following amendment to the plan.

"The Director shall insure that the scholarly integrity and nonpolitical character of educational and cultural exchange activities vested in the Director are maintained."

The Foreign Relations Authorization Act, Fiscal Year 1979, provided a mandate for the new USIA. The act set out that USIA, as one way to further its mission, shall:

". . . encourage private institutions in the United States to develop their own exchange activities, and provide assistance for those exchange activities which are in the broadest national interest. . . ."

The Senate Foreign Relations Committee, in considering USIA's fiscal year 1983 authorization, reported in May 1982 that any increase in funds for the exchange programs should go to established programs that have a proven record of effectiveness. The Committee stated that these programs included:

". . . The private sector program which provides seed money to the many private organizations engaging in exchange-of-persons programs such as Sister Cities, Youth for Understanding, Operation Crossroads Africa, and the American Council of Young Political Leaders."

The Committee further noted that:

"In increasing the funds available for grants to private organizations engaged in exchanges, it is the intent of the Committee that the increase be primarily used to support organizations and projects which have proven their effectiveness in years past in this program."

In April 1982, the House Foreign Affairs Committee, in discussing allegations of politicization of the exchange programs, reported that:

". . . these programs and the broadly representative nature of their participants be unimpeded by political considerations or wildly fluctuating budgetary priorities. . . . Therefore, it is imperative that existing programs of this sort be enhanced and expanded. By no means should they be sacrificed to newer, narrower initiatives of unconfirmed effectiveness. . . ."

OBJECTIVE, SCOPE, AND METHODOLOGY

By letter dated October 21, 1982, the Chairman and the Ranking Minority Member of the Senate Committee on Foreign Relations asked us to review several aspects of the U.S. government-sponsored exchange-of-persons programs and foreign student scholarship programs. Subsequent discussions with the requestors' office clarified and modified the request to limit our review to (1) the USIA management of the Private Sector Program and (2) the trends in funding private organizations.

Our objective was to compare the selection criteria and administrative processes used for the fiscal year 1982 Private Sector Program with those used in previous years. The review was performed in accordance with generally accepted government auditing standards.

Our detailed review was performed at USIA headquarters in Washington, D.C. We reviewed records, reports, and other documents related to the exchange programs and to the management of the Bureau of Educational and Cultural Affairs. From a fiscal year 1982 grant summary of the Private Sector Program, 17 of the 67 organizations receiving grants were randomly selected for a detailed examination of the grant process. After making our selection, we received a request from the Director of USIA to review grants awarded to five organizations that were being questioned by the news media. One organization was already in our sample. We included the other four. The grantees reviewed are shown below.

USIA 1982 Private Sector Grantees
Reviewed by GAO

GAO sample:

Alternative Educational Foundation
American Enterprise Institute for Public
Policy Research
The Asia Society
Claremont Institute³
Emory University Law and Economic Center
French-American Foundation
Institute for Foreign Policy Analysis
Kent State University
Media Institute
Meridian House International
National Committee on United States-China Relations
Phelps-Stokes Fund
United States Sports Academy
University of California at Los Angeles
University of Illinois
University of Texas at Arlington
Youth for Understanding

Grantees requested by
Director, USIA:

Center for Education and Research
in Free Enterprise
Ethics and Public Policy Center
Mid-America Committee for International Business
and Government Cooperation
National Strategy Information Center

³Also requested by Director, USIA.

This examination included a review of files kept by the program office, the program officers, the Office of Contracts, and the Executive Office of the Bureau. We also talked with officials knowledgeable on the specifics of the grants reviewed.

We worked closely with the staff of USIA's Offices of Audits and Inspections. These Offices were also asked by the Director of USIA to review the Private Sector Program.

AGENCY COMMENTS

USIA, in commenting on this report, stated that it basically agreed with our observations and had only a few suggested changes. The suggested changes were incorporated. USIA's comments are in appendix I.

CHAPTER 2

GUIDELINES FOR ADMINISTERING

THE PRIVATE SECTOR PROGRAM

In recent years, the Private Sector Program has had a series of changes in program direction and administrative procedures. These changes were usually accompanied by clear criteria for implementation; however, the 1982 program was given new emphasis without any specific criteria.

THE EVER-CHANGING PROGRAM

The 1978 reorganization was a milestone in the ever-changing program. It represented one of three significant events in the program's development in recent years. At the time of the reorganization, the program emphasized long-term communication projects with geographical focus. Subsequently, the emphasis was on enhancing Americans' understanding of other societies--the "second mandate." In fiscal year 1982, the emphasis was to expand the participation of private sector organizations to those with new ideas or programs. With the emphasis changing, the processes for reviewing grant proposals were also continuously under revision.

The program at the time of reorganization

At the time of the 1978 reorganization, there were written guidelines for the program that stated its purpose, its objectives, and criteria for selecting participating organizations. The program was aimed at improving the patterns of international communication by helping future leaders to gain, through first-hand experience, more accurate perceptions and deeper understanding of the realities of each other's countries. The objectives were to reduce the part that myth and misconception played in international interaction, to construct a better basis for recognition of common purposes and for cooperation, and to reduce impediments to the exchange of ideas and information.

The program was to support projects that initiated or facilitated a continuing dialogue between leadership groups and helped build or strengthen links between significant institutions in the United States and other countries. Grants were reportedly awarded based on the following criteria.

Intercultural experience--Mutual understanding through international experience--of Americans abroad or citizens of other nations in the United States--was the central concept. Assistance was not to be provided for projects that affected only American citizens and operated only within the United States.

Multiple purpose--Each project was to aim at the sharing of information and ideas in an important area. At the same time, the project was to introduce new and more accurate perceptions about other societies and improve intercultural communication in general.

Two-way communication--Projects to be supported were to reflect the two-way character of effective communication. Where feasible, projects were to emphasize mutuality and not be concerned simply with the American image or achievements. Projects that promoted developmental skills in other nations were to be directed elsewhere.

Leadership--Participants were to be selected for their exceptional ability, achievement, or promise and for their potential influence on intersocietal relations, whether bilateral or multilateral.

Multiple impact--The benefits of an exchange experience were expected to accrue not only to those who directly participated but also to others who came in contact with them.

Potential for improved cross-cultural dialogue--The impact of each project was expected to increase the participants' ability to engage in effective dialogue across cultures. It was hoped that grants would provide cross-cultural experiences.

Foreign relations concerns--Every project was recognized to have some impact on the total American relationship with another country. In making a decision on a proposal, consideration was supposed to be given to activities of other U.S. agencies, both public and private; overseas missions' budget priorities; the importance of the groups and institutions that would be affected within each country; and political factors.

Program funds were not centralized in the bureau responsible for the exchange programs but rather they were apportioned among the bureau's area offices with functional and geographic responsibilities. Grantees had to meet the general criteria and objectives stated above, as well as the specific priorities of the area offices. There was no review panel; however, the proposed projects were reportedly subjected to a thorough review coordinated by the program officers.

Program's purpose changed in 1979

The reorganization changed the program's purpose. The Director of USIA stated in September 1979 that the Office of Private Sector Programs was ". . . the only element of the Agency which has as its fundamental purpose helping to enhance Americans' understanding of others." The Director further noted that the Office would focus on ". . . projects that involve American leaders or organizations most likely to stimulate the thinking, learning, and perceptions of broader groups of Americans." Those projects to be supported were to have a sustained impact over time, with the maximum multiplier effect.

USIA revised its guidelines to address the new program direction. Some of the guidelines' important segments that were to be used in selecting a grantee follow:

--Project was to

- (a) have as its primary purpose enhancement of Americans' competence in world affairs;
- (b) involve people and organizations with the greatest potential to enhance the understanding of broader groups of Americans; and
- (c) involve mutually reinforcing activities designed to have a lasting impact, over time, on Americans' knowledge and understanding of other peoples; while the direct participation of relevant foreigners or an exchange of persons may be an integral component of any given project, the purpose of the project was to be the enhancement of Americans' knowledge of others not the exchange of persons per se.

--Program was to involve as wide an array of qualified participants, projects, and organizations as possible. Organizations that were not previously grantees were encouraged to submit proposals.

--Assistance was normally to constitute only a portion of the total project cost.

Thus, there were specific stated criteria, purposes, and operating guidelines for implementing the program's new direction. We were advised, however, that the staff disagreed about the usefulness of the guidelines in evaluating grant proposals. Proposals were to be reviewed by an Agency review panel. One senior official contrasted the new process with the old one by stating that the Agency had gone from a flexible grantmaking process to one with rather "rigid instructions."

The review process used for considering projects to enhance the Americans' experience was reported to be as follows:

- An announcement was to be made each July in the Federal Register inviting proposals.
- Program officers were assigned proposals by area of expertise.
- Program officers were to evaluate the proposals, summarize their potential strengths and weaknesses, and rank them in order of preference.
- The proposals and the program officers' summaries were submitted to a review panel. (The panel represented a wide range of USIA personnel. The Director of the Office of Private Sector Programs served the panel in an advisory capacity).
- The criteria for enhancing the Americans' experience were then used by the panel in deciding whether to recommend the proposal for approval.

This process was used until near the end of fiscal year 1981 when, in a rush to fund projects, the review panel process was discontinued. Decisions to approve grants were made by the top officials of the Bureau of Educational and Cultural Affairs.

A renewed emphasis for 1982 program

The new administration resubmitted the fiscal year 1982 budget. The revised USIA budget for the exchange programs provided for ". . . new, cooperative programs designed to support the Agency's foreign relations initiatives. . . ." The amount of funds to be allocated to the new programs was slightly larger than that allocated to the core programs.

While the new emphasis was to start in October 1981, operating instructions were not made available until January 1982. According to a number of program officers and senior officials, the instructions that were issued did not specify the purpose of the new emphasis or criteria for evaluating proposals. These instructions essentially described the paper flow and established a grant log to show the disposition of proposals. Additionally, they provided some general questions for use in learning about an organization's capabilities.

USIA officials said that proposals were to address one of the following Agency-wide themes.

- U.S. Political/Security Policies.
- Freedom and Democracy in the 1980's
- The U.S. Economy and World Economic System.
- Meeting the Challenges of Sciences and Technology in the 1980's.
- American Society in a Changing World.
- The Arts and Humanities in America.

USIA announced these themes in the Federal Register on July 29, 1982. The announcement also stated that the purpose of the Private Sector Program was to enhance the achievement of USIA's ". . . international public diplomacy goals and objectives by stimulating and encouraging increased private sector commitments, activity, and resources." The announcement was a general solicitation for ideas without any reference to program year. It stated that after consultation with USIA officials, an organization might be asked to submit a formal proposal. The announcement came after most of the proposals for fiscal year 1982 had been submitted.

In early 1982, a senior USIA officer noted in a memorandum to the directorate of the Bureau that

". . . there are presently no approved criteria against which to measure the grant proposals. . . . Never before have grants been given to nonprofit private organizations without a definition of public purpose. . . ."

The officer went on to ask whether consideration was being given to revising the old or establishing new criteria or guidelines. The officer questioned whether there were valid grounds for considering any specific proposal without specifying the program's purpose.

We discussed the criteria problem with several USIA program officers whose experience overlapped the major changes in the Private Sector Program since 1978. They noted that up to fiscal year 1982, the review panels had specific criteria for evaluating proposals. However, the panel's 1982 program guidance lacked specificity.

A memorandum prepared after completion of the 1982 grant review by the program officers summarized their concerns about the absence of clear guidelines and criteria. Addressing the Director of the Office, the officers stated that they needed a clearer idea on the program objectives.

The feeling that the guidelines were insufficient was further noted by USIA's Office of Inspections. Inspectors, after

reviewing the 1982 program, reported that the Private Sector Program had only general guidelines on what was expected from activities to be supported. They concluded that what was needed were

". . . substantive guidelines which deal with the desired characteristics of projects and their goals, and operational guidelines which specify exactly how the office is to operate in its contacts with grantees, what is expected of grantees and what is expected in terms of fidelity to a review process."

CHAPTER 3

MANAGEMENT OF 1982 PRIVATE SECTOR PROGRAM

USIA redirected the fiscal year 1982 program to expand the participation of organizations with new ideas or programs. But the manner of selection and nature of the projects of some of these organizations raised concerns among USIA's professional staff, in the news media, and in the Congress. The principal reasons for the concerns can be attributed to a perception of politicization of the program, unclear program guidance, a limited review process, and lack of continuity in the program staff.

These concerns have caused USIA management to try to identify problems and institute needed changes in the program's management. Time and close monitoring will be required to determine the effectiveness of these efforts.

This chapter presents our observations on the program's administration and discusses changes instituted by USIA management.

OVERVIEW OF 1982 PROGRAM

The new management team in the Office of Private Sector Programs brought in new organizations, looked closely at organizations that were traditionally funded, instituted a formal tracking system for grant proposals, and staffed the Office with more noncareer employees. About 70 percent of the grant funds went to 12 core and 29 other organizations that had prior USIA grant experience. Twenty-six new organizations received grants. They represented a higher percentage of new grantees than in prior years. Their share of the grant funds represented, on an average, a significant increase over the average for new grantees in prior years. They were characterized by some USIA professional staffers as having views closer to those of the administration than those held by grantees in past years and having projects that dealt with current political issues.

Although there were 26 new grantees, the concerns raised by congressional oversight committees and some USIA professional staff related principally to grants awarded to only a few of them. These grants represented about 13 percent of the \$7.5 million in program funding, which was a part of the total \$90.4 million exchange-of-persons grant program. The concerns

included the size of grants to first-time grantees, the experience of the new grantees in international exchange programs, the current issue themes of the grantees' projects, and the grantees selection of participants.

Congressional committees were concerned that the program was being used to further short-term political goals, thus abandoning the traditional long-term nonpolitical goals of the past. Because of the intensity of the congressional inquiries, USIA initiated a review of the program's management. The principal effort was a review by the Offices of Inspections and Audits. This was supplemented by the Bureau of Educational and Cultural Affairs increasing its efforts to determine ways to make things work better. These efforts have produced some changes in the management of the Private Sector Program, as well as other exchange programs.

PERCEPTION OF POLITICIZATION OF PROGRAM

We did not try to reach any independent conclusions on whether grants given to new organizations were political or whether the program had been politicized. The views expressed to us by a number of USIA officials and program officers and the report by the Office of Inspections showed that the program was perceived as being politicized. The report concluded that the ". . . perceptions of politicization are sufficiently widespread to be a matter of concern to Agency management because they are potentially damaging to the Agency's public image" The inspectors noted that they were ". . . unable to substantiate the accuracy of these perceptions because of their vagueness" They also offered two meanings of "politicization." The first was that grants were given to organizations that supported administration policies. The second meaning was that ". . . resources have been used 'improperly' to provide funds to organizations whose political orientation is congenial to current E/P [Office of Private Sector Programs] and Agency leadership."

Program officers and other USIA officials made similar comments. Their perspective varied somewhat, depending on their status--career or noncareer. For example, the noncareer officers generally believed that some of the new organizations at the center of controversy restored balance to the program. But career officers generally believed the program in the past had been less political. They believed the 1982 program was ". . . very blatant in being political. . . ." Some of the reasons, in part, for the perceptions are attributed to such things as the grantees' leaders, selection of participants, and programs identified as closely tied to one side of "current" political debates.

One senior career official, in assessing the 1982 grants awarded, believed that:

". . . [USIA] would be perceived as having contravened Congressional intent as to the preservation of the integrity of the non-political, non-ideological, long-term nature of the educational and cultural exchange program and its supportive grant-making responsibilities."

A top noncareer Bureau official noted that one of the major objectives for the 1982 program was to broaden the range of organizations participating in the program. The official further noted that it was recognized ". . . that some risks may be involved in moving outside . . . 'traditional' circles."

We concur with the Office of Inspections' report that USIA management must deal with this problem, even if it is only one of perception.

GRANT PROPOSALS ORIGINATE IN MANY WAYS

USIA depends on a number of methods to advise interested parties of its Private Sector Program and to generate proposals. These include announcements in the Federal Register and trade publications, contacts developed from previous USIA grant experience, USIA officials' attendance at meetings, and solicitation of proposals. Additionally, unsolicited proposals are received.

USIA received formal applications from 116 organizations in fiscal year 1982. The records do not indicate how the proposals originated, particularly those from new organizations. Furthermore, USIA did not record how many organizations had inquired about submitting proposals but had been discouraged by program officials for any number of reasons. Inquiries could be directed to any program official, who, without specific guidelines, as discussed in chapter 2, could either encourage or discourage potential applicants.

Designated officials in the Bureau of Educational and Cultural Affairs have been authorized to ". . . determine recipients, negotiate terms and conditions, and administer grants and cooperative agreements . . . for international educational and cultural activities." One senior official stated that the new management team had applied a very liberal interpretation to the authority of determining recipients by soliciting proposals on a wider scale than in the past.

We reviewed proposals from 21 organizations to determine how they had originated. However, there was no standardization

of recordkeeping nor any documents to show clearly how the proposals had originated. USIA does not require program officials to keep records of discussions with applicants or grantees. Discussion with the program officers provided little or no additional clarification on the origination of proposals. Most had been submitted before the officers were assigned to the Office of Private Sector Programs.

We were advised that if an applicant was encouraged to submit a proposal, it was initially reviewed by the Director of the Office of Private Sector Programs. If the Director determined that the proposal had merit, it was given to a program officer, who would work with the applicant to develop a more detailed proposal for USIA consideration. A review of grant files indicated that this was a very common practice.

LIMITED REVIEW PROCESS

The review process for the fiscal year 1982 Private Sector Program was conducted in a "rush atmosphere" without clear criteria. The process was further complicated by the lack of continuity of the staff in terms of experience with the program or, for a number of staff members, with USIA. As a result, USIA management approved grants that had not been thoroughly reviewed. Whether or not a thorough review would have changed the results can only be the subject of speculation. However, a thorough review, using specific criteria, would, in our opinion, have helped ensure that the proposed programs met USIA goals.

The review for the 1982 program

The first significant review of proposals started with the program officers in the Office of Private Sector Programs. This review is the basis for all other reviews; however, USIA had neither defined the role of the officers nor provided continuity among the officers to assure that there was consistency in the review process for all proposals received for the 1982 program.

In 1980, the Office had authorized 36 staff positions, of which 28 were filled. Of the 28 positions, 15 were professional staff positions. The 1980 professional staffers were all career employees. In 1982, the Office had 16 professional staffers, of which 3 remained from 1980. In addition, six of the professional staff members were schedule C appointees (noncareer status). Thus, the Office changed emphasis without a cadre possessing institutional knowledge or experience.

In discussing the problem of staff continuity, the Office of Inspections pointed out in its report that:

"Fundamental to the problems of the Office of Private Sector Programs is an inadequate review process for grant proposals. There is, to be sure, a grants review panel. However, its make-up and the way it has functioned need reform. . . .

"At the same time the panel's make-up has not assured the kind of breadth and searching review essential to its responsibilities. . . .

"The first evidence of erosion of the panel process occurred in the late summer of 1981 when panel review was all but eliminated and decisions on grants were made by top level officials of E [Bureau of Educational and Cultural Affairs]. Their explanation is that considerable funds had to be disbursed shortly before the end of the fiscal year and there was insufficient time to convene the traditional panel.

"At the beginning of FY 1982, a new panel process was initiated. . . . The new panel lacked the participation of experienced and seasoned officers and thus, as one panel member put it, there was little sense that the process was one of senior level oversight and policy input reflecting public diplomacy needs."

The lack of continuity and limited criteria resulted in confusion, which is best illustrated by the concerns raised by the program officers. They were asked to advise potential grantees and review proposals with little or no guidance. After completing the fiscal year 1982 program, the officers held a series of meetings to discuss their concerns. They concluded that they needed clarification of program objectives. They presented a memorandum to the Director of the Office raising a number of questions. Some of the areas addressed included:

--Program goals.

--In addressing previous assurances given to the Congress that exchange programs "will not be given over to advancement of the views of any one group, any one party or any one Administration," the question was raised: "How can we avoid making our programs look as if they were directed toward one end of the political spectrum?"

--The importance of ideological or political orientations of an organization.

--Merit in funding a high number of conferences.

--Function of review panel.

--Standards for program cost.

We were advised that no response had ever been made to the memorandum. Additionally, the officers we interviewed stated that they were still confused as to the objectives of the program or the nature of review to be made of the grant proposals.

One senior USIA official stated that the program officer's role for the 1982 program can best be described as "clerical." To obtain a better perception of the role of a program officer, we asked each officer involved with grants we reviewed to describe how they made their reviews. The following represent a composite view of the role of the program officer in reviewing the 1982 program.

1. Little or no structural analysis performed to evaluate program content and/or potential effectiveness.
2. The primary focus was on refining budget with the applicant.
3. An assessment of the qualifications of the applicant was done essentially by consulting with other USIA officials and/or relying on the reputation of the applicants.
4. The officer acted as a facilitator of paper.
5. The officer acted as an intermediary between applicant and review panel.

One reason given for not making any comprehensive analysis of the proposed programs was that generally the initial one-page proposal had been reviewed by the Director of the Office; thus it was interpreted as being acceptable. Several officers expressed the view that if they questioned the merits of proposals assigned to them, the proposals would be reassigned to a noncareer employee. Another reason given for little or no evaluation was that the officers were given no specific guidance on what USIA management expected from the program to be supported.

We found that there was little or no evidence to suggest that the review process--reviews by program officers and the review panel--fully addressed even the following USIA general grants conditions contained in information provided to potential applicants.

--A demonstrated interest and/or competence in the area considered.

- The degree to which there is potential for cooperative funding.
- An assessment of the administrative competency of the organization.
- A demonstrated track record and/or reputation in the field.
- Determination of the degree to which the organization can successfully implement the project.
- The levels and types of U.S. and foreign program participants.
- The follow-on impact of the program and extent to which it reaches beyond the participants.

The informal manner in which records are kept precluded any assurance that all the conditions were addressed for each grant. The Office of Inspections noted a similar problem and reported that it had found:

". . . internal files inadequate in the sense that the full record of the development of each grant could not be readily discerned. . . . Often missing was documentation showing how, why, and by whom substantive contacts and decisions were made during the course of project development. . . . At a minimum, this documentation should include written records of substantive contacts with grantees, other Agency elements concerning grants, internal E/P [Office of Private Sector Programs] deliberations on proposals, and the minutes of Agency panel deliberations. In addition, program officers should be required to obtain and have available full background information on grant applicants, including financial statements and summaries of the organization's activities."

The written recommendations submitted by the Office of Private Sector Programs to the review panel were generally brief and uninformative. The panel's discussions were not recorded. We were advised that program officers made a presentation to the panel. Again there was no assurance that USIA's general grant conditions were considered. Additionally, a number of proposals from new organizations were approved without benefit of the panel meeting as a group. Reasons given included (1) panel unable to meet, (2) it was the end-of-fiscal-year rush, and (3) there were too many proposals to review in a short time. Instead, panel members were given a package for consideration

and vote. In addition, the records were generally silent on responding to comments raised by panel members or other USIA offices.

The Office of Inspections reported that:

"A panel member estimates that 25 to 30 percent of the grants were not considered by the members together in session but on an individual basis 'at our desks' because E/P [Office of Private Sector Programs] often required hurried decisions and stated it did not have time to convene the panel. This individual found it difficult in these instances to probe the projects and simply checked the file to see if both the area office and the Department [State] favored the proposal. If so, he would add his own approval. He was concerned that he was, in such instances, being denied the value of an exchange of views with other panel members. . . ."

Offices of Audits and Inspections Reviews

At the direction of the Director of USIA, the Offices of Audits and Inspections in March 1983 began to review the Private Sector Program. The Offices issued three reports that addressed areas warranting management attention. The following excerpt from the April 1983 report highlights the inspection teams' observations on the program's management.

"The operation of the Office of Private Sector Programs is flawed in a number of areas. Fundamental deficiencies in management, processes and supervision have resulted in questionable decisions and negative perceptions. . . . This has inhibited its ability to contribute to the Agency's overall mission. While we have found that much of the critical newspaper publicity of recent weeks has been overdrawn and paints too negative a picture, we are not suprised that this public attention has occurred.

"The inspection identified no illegalities, although two sizeable grants to the Claremont Institute, Claremont, California should be reviewed by USIA's General Counsel to determine whether there was the appearance of favoritism in the awards.

"The director of the office . . . is perceived by many to have pursued his own private agenda. . . . In part, this perception apparently stems from two of his initiatives which, in principle, the inspection team finds commendable:

Efforts to bring new organizations into the grant program and careful scrutiny of the operations of organizations the Agency has traditionally funded. The problems have arisen because the new organizations selected have been seen by some to have a distinctive political cast and the amounts of support offered to them have been excessive.

"Also contributing to the perception that [the Offices] operations have been politicized has been the addition to its staff of relatively large numbers of noncareer people. One justification for the larger staff offered . . . [was] the added work demands in supporting USIA's private sector committees. The inspection . . . found no greater logic for inclusion of private sector committee responsibilities in [the Office] than in any other Agency element. Indeed, to reduce the potential for conflict of interest, management should consider transferring this responsibility. . . .

"The deficiencies in the grant operation are all correctable. . . . There is a paramount need for a much tighter review process. This will require substantial revision in the make-up of the review panel and total fidelity to the panel process. Related to this is the need for precise guidelines on grant handling and review and on management's requirements for the substantive characteristics of the projects. . . .

"[The Office] management problems are more difficult to deal with, but are susceptible to correction as guidelines are determined and the review process is strengthened. . . . This would, of course, involve a review of staffing needs for the grant program. Important in this regard is the need for more continuity in staffing for this program."

The report made a series of recommendations to correct the noted deficiencies.

To supplement the inspection report, the Office of Audits issued reports on two of the new grantees--the Claremont Institute and the Mid-America Committee for International Business and Government Cooperation, Inc. In summary, USIA auditors believed that (1) the accounting system and practices of the grantees were inadequate to monitor and report costs charged the U.S. government, (2) grants were overfunded, (3) improper expenditures were charged to the government, and (4) the funding amounts had a major impact on the financial operations of each organization. After the audit, the grantees reimbursed the government for the disallowed expenditures.

These issues and others were considered by the Bureau during its self-examination. Steps being taken to improve the operation of the exchange programs are discussed below.

USIA TAKES ACTION TO IMPROVE
MANAGEMENT OF PRIVATE SECTOR PROGRAM

The Bureau of Educational and Cultural Affairs, in response to congressional inquiries and USIA internal reviews has initiated several steps to strengthen the management of the Private Sector Program, as well as that of other exchange programs. These include restructuring the Office of Private Sector Programs subject to congressional approval, establishing new guidelines for grantmaking, and improving the supervision exercised by the Bureau's top management. The Bureau plans to complete the changes during fiscal year 1984.

While no overall report was prepared by the Bureau to consolidate its action plan, various memorandums set forth the actions to be taken. The problem and/or improvements can be categorized into two areas.

1. Increase the administrative control exercise by the Bureau's top management.
2. Revise the grant process, i.e., criteria for selecting grantees, reviews by the review panel, and grant administration.

Increased administrative controls

The Bureau has initiated several actions to strengthen its supervision and management of the exchange programs. They are directed at providing the necessary supervision to guide program managers and prevent problems associated with the 1982 programs.

In response to the inspection report, the Director of USIA directed in June 1983 that the Bureau institute some substantial changes in the operation of the Private Sector Program. USIA plans, after consultation with congressional committees, to reconstitute the Office of Private Sector Programs as the Office of Special Projects with a more defined and limited area of responsibility. The Bureau began restructuring the program and appointed a new director with reportedly "strong management credentials and supervisory experience."

The Bureau has taken other steps to improve management. While these steps have Bureau-wide application, management hopes that they will ultimately provide for more control over and improve the effectiveness of the Private Sector Program. These steps include:

- A Bureau-wide resource review charged with clarifying program mission statements, criteria, procedures, and organizational structures.
- Staff appointments to the Associate Director's Office to improve coordination and communication with and among the Bureau's Offices.
- Renewed emphasis on the annual country plan of the overseas missions as a guide to Bureau programs.
- Strengthened Bureau management review of all substantive nonroutine documents, i.e., documents concerning sums of money above \$10,000 to be expended for new projects and initiatives.
- Biweekly reporting by all offices to alert Bureau management to potential problems, major contacts and consultations, contracts signed, funds allocated, new projects under consideration, significant new grant applications, etc.
- Regularly scheduled meetings three times a week for senior Agency managers, including all Office directors, to improve the communication and guidance processes for all programs.

These steps are intended to complement the changes to the grant review process. Bureau management sees the changes as a ". . . renewed, vigorous effort to manage . . . the Bureau thoroughly and effectively."

Revised grant process

The Bureau has under way several of steps to revise and strengthen this process. These steps start with defining the mission down to the paper flow. The Bureau plans to complete the changes during fiscal year 1984.

In response to the inspection report and congressional inquiries and at the direction of the Director, USIA, the Bureau has implemented the following changes in the review process.

- Developed and instituted new procedural guidelines for the grantmaking process.
- Developed substantive program criteria that were approved by the Deputy Director of USIA in January 1984, subject to consultation with congressional committees.
- Upgraded the review panels by reconstituting it with senior USIA professionals.

- Established a requirement for substantive written comments from the relevant area office that reflects both area's and overseas missions' views.
- Initiated a course on grant administration for all Bureau program officers.

In initiating the new program criteria guidelines, the Bureau has called particular attention to goals that were not perceived as part of the 1982 program. The opening to the guidelines states that

". . . provides selective facilitative assistance and grant support to non-profit U.S. organizations and institutions to support, complement and enhance long-term communication and understanding between the United States and other countries through educational and cultural exchange. Although the Agency's international educational exchange activities are a key element in its work, USIA recognizes that the Agency supports only a small part of the nation's effort in this area. Therefore, . . . support is restricted to projects that are exceptional in quality and likely to promote a continuing dialogue among participants.

The adopted criteria also established specific eligibility requirements, some of which are stated below, for use in the review process.

- Projects must demonstrate substantial contribution to long-term communication and understanding between the United States and other countries on subjects consistent with Agency themes and priorities.
- Project participants must demonstrate actual or potential leadership in fields appropriate to the subject matter of the exchange.
- Project staff must demonstrate appropriate expertise and qualifications for the satisfactory conduct of the project.
- Institutional resources must be demonstrable and sufficient to accomplish the stated purpose of the project.
- Project proposal should demonstrate familiarity with other activities in the field.
- As appropriate, projects should include a range of responsible opinion on the subject of the projects.
- Grants are not awarded in support of conferences or seminars on current political or economic issues.

--Organizations must demonstrate a proven record (four years) of work in the field of exchange, except for pilot grants.

--Pilot grants, not to exceed \$60,000, may be awarded to organizations not meeting the requirement of a four-year record in the field. Project proposals must conform with the guidelines in all other respects and shall be independently evaluated.

--Grants are not awarded to organizations whose primary purpose is political.

To complement these requirements, the Bureau has also specified responsibilities for each reviewer, including preparing the required documentation.

Advisory Commission assessment of USIA's action

Section 8 of the Reorganization Plan No. 2 of 1977 established the United States Advisory Commission on Public Diplomacy to formulate and recommend policies and programs on America's public diplomacy and to appraise the effectiveness of USIA's policies and programs. The Commission is also to assess the degree to which the nonpolitical character of the exchange activities has been maintained.

The Commission's 1983 annual report to the President and the Congress discusses its assessment of the concerns raised about the Private Sector Program. The Commission reported that it had examined the concerns and was ". . . satisfied that a number of steps [described above] have been taken to assure the critics of the soundness and integrity of these valuable programs." The Commission also concluded that USIA's actions ". . . have done a great deal to re-establish public confidence in USIA's grant programs."

CONCLUSION

The review process used by USIA for the fiscal year 1982 Private Sector Program provided no assurance that all proposals were equally treated and, more importantly, that proposals were thoroughly reviewed in arriving at grants that fulfilled the mission of USIA. USIA top management's guidance to program managers on its expectations for the program was limited particularly in view of the lack of experience in the Office of Private Sector Programs. Thus, program managers with little experience had wide discretion in seeking out new organizations to meet a change in emphasis. USIA has recognized this weaknesses and has begun or plans several changes. When the procedural guidelines are augmented with a new clearly defined mission statement, the Bureau management should have a better basis for deciding on the merits of a proposal.

CHAPTER 4

FUNDING OF PRIVATE SECTOR PROGRAM

The fiscal year 1982 Private Sector Program emphasized involving new organizations, which resulted in changes from past funding practices. In recent years program funding has decreased. The 1982 program was also marked by a substantial decrease in the number of grantees. This chapter discusses these and other changes.

SCOPE OF FUNDING

Through the years, USIA has extensively used private organizations with goals compatible with its own to implement the exchange programs. The Office of Private Sector Programs is one of USIA's primary contacts with private organizations. It works with them in several ways, including the design and implementation of cooperative programs to accomplish mutual objectives in public diplomacy and international relations. The Office provides assistance, encouragement, and grant support to selected projects of nonprofit, U.S. private organizations. The size of the program is shown below.

| <u>Fiscal year</u> | <u>Number of grantees</u> | <u>Program funds</u> (millions) |
|--------------------|---------------------------|------------------------------------|
| 1979 | 105 | \$ 9.1 |
| 1980 | 111 | 9.8 |
| 1981 | 131 | 10.3 |
| 1982 | 67 | 7.5 |
| 1983 | 52 | 6.7 |

FUNDING PATTERNS

The renewed emphasis is reflected in the percentage of available funds awarded to new organizations in the fiscal year 1982 Program. The following table shows the trends from fiscal year 1979 through 1982.

| GRANTEE CATEGORY | 1979 | | 1980 | | 1981 | | 1982 | |
|---------------------|------|-------------|------|-------------|------|--------------|------|-------------|
| | No. | Amounts | No. | Amounts | No. | Amounts | No. | Amounts |
| Core | 12 | \$4,494,073 | 11 | \$5,391,811 | 11 | \$ 6,313,471 | 12 | \$3,654,337 |
| New | 34 | 1,126,224 | 39 | 1,248,302 | 59 | 1,419,909 | 26 | 2,189,767 |
| Others | 59 | 3,487,122 | 61 | 3,177,241 | 61 | 2,559,829 | 29 | 1,676,388 |
| Total | 105 | \$9,107,419 | 111 | \$9,817,354 | 131 | \$10,293,209 | 67 | \$7,520,492 |

Percent of total
funding and average
grant amount

| | Percent | Average | Percent | Average | Percent | Average | Percent | Average |
|-------|---------|-----------|---------|-----------|---------|-----------|---------|-----------|
| Core | 49.3 | \$379,506 | 55.0 | \$490,165 | 61.3 | \$573,952 | 48.6 | \$304,528 |
| New | 12.4 | 33,124 | 12.7 | 32,008 | 13.8 | 24,066 | 29.1 | 84,222 |
| Other | 38.3 | 59,104 | 32.3 | 52,085 | 24.9 | 41,964 | 22.3 | 57,806 |
| | 100.0 | 86,737 | 100.0 | 88,445 | 100.0 | 78,574 | 100.0 | 112,246 |

The number of grantees was reduced by 48.9 percent in 1982 from the 1981 level. The core category had a substantial cut in funding over the prior years. The core grantees received about 42 percent less than they did in 1981. As a group, core grantees had submitted proposals totaling \$5.8 million. While none of the core groups were eliminated, 98 other grantees that received funding in 1981 were not funded in 1982. Most of the 98 grantees had been in the program for 3 years or less. We were told that a large number of these represented programs that were more compatible with the Department of Education's international programs or USIA's academic programs. USIA records showed that only 18 of the 98 made formal application for funding in 1982. There were no records to indicate how many had contacted USIA about applying, then did not apply based on discussions with USIA officials.

Another significant funding trend in the 1982 program was the average dollar amount of grants over \$60,000.¹ For the 3-year period before 1982, the amount of a grant to a new grantee averaged about \$30,000. In 1982, the average was \$84,222. Additionally, USIA awarded 15 grants to 9 new grantees that exceeded \$60,000. The total received by these nine grantees was about \$1.7 million, or 79 percent of the amount of funds awarded to new grantees. The organizations and the purposes of their grants are shown below.

¹The \$60,000 dollar limit was established in 1983 for awarding a grant to a new grantee.

| <u>Organization</u> | <u>Purpose</u> | <u>Grant Amount</u> |
|--|--|---------------------|
| Alternative Educational Foundation | To help the foundation conduct an exchange program for American and European journalists. | \$ 88,818 |
| American Enterprise Institute for Public Policy Research | Three grants to help institute conduct (1) an international conference on free elections (\$54,142), (2) an international seminar on the Micronesian plebiscites (\$112,429), and (3) a 1-week conference on <u>Constitution-Making</u> (\$69,923). | 236,494 |
| Claremont Institute | Two grants to help institute conduct (1) a series of three seminars on American politics, culture, and society for young influential leaders of Europe, Canada, Latin America, and Asia (\$353,427) and (2) a 1-month program in American studies for foreign university advanced graduate students and young scholars (\$75,500). | 428,927 |
| Connecticut, University of | To enable the university to conduct a conference in Istanbul on the University in a Free Enterprise Economy. | 71,193 |
| Ethics and Public Policy Center | To help the center conduct four seminars with European religious leaders and defense specialists on Ethics and Nuclear Arms and Arms Control. | 192,145 |
| Institute for Contemporary Studies | To help the institute conduct a 3-day conference on Problems of Economic Growth. | 76,927 |
| Media Institute | Four grants to help the institute conduct (1) a foreign journalist program (\$82,838), (2) a project for Latin American journalists (\$100,960), (3) a project for East Asian journalists (\$100,960), and (4) a conference for ministers of communication from Africa and East Asia (\$59,942). | 344,700 |

| | | |
|---|---|-----------|
| Mid-American Committee for International Business and Govern- ment Cooperation | To help the committee conduct two 15-day seminars for media officials from Latin America, the Middle East, and Southeast Asia. | \$169,810 |
| Young American's Foundation | Two grants to help the four- dation conduct (1) a 2-week summer conference at American University on the American political culture for American and European students at the university and graduate school level (\$39,680) and (2) a 2-week conference for young European journalists (\$89,677). | 129,357 |

The Department of State, which administered the Private Sector Program before the 1978 reorganization, established a criteria of providing a grant for only a minor portion of the total project costs. The idea was to encourage private organizations to obtain additional support in the private sector. The partial funding criteria continued after the reorganization with the exception that the qualifier "minor" was dropped. The amount to be funded was left to the discretion of the approving officials. USIA officials familiar with past practices stated that, as a rule, the funding limits were observed in limiting the size of grants to new organizations. For the fiscal year 1982, the amount of support ranged from minimal to full. Some of the new grants for 1982 illustrate the range.

| <u>Grantee</u> | <u>Total Program Budget</u> | <u>USIA Grant</u> |
|---|---------------------------------|-----------------------|
| Claremont Institute | \$432,468 | \$353,427 |
| Ethic and Public Policy Center | 262,261 | 192,145 |
| American Enterprise Institute for Public Policy Research | 112,429 | 112,429 |
| Institute for Foreign Policy Analysis | 70,924 | 30,863 |
| University of Texas, Arlington | 25,000 | 5,000 |

CONCLUSION

The funding trends for USIA fiscal year 1982 Private Sector Program showed several major changes from past practices. These changes were the number of large grants to new organizations, the increase in the average size of grants to new organizations, and a decrease in the amount of program funds provided to the experienced organizations.



JAN 30 1984

Dear Mr. Conahan:

We appreciate the opportunity to review the General Accounting Office's draft report USIA Has Taken Action to Improve the Management of the Private Sector Program.

As Dr. Ronald Trowbridge, our Associate Director for Educational and Cultural Affairs, informed Mr. John C. Payne earlier this week, we have discussed our questions and concerns with Paul Atkins and reached agreement on them. Dr. Trowbridge informed Mr. Payne that we would have no further comments on the report.

We are grateful for the efforts of the General Accounting Office in helping us to improve the management of our programs.

Sincerely,

Charles Z. Wick
Director

Mr. Frank C. Conahan, Director
National Security and International
Affairs Division
United States General Accounting Office
Washington, D.C. 20548

COMMENTS ON GAO REPORT ON PRIVATE SECTOR PROGRAM

1. While the report's citation of criteria for the Private Sector Program appears to be accurate, some of the staff involved in grant review during the "American Learning" period remember quite clearly long periods of confusion and lack of clarity about the basis on which they were to judge grant proposals. We suggest the first sentence of the last paragraph on page 10 be changed to read "Thus, there were specifically stated criteria, purposes, and operating guidelines to be used to implement the new program direction, although there is some disagreement within the staff about the usefulness of the guidelines in evaluating grant proposals [underlined portion to be added]."
2. Since the completion of the audit, a set of substantive program criteria have been approved by the Deputy Director. GAO may wish to make note of that development as an update to the report, perhaps as an addition to the list of changes implemented by the Bureau at the bottom of page 24 and the top of page 25.
3. The last paragraph of page 22 of the draft implies that two of the recipients of Private Sector grant funds actually received excessive funds and succeeded in charging improper expenditures to the government. We would prefer that the report note that "inappropriate charges were not allowed upon subsequent audit and that improper funds were returned to the Treasury."
4. On page 23, the report states that the Office of Private Sector Programs "was reconstituted as the Office of Special Projects." We have not yet, in fact, changed the name of the Office and would not do so without proper consultation with the Congress.
5. On pages 24 and 25, the report notes some of the steps taken by the Bureau of Educational and Cultural Affairs to strengthen the grant process. We believe that one step not noted has been particularly effective in strengthening Bureau management of the program. Following the issuance of the internal Agency inspection report on Private Sector Programs, the Bureau instituted regularly scheduled meetings three times a week for senior Agency managers, including all Office Directors. These meetings have been most helpful in improving the communication and guidance processes for all of our programs. Could this point be added to the brief list of "initiatives"?
6. While we have no quarrel with the observation that some of the grants reviewed by the auditors were problematic and controversial, we think it only fair to note that those grants constituted a small proportion of the Bureau's activities. We calculate that the Bureau of Educational and Cultural Affairs awarded 179 grants in FY 1982 totaling \$53,593,000. Of those, eight grants involving \$1,003,368 were the subject of public criticism in the press. I think it important to keep these problems in the context of the very large program that the USIA staff is administering. Could a comment to this effect be added to the report?

(GAO Note: Page numbers have been changed to correspond to page numbers in the final report.)

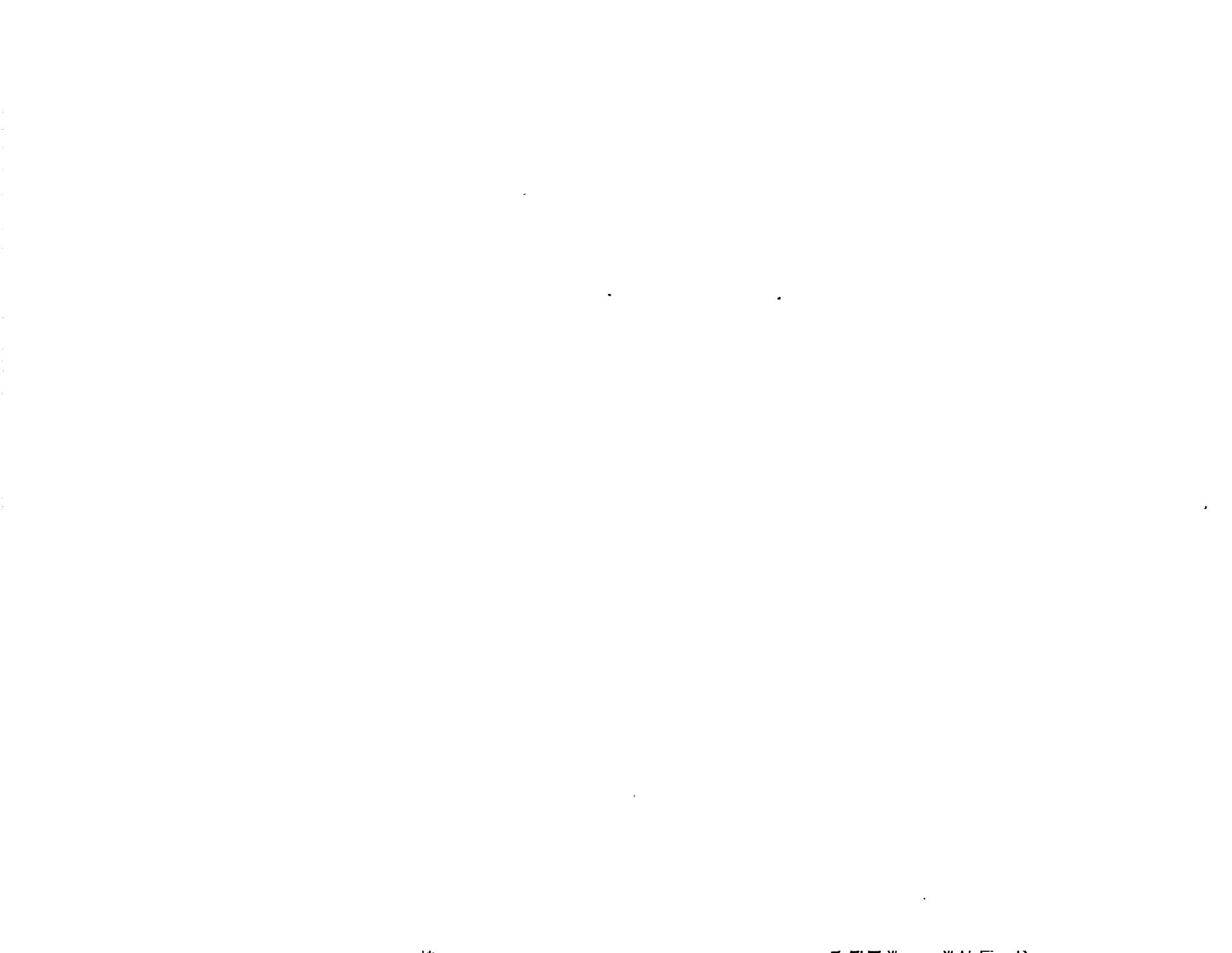
- 2 -

7. The statement on page 27 that "the Office of Private Sector Programs is USIA's primary contact with private organizations" is inaccurate. All of the Bureau's elements work very closely with organizations in the private sector -- indeed, such organizations are central to our work. We suggest that the sentence be changed to read "is one of USIA's primary contacts with private organizations."

8. We were surprised by the finding on page 28 that funding for "core" grants was reduced by 42% from 1981 to 1982. While we believe that there was, in fact, a reduction during that period, we would be interested in confirming the actual information used by the auditors and confirming the magnitude of the reduction.

(GAO Note: This issue was discussed with USIA officials. They agreed that our figures were correct.)

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