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Washington, D.C. 20523

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AUDIT REPORT

INTERNATIONAL PLANNED PARENTHOOD FEDERATION
(IPPF)

GRANT NUMBER : AID/csd-1837 (Global)
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INTERNATIONAL PLANNED PARENTHOOD FEDERATION
Grant No. AID/csd-1837 (Global)

INTRODUCTION

Grant No. AID/csd-1837 was initiated on October 23, 1967 with the International Planned Parenthood Federation (IPPF) to support voluntary family planning programs in less developed countries. IPPF is a federation of eighty-four national associations. These autonomous national associations elect or appoint representatives to regional councils which in turn, elect or appoint representatives on a Governing Body. The Governing Body (GB) appoints supporting operational committees and the IPPF Secretary-General.

Up to April 2, 1971, AID funding was directed toward support of specific IPPF programs and projects, each approved by AID. After that date AID funds were contributed under a general budget support concept and could not be identified with specific programs and projects.

Our review was performed to determine whether IPPF management is effectively utilizing Agency resources to accomplish established goals worldwide, in accordance with grant terms and consistent with AID responsibilities for stewardship of appropriated monies. Previously reported inadequacies in IPPF management involved the major functional areas of planning, monitoring, reporting, and evaluation, including independent auditing. Our current audit included an examination of management actions concerning past audit recommendations, particularly those of the most recent review by the U.S. General Accounting Office (GAO). We also directed our efforts toward determining the adequacy of the IPPF management structure, considering the method of AID funding, AID's goals, and the extent of reliance on IPPF management.

SUMMARY OF FINDINGS

Generally, our audit showed that anticipated improvements in IPPF operations have not materialized. Implementation of most audit recommendations -- both AID internal and external -- has been less than satisfactory.

We have summarized below those problem areas encountered during our current audit which we believe are significant and warrant the attention of AID management. Details of these findings are presented in Part III, Statement of Findings and Recommendations.

- Internal restrictions on the authority of the IPPF Central Office and Secretary-General have resulted in a decentralized management structure under which the Central Office lacks full control of regional offices and national associations. The condition must be changed to the extent needed to ensure AID that U.S. funds and resources donated have been properly used (pages 3 - 4).

- The IPPF Central Office has not received regional and national programs in time for adequate review and formulation of a unified work program. For Calendar Year (CY) 1974, 59 of 90 programs (65%) were received more than 60 days late; 28 programs (31%) were not received at all (pages 4 - 5).

- Central Office and country proposals have shown improvements in descriptions of objectives and criteria for progress measurement; however, IPPF has not performed adequate evaluations of progress against objectives and criteria established. None of the country programs had been completely evaluated as of our current audit (page 5).

- IPPF must improve its evaluative capabilities if AID is to rely upon IPPF management. Although all five positions in an evaluation unit have been filled, only 15 projects had been evaluated as of August 1, 1974 out of a total of over 152 projects. The central Office alone had 62 projects while country and regional associations had an additional 90 programs, each of which contain one or more projects (page 5).

- The Annual Report to Donors is not reliable to an extent permitting realistic planning of program financial and commodity requirements. Formal reconciliations of report data with audited financial information are not made. Commodity deliveries, usage and inventory balances are inaccurate to the degree that significant unexplained quantities may have been lost or deviated from program purposes. Although this report is, in effect, an annual program proposal under terms of the grant, the inaccuracy of the data contained in it precludes a meaningful evaluation of either the proposal or progress toward objectives (pages 6 - 7).

- IPPF has not been able to report audited expenditures to AID because of inadequate, incomplete, or nonexistent audit reports; nor have audited financial statements and annual reports been available at IPPF. Program implementation reports have either been submitted late or not at all; as a result, IPPF monitoring capabilities have not improved (pages 7 - 10).

- Preparation of field guidelines for financial administration, supplies and program evaluation have still not been completed (pages 10 - 11).

- IPPF considers programming as a skill to be transmitted to the

Family Planning Associations (FPAs) and Regional Offices (ROs); but management concepts presented in training seminars and workshops are not consistent with written instructions to the FPAs and ROs. IPPF should review this matter and determine a realistic training program in this area (page 12).

- During CY 1972-73, unnecessary U.S. dollar drains of over \$2 million have been absorbed by the United States Government (USG) because of IPPF's failure to comply with grant provisions concerning the use of U.S.-owned "excess" and "near-excess" currencies. IPPF spent over 1.1 million of U.S. dollars in India alone during the two-year period immediately preceding the USG return of significant sums of excess currencies to that country. This situation was made possible in great measure by the inconsistencies within the grant terms (pages 12 - 14).

- Although AID and IPPF have a written understanding which limits AID donations to 40% of total IPPF operating costs, the basis for application of this percentage to control actual AID contributions is not clearly spelled out in the grant agreement or elsewhere. The actual AID support of IPPF cannot be clearly determined as a percent of the total (page 15).

- Savings in interest costs can accrue to the USG if the grant to IPPF limited the rate of drawdown to 40% of current expenditures. During the first part of CY 1973, drawdowns by the IPPF in excess of 40% of current expenditures resulted in about \$60,000 in unnecessary interest costs to the USG (page 16).

We conclude overall, that IPPF has not demonstrated a willingness to carry out program activities in accordance with good management principles and the grant agreement. Future AID funding should be contingent upon IPPF compliance with good management principles and the grant terms. AID management should consider support of specific projects or programs of the Federation or its affiliates as an alternative to the present general budgetary support grant. The types of findings presented in this report take on added significance in light of the fact that many have been previously reported.

STATEMENT OF FINDINGS AND RECOMMENDATIONS

IPPF Central Office Management Authority

Under this budgetary support grant, AID relies on the IPPF to manage the worldwide program. The Secretary-General of IPPF is responsible to AID for the proper use of U.S. funds provided. Theoretically the Secretary-General has controlled the IPPF federation member organizations through the Central Office staff in London but such control has not been effective in the past.

Our current review showed that many anticipated improvements have not materialized. Internal restrictions on the authority of the IPPF Secretary-

General still exist with a resultant decentralized management structure. The country associations still plan and carry out their programs as they generally see fit and apparently do not view the Central Office as controlling or management headquarters. This situation is illustrated by findings in this report, including: the lack of accurate and adequate program data in the Report to Donors, a key document furnished AID; the problems in program planning, evaluation, and requirements; the slow pace of issuing operational guidelines and manuals; and the lack of adequate auditing policies and reporting procedures.

Our review of the Secretary-General's contract, minutes of meetings of the Governing Body, and the IPPF Constitution and Rules provided further evidence of internal restrictions on central office management of the Federation. IPPF policy is controlled by the Governing Body, comprised of representatives of the FPAs and FOCs. Major decisions emanate from this body and not from the Secretary-General or the Central Office (CO). In short, the Secretary-General and her CO cannot pursue any management decisions or actions to effectively control federation members unless the GB approves. The Central Office cannot even allocate funds, for example, although this is one of the most effective means of exercising control over federation members.

We believe that the Secretary-General and Central Office of the IPPF lack the necessary authority to manage and control regional and national associations worldwide to the degree necessary to fulfill its responsibilities to AID. IPPF internal management-by-persuasion has proven insufficient to accomplish needed reforms, previously reported, or to meet the needs and requirements of AID. It is pertinent here to recall the AID position concerning this situation when reported previously:

"We recognize that should the IPPF structure ultimately prove to be an obstacle to AID's ability to provide this assurance,* it would be necessary to reconsider the terms of our relationship with IPPF."

(*Refers to AID's responsibilities to the U.S. Congress.)

We believe that the decentralized IPPF management structure has not proven capable of responding to the accountability requirements expected of an AID Grantee. Our conclusions are demonstrated through the nature of the findings presented in the remainder of this report and overall corrective action is directed toward the Assistant Administrator, AA/PIA, in Recommendation No. 12.

IPPF Program Requirements

Under this budget support grant, AID relies on IPPF to properly manage the program. Past audits, including those by the GAO, reported inadequacies in work planning, allocation of funds to subgrantees, and program evaluation. Our current audit disclosed little improvement in the major functional areas for which IPPF is responsible - program planning, implementation and

evaluation, all of which interrelate with requirements. Apparent causes for the lack of improvement in these areas include (a) the lack of timely workplans from subgrantees, (b) non-receipt of workplans from subgrantees, (c) ineffective evaluation system and staff at IPPF, and (d) unreliable or missing data from subgrantees for the annual program proposal (Report to Donors). The underlying problem permitting the existence of these apparent causes can be isolated as the lack of authority given the IPPF Secretary-General and her Central Office to control and manage subgrantee activities. Specific findings are discussed in the following subtitled paragraphs.

Work Programs - The Central Office has not received regional and national programs in time for adequate review and formulation of a unified work program. For CY 1974, 59 of 90 programs (65%) were received more than 60 days late and 28 programs (31%) were not received at all. In the absence of work programs, the budget and finance committee based their decisions on general information such as budgets rather than program details which should be available to support financial data. We believe that sound management suggests that program funds be allocated on the basis of meaningful criteria considering program merits and geographic region. The absence of complete program detail to support budgets submitted by subgrantees could very possibly result in an allocation of funds by IPPF on the basis of historical budgets rather than on a knowledgeable comparison of program priorities.

Annual Project Proposal - The grant requires that the annual proposal include discussions of progress toward program or project objectives, significant program developments anticipated during the current year, and objectives projected for the coming year. To be responsive, IPPF must have quantifiable or specific objectives and evaluations.

The Central Office project proposals included improved statements of objectives but progress was evaluated for the first three quarters of CY 1973 only. Performance was not evaluated for the remainder of CY 1973 although we were informed that the Central Office evaluation program was proceeding continuously through CY 1976.

Our review of the five best country proposals submitted to the IPPF Central Office also showed improvements in stating objectives. Except for these five, country proposals generally did not contain specific, quantified objectives needed to keep AID fully informed. However, weaknesses persist in evaluations; as of August 1, 1974 none of the country programs had been completely evaluated.

Program Evaluation Systems - IPPF still has not evaluated the effectiveness of subgrants to national associations. The established evaluation unit reviews individual projects but these are only a part of an association's activities. As of August 1, 1974 evaluations had been performed on only 15 of 152 projects. The Central Office alone had 62 projects while country and regional associations had an additional 90 programs, each of which contain one or more projects.

Individual project and country, as well as overall IPPF requirements must be stated accurately in quantifiable terms since AID does not review programs and projects but relies on IPPF management. Evaluations of results must be adequate and complete to assure AID that (1) USG funds were properly spent, (2) future programming requirements are valid and realistic, and (3) reasons for program successes or failures have been determined, based on the evaluation cycle of management.

Report to Donors - This report is, in effect, an annual program proposal to AID under terms of the grant. This annual report proposal sets forth program requirements and, because of AID's reliance upon IPPF to manage the worldwide program, must contain accurate usable information as a basis for AID management decisions.

The significance of this report is reflected in Grant Amendment No. 10, dated April 2, 1971. However, the IPPF Report to Donors covering CY 1971 did not comply with the Grant Amendment No. 10 requirement that audited figures be reported to AID. This fact was also noted by the GAO.

The AID Project Manager cautioned IPPF that safeguards be made to ensure responsiveness to the reporting requirements of Amendment No. 10 in his letter to IPPF dated May 24, 1973. IPPF responded by letter dated June 13, 1973 and stated:

"It is therefore our intention to conform to the formats of the Amendment 10 reporting requirements (as far as possible) when submitting data to AID in September this year. We shall therefore prepare a completely separate set of schedules* in line with Amendment 10, taking into account all the points outlined in your letter."

These *schedules refer to "audited" figures for CY 1972. However, as of August 2, 1974 our audit disclosed that IPPF had not submitted these schedules, although the Report to Donors, again containing unaudited figures for CY 1972, was dated September, 1973.

It is significant here that little progress has been made despite Amendment No. 10 requirements. The most recent Reports to Donors for CYs 1973 and 1974 still contain a great quantity of unaudited information, commingled with audited information. These reports do not identify which information is not audited. Footnotes and supplementary materials were generally lacking in the 1973 and 1974 Reports to Donors and deviations from the requirements stated in Grant Amendment No. 10 were numerous. Our detail examinations showed significant differences, between unaudited and audited figures. Some explanations could be ferretted out of IPPF correspondence files but differences between figures in the Report to Donors presented to AID were never formally reconciled with audited figures which, of course, were not presented to AID.

Amendment No. 10 also requires the Grantee to furnish AID with specific usage, receipt, and inventory information on commodities. This information is furnished in the Report to Donors but the extent of errors included and noted (see Exhibit C) were of such significance that an accurate determination of past IPPF commodity requirements is not possible. More importantly, inventory figures included in the Reports to Donors have been used in projecting following year requirements; in some instances examined (see Exhibit C), figures in the Report to Donors were either not submitted or so obviously erroneous that "estimates" were used, we were told. The extent of inaccuracies in Report to Donor commodity transactions and inventory balances report to AID indicate significant unexplained quantities--these may have been lost or deviated from program purposes. In any event, the use of Report to Donor figures in determining requirements either past or future, is unrealistic. Past inaccuracies in commodity figures suggest that the actual on-hand inventories worldwide are not known; it follows that actual past usage is not known either.

Recommendation No. 1

We recommend that the Grant Officer, CM/COD/PIA, require IPPF to establish a system for more effective program and project evaluation and determination of operational requirements and priorities.

Reporting Systems

Program implementation reports have been either submitted late or not at all; as a result, IPPF monitoring capabilities have not improved and AID has not received sufficient or accurate operational information to permit reliance on IPPF program management.

Conditions existing in latter 1972 prompted the GAO to point out the need for a phased plan for (a) timely submission to IPPF of accurate and reliable reports and data from national associations and (b) more effective reporting by IPPF's Central Office to AID. The Agency's consolidated reply included actions taken by the IPPF to improve these conditions: i.e.,

"The Grantee has issued 'Standard Terms and Conditions' as criteria for awarding grants to Associations. This document establishes, inter alia, that the Grant is subject to meeting the reporting requirements and that it may be withheld or cancelled in the event of non-compliance. This document ... is being implemented for 1973 grants."
(Underscoring supplied.)

"On rare occasions, IPPF has withheld grant releases to enforce reporting requirements, however, the incidence of late reporting has declined dramatically in the past year. Characteristically, IPPF has avoided making grant suspension automatic upon non-receipt of FPA reports. ***. Though not spelled out in the AID grant to IPPF, quarterly financial reports by FPAs are regarded by AID as an integral element of IPPF's financial management and control system. Non-receipt is regarded as an important deficiency." (Underscoring supplied.)

"The Central Office now routinely received (sic) copies of all FPA quarterly financial reports, irrespective of any delegation of authority to Regional Offices. This is no longer regarded as a topic requiring more than routine AID surveillance." (Underscoring supplied.)

The Agency further noted that IPPF had indicated in CY 1973 a "toughness" in requiring satisfactory financial reports as a condition for support of FPAs.

On the surface the IPPF actions taken appear to be inconsistent; for example, for 1973 grants the IPPF reportedly implemented the terms of a document requiring the withholding or cancellation of grant assistance where reporting requirements are not met, although the incidence of late reporting has "declined dramatically" during 1973; non-receipt of quarterly financial reports is regarded as an "important deficiency" but these are reportedly being routinely received by IPPF.

We were unable to reconcile these IPPF control actions and stated progress with conditions found during our recent audit which included coverage of CY 1973. To illustrate, our analyses showed that 30 (or about 35%) of 87 quarterly financial reports required for 1973 were never received by IPPF; another 40 (or about 46%) were received late; only 17 (or about 19%) were received timely as required. For 1974, the situation deteriorated further: only 5 (or about 5%) of 88 quarterly financial reports were received when due; 58 (or about 66%) were received late and 25 (or about 29%) were not received at all. Reverse progress was experienced in obtaining reports of audited accounts; for example, of 85 required, 10 (or about 12%) were not received for 1973 but 49 (or about 55%) of 88 due were not received for 1974, as of August 1, 1974. Other examples are displayed in Exhibit B.

At the October, 1973 meeting, the Governing Body adopted a resolution directed toward the timely submission of budgets. This resolution and the attendant mild sanctions authorized helped to improve the timely submission of budgets. However, detailed supporting work programs have not been received in time to permit their review along with the budgets to permit knowledgeable decisions regarding priorities and a unified work program.

The annual program proposal (Report to Donors) sets forth program requirements. Because of AID's reliance on IPPF management of the worldwide program, this report is critically important to AID management. Two of the primary sources of information for the Report to Donors are the annual reports and the audited accounts. As discussed in preceding paragraphs and shown in Exhibit B, improvements are needed in timely submissions of the

audited accounts and the annual report.

The quality of information contained in the annual IPPF report to AID is discussed in this report under the section entitled "Requirements."

Recommendation No. 2

We recommend that the Grant Officer, CM/COD/PHA, take appropriate action to assure timely submission to AID of accurate and reliable reports and data from IPPF.

Audit Reports

IPPF has not been able to report audited expenditures to AID because of inadequate, incomplete, or non-existent audit reports from national associations. As a result, AID has not received reliable, audited information needed to evaluate the use of USG funds.

IPPF has opposed provisions in grant agreements permitting AID audits of subgrantees; their opposition was based on the possibility that such audits might raise the issue of AID domination of IPPF. Agreement was reached, however, that IPPF would develop guidelines for adequate independent audits and appropriate follow-up findings. Independent audits of subgrantee operations have been required since 1969 and the reports are to be retained at the IPPF Central Office. The lack of reports at IPPF in late 1972, combined with deficiencies in those submitted, resulted in a GAO recommendation concerning needed improvements in the extent and quality of independent audits of associations' programs and management.

IPPF reportedly took corrective action and routinely receives copies of all independent audit reports. However, our current audit disclosed that IPPF actions have not been sufficient to fully correct reported problems. For example, of 88 reports required by June 30, 1974, over 55% (49) had not been received as of August 1, 1974.

IPPF has not yet developed guidelines for adequate independent audits although this was the alternate control agreed upon in return for the limitation on audit rights accepted by AID. AID's grant agreement with IPPF states that:

"The purpose of the audit shall be to determine the propriety and necessity of the subgrantee's expenditures in terms of the purpose for which the funds were made available, and the adequacy of the subgrantee's management."

To illustrate, our selected review of Independent Public Accountant (IPA) audit reports actually received in the IPPF Central Office showed the following deficiencies:

(a) Missing from all reports:

- source and application of funds statement,
- appraisal of the sub-grantee's financial management,
- opinions concerning the adequacy of RO or FPA program management,
- provision for comparing expenditures to the authorized budget in both U.S. and local currency.

(b) Missing from many reports:

- provisions for detailing items of expenditure which make up functional categories.

Uniform treatment of depreciation still has not been achieved in audit reports. For example, some IPA reports are depreciating consumable supplies such as "disposable rubber gloves."

Although IPPF accounting records are reflected in U.S. dollars, most audit reports received were expressed in local currencies. To be responsive to AID as well as IPPF needs, figures should also show U.S. dollar values.

Examples of "non-balancing" balance sheets and unsigned, undated certificates were brought to the attention of the IPPF Controller.

These deficiencies had all been previously reported but IPPF audit guidelines did not address requirements in these areas.

The absence and/or lack of timely receipt of audit reports has resulted in IPPF's continuing submission of unaudited financial information and reports to AID. This continuing problem might be resolved by linking the availability of future AID funds to timely and meaningful submission by FPAs and ROs of information and reports required for proper grant administration.

Recommendation No. 3

We recommend that the Grant Officer, CM/COD/PHA, require IPPF to take appropriate action to assure improvements in the extent and quality of independent audits of associations' programs and management.

Guidelines Development

IPPF progress in developing and implementing manuals and guidelines has been lagging. As a result, IPPF has not been able to furnish AID with timely and accurate reports and program information. During the latter part

of CY 1972, IPPF was developing guidelines for evaluating ongoing programs, accounting for supplies, and administering finances. The first draft of a "Guide to Financial Management" had been submitted to IPPF regions for comment; the other guides were in early development stages and were scheduled to be written during CY 1973.

At the end of CY 1973, IPPF reportedly had issued a "Guide to Financial Management" including a section on "Standardization of Audited Accounts." These guidelines were in process of translation into Spanish for the Western Hemisphere. A draft "Supplies Administration" manual was to be completed by the end of CY 1973 and issued by the end of June 1974; two parts of a six part "Program Evaluation" manual were completed at the end of 1973 and issuances were to begin in early 1974. IPPF had agreed to issue a written guide for Management Accountant (MA) reviews to ensure consistency in reviews and reporting. At the end of CY 1973 a "Standard Work Program" for MAs was reportedly drafted.

During the latter part of CY 1974, our current field work showed that actual progress in the development, issuance, and implementation of guidelines has been much slower than indicated in Agency responses. For example, an unsigned, undated copy of the "Guide to Financial Management" furnished us at IPPF did not contain the section on "Standardization of Audited Accounts" nor a chapter on "Budgeting." The Spanish translation was still uncompleted. This document had not been established as IPPF policy by the GB or the Management and Planning Committee. The "Supplies Administration" manual was still in draft form and had not yet been issued. One part of the "Program Evaluation" manual was in draft form and the remaining five parts had not yet been reduced to writing. A written guide for MA reviews unsigned and undated, was available at IPPF but MA audit reports were still not standardized; these MA guides did not require an opinion on the adequacy of subgrantee management. Codification of IPPF practices is still far from complete. IPPF's lagging progress in the development and implementation of manuals and guidelines is a major contributing factor to the unsatisfactory conditions discussed in this report involving reporting systems, audits, requirements, and training.

We were informed that one of the major influences resulting in the slow progress in developing written manuals and guidelines has been the reluctance of IPPF management to "restrict their flexibility." We find it difficult to understand how management can be "restricted" or "controlled" by the existence of written manuals and guidelines; on the contrary, we believe that sound management generates and uses well-written manuals and guidelines as one of many management tools in effective program implementation.

Recommendation No. 4

We recommend that the Grant Officer, CM/COD/PHA, establish a firm time period within which IPPF should complete codification of operational practices.

Well-written manuals and guidelines would also enhance the IPPF training program. IPPF considers programming as a needed skill to be transmitted to the FPAs and ROs. However, anticipated training in London for the entire Central Office staff to improve programming skills has not materialized nor does IPPF intend to offer such training to the entire Central Office staff. Management problems encountered during our audit, however, indicate that additional programming training would be useful for subgrantee FPAs and ROs.

Generally, training funds were expended during 1973 for seminars and workshops involving programming, budgeting and evaluation. Specific emphasis was placed on the need for including objectives and progress indicators in work programs. We found, however, that written instructions and work program formats sent to the FPAs did not provide for inclusion of objectives and progress indicators in work programs.

We suggest that the Grant Officer, OM/COD/PHA, encourage the IPPF Central Office to issue supplemental instructions to the FPAs and ROs to assure that written work guidelines conform to management concepts presented in training workshops and seminars. IPPF should also be encouraged to review training needs, in view of the management problems discussed in this report, to determine a realistic, useful training program.

Grant Costs

Confusing terms of the IPPF budgetary support grant do not permit effective administration and monitoring by AID. The absence of adequate criteria preclude a clear determination of whether or not grant costs claimed are reimbursable by AID. To illustrate, grant provisions restrict the use of dollars by the grantee in countries where the USG owns "excess" or "near-excess" amounts of local currencies; these provisions are not enforceable, however, because specific expenditures cannot be identified to AID funds and the grant contains no guidelines. As a result, the USG absorbed over \$2 million in unnecessary dollar drains through IPPF expenditures in "excess" and "near-excess" currency countries during CY 1972-73. AID funding relative to this grant is limited to 40% of total IPPF operating costs, but neither the grant nor related documentation furnish the basis for application of this percentage. The rate of drawdown of funds is not specified in the grant; as a result, the USG has incurred unnecessary interest costs due to early drawdowns of AID funds by IPPF in excess of the 40% ratio. On the other hand, grant provisions are specific and clear in requiring documentary support, including audits of expenditures but IPPF has not complied nor has AID enforced these grant provisions. Specific findings concerning the allowability of grant costs are discussed in the following subtitled paragraphs.

Excess or Near Excess Currency Countries - The grant, in Amendment No. 10, dated March 19, 1971 states:

"The Grantee further agrees that in countries designated 'excess' or 'near-excess' currency countries by the U.S. Treasury, that no U.S. dollars will be used in lieu of U.S. owned local currency, unless otherwise authorized by the Grant Officer. The AID Grant Officer will effect the necessary arrangements for making such currency available to the Grantee. If such currency is made available without charge to the U.S. dollar funds made available in the Grant, the U.S. dollar equivalent will be shown in the Grant as additive to the total funds available under the Grant."

During our review we found no evidence to indicate that IPPF had complied with the above grant requirement. Equally important, we were unable to determine the procedures whereby AID management could enforce this grant provision or to locate anyone who could explain how these provisions could be enforced. Rather, we determined that during CYs 1972 and 1973 IPPF had transferred \$2,301,679 in cash to countries that were "excess" or "near-excess" countries. Details are shown in the following presentation.

<u>COUNTRY</u>	<u>NAME OF ORGANIZATION</u>	<u>EXPENDITURES -</u>	
		<u>1972</u>	
Sri Lanka	India Ocean Regional Office - Colombo <u>1/</u>	\$ 75,400.00	\$ 9
Sri Lanka	Family Planning Association of Sri Lanka <u>1/</u>	100,900.00	8
India	Family Planning Association of India <u>2/</u>	550,000.00	60
Pakistan	Family Planning Association of Pakistan <u>2/</u>	220,800.00	22
Morocco	Morocco Family Planning Association <u>2/</u>	24,000.00	4
Sudan	Sudan Family Planning Association <u>2/</u>	14,000.00	3
Tunisia	Tunisia Family Planning Association <u>2/</u>	32,000.00	4
Egypt	Egyptian Family Planning Association <u>2/</u>	<u>73,300.00</u>	<u>8</u>
TOTAL		<u>\$1,092,400.00</u>	<u>\$1.20</u>

1/ Under Indian Ocean Regional Office - Colombo.

2/ Under Middle East and North Africa Regional Office - Beirut.

Recommendation No. 5

We recommend that the Grant Officer, CM/COD/PEA, determine whether IPPF expenditures of U.S. dollars in "excess" and "near-excess" countries are allowable under terms of the grant and take appropriate action.

Recommendation No. 6

We recommend that the Grant Officer, CM/COD/PEA, take appropriate action to amend the grant with specific guidelines concerning the use of "excess" and "near-excess" currencies.

Cost Sharing - AID and IPPF, through an exchange of letters, agreed to a cost sharing formula where AID's contribution would not exceed 40% of the basic IPPF budget. This formula was designed to assure the IPPF's independent role as an international organization.

Despite AID-IPPF attempts to establish this formula, the base to which the 40% should apply has not been formally spelled out. Further, the 40% formula has not been incorporated into the grant. It is pertinent here that the grant purpose stipulates that AID funds are intended for IPPF programs in "less developed countries" (LDCs).

IPPF calculations of the cost sharing percentages have been based on Report to Donor information or on estimates. The Report to Donors differed significantly from audited figures; calculations based on audited figures in part, as available, show that AID contributed over 40% of costs incurred by IPPF during 1972. Complete information for 1973 was not available at IPPF. The non-availability of complete information and of audited figures precludes application of the 40% formula by either AID or IPPF.

Exhibit A presents our calculations of the percentages that AID has contributed for CY 1972-73 towards programs in LDCs. Although we believe that our calculations are realistic, they serve to illustrate that no guidelines exist for excluding/including costs to determine the proper base for application of the 40% formula. Our calculations show AID contributions in excess of 40% of total costs while IPPF has determined that AID contributions were less than 40%.

Recommendation No. 7

We recommend that the Grant Officer, CM/COD/PEA, establish and include criteria in the grant defining which costs are excluded and which are included in the base figure for application of the 40% cost sharing formula in accordance with grant purposes.

Federal Reserve Letter of Credit (FRLC) Drawdowns - The 40% agreement between AID and IPPF limiting the total AID contribution did not specify whether the 40% formula should be applied as expenditures were incurred.

The grant only limits each individual drawdown against the FRLC to \$1,000,000 and does not limit the number of drawdowns that may be made during a period. Due to the situation described above, IPPF was allowed to drawdown funds during the first part of CY 1973 which covered more than 40% of their expenditures. AID contributions for CY 1973 totalled over \$10.9 million; quarterly, this amounts to about \$2.73 million. IPPF, however, was permitted to draw down about \$6.2 million in the first quarter of CY 1973 - the equivalent of about 60% of the entire CY 1973 AID contribution; we also observed that about \$3.7 million of this was drawn down by IPPF in one single day, using five vouchers; although none of the five exceeded the \$1 million grant limit, it would seem to be a circumvention of the grant provisions; i.e., if this drawdown is proper, the entire contribution for CY 1973 could logically be obtained in one day by merely using ten or eleven vouchers of \$1 million each. Pertinent here, we were informed by the Project Manager that IPPF drawdowns for 1973 were not typical.

By allowing the drawdown of funds for more than 40% of IPPF's expenditures AID caused the U.S. Government to incur approximately \$60,000 more in interest costs during CY 1973 than would have been incurred had funds been drawn in four equal quarterly amounts.

Recommendation No. 8

We recommend that the Grant Officer, CM/COD/PHA, determine whether the CY 1973 drawdowns by IPPF were needed and in accord with the intent of grant terms and AID's interests, and take appropriate action.

Recommendation No. 9

We recommend that the Grant Officer, CM/COD/PHA, amend the grant so AID funds are drawn by IPPF on a quarterly or other basis that is equitable with the cost sharing percentage.

Independent Audit - IPPF has not obtained Independent Public Accountant (IPA) audit reports covering activities of FPAs and ROs or submitted audited financial data to AID for CY 1972-1973. The grant requires that the Grantee shall ensure that an audit is conducted on the subgrantee's records after each twelve months of a subgrant by an IPA with a national certification similar or equivalent to that of a certified public accountant. The Grantee established a due date of June 30, 1974 for audits on 1973 expenditures.

Forty-nine (49) audited financial statements, 15 annual reports, and 25 quarterly financial reports, all for CY 1973, were not available for review at IPPF nor had audited cost figures for CY 1972 been submitted to AID at the conclusion of our audit. For CY 1973, expenditures totalling \$21,685,200 in the Report to Donors were identifiable to 49 ROs and FPAs for which IPA reports had not been submitted to IPPF as of the time of our audit. Those IPA reports available for review on CY 1973 expenditures by ROs, FPAs and the CO covered an approximate \$9,700,000 only; however, AID's contribution totalled \$11,407,050. As discussed on pages of this report, available IPA reports were not acceptable.

Internal Audits - IPPF guidelines require that Management Accountants (MA) visit major FPAs (programs of \$60,000 or more) annually and that every FPA should be revisited within 18 months of previous visits.

IPPF MAs did not visit or perform internal audits of activities for 14 of the 41 major programs during CY 1973. MA schedules through August, 1974 included plans to visit only four of the 14 major programs not audited during CY 1973.

IPPF management informed us that Regional Office (RO) or other Central Office personnel visited the fourteen major FPAs not covered by Management Accountants. However, there was no evidence that the RO and Central Office personnel visits resulted in internal audits of the FPAs financial activities. As a result, approximately \$1.1 million in grants to major programs lacked proper internal audit examinations during CY 1973 and through August, 1974.

To assure improved management of subgrantees and permit AID reliance on IPPF, the quality of audits must be improved and more internal audits must be performed.

Recommendation No. 10

We recommend that the Grant Officer, CM/COD/PHA, suspend costs claimed of \$10,141,191 pending (a) receipt of information required by the grant, and (b) a determination that acceptable audits have been performed on expenditures that are at least equal to AID's proper contribution.

Recommendation No. 11

The Grant Officer, CM/COD/PHA, after consulting with the Project Officer, PHA/POP, determine acceptability of Grantee's performance as a pre-requisite to the approval of grant costs.

IPPF Twenty-First Anniversary Conference - Amendment No. 15 to the grant provided IPPF with \$250,000 for partial support of their 1973 Twenty-First Anniversary Conference. The amendment required that IPPF submit to AID a report on final actual expenditures vs. the budget line items and copies of published conference proceedings. As of July 29, 1974, the Grantee had submitted neither of the required reports; however, we were subsequently informed by the AID Program Office that these reports were received in August, 1974. No recommendation is necessary.

Salary Costs - Our audit indicated that salary costs for the central office are higher than necessary. Salary increases to United Kingdom residents averaged 6.1 percent during 1973 and a reevaluation of existing jobs as of January 1, 1974 resulted in additional salary increases that averaged 12.3 percent for all employees. We found that expatriates account for only 16.53 percent of the staff but receive 34.60 percent of the payroll cost. To summarize, salary increases have been high and expatriates are paid approximately double the salaries of United Kingdom residents for identical work. Justification for the hiring of high-priced expatriates is linked to IPPF's international status and the desire that central office employees represent many nations. On the other hand, it is equally logical that the majority of IPPF employees are locals from many nations where the overwhelming part of IPPF programs are; i.e., IPPF is an international organization because it is a "federation" of the ROs and FPAs in these many countries. The use of British citizens (locals) in the Central London Office of this international Federation seems reasonable and offers significant cost advantages.

While no specific recommendation is being introduced here, we strongly suggest that the Grant Officer, CM/COD/PHA, advise the IPPF Central Office of this audit finding and the need to obtain maximum use of AID's limited resources.

General - Under the present budgetary support grant, neither the IPPF nor AID is able to demonstrate that total AID funds are exclusively directed to expenditures in LDCs. In addition, we noted that expenditures included fund raising, entertainment, advertising, contingencies, staff loans, staff advances, interest expense, the cost of transportation for the staffs' personal use, and promoting family planning in iron curtain and industrialized countries. Continuation of the present grant arrangement permits IPPF the flexibility to incur costs which we would classify as unallowable. AID could better control the purposes for which AID funds are spent and encourage IPPF management efficiency by restricting use of its contribution to allowable costs for programs in lesser developed countries. This is the stated purpose of the grant.

We conclude, overall, that IPPF has not demonstrated a willingness to carry out program activities in accordance with good management principles and the grant agreement. The types of findings presented in this report take on added significance in light of the fact that many have been previously reported. Future AID funding should be contingent upon IPPF compliance with good management principles and the grant terms. We believe the recommended alternatives permit a useful management decision on future funding.

Recommendation No. 12

We recommend that the Assistant Administrator, AA/PHA, review the terms of AID's relationship with IPPF, and (1) determine whether this program should be funded by (i) program grants directly to the national associations, (ii) program grants to IPPF, or (iii) continue the budgetary support grant, and (2) direct appropriate action by cognizant AID officials.

BACKGROUND AND SCOPE

IPPF is a nonprofit organization of 84 national family planning associations throughout the world. The basic beliefs of IPPF are that family planning knowledge is a fundamental human right and that the world's population and resources must be balanced. To forward these beliefs, IPPF encourages the formation and development of national associations to pioneer family planning services and to persuade governments to start family planning programs. Once a government program starts, the role of the national association gradually shifts to supporting family planning activities, with special emphasis on information and education.

The specific family planning programs undertaken by national associations vary. For example, in a country which has no government family planning program, an association may devote its efforts to influencing public opinion and providing clinical services although an association in another country may emphasize educational and training activities to complement an existing government program.

IPPF's early growth was slow. Its international budget was only \$30,000 by 1961. However, it grew from about \$900,000 in 1965 to over \$26 million in 1973. This growth came about as governments began to donate more and more funds to IPPF. While enabling a corresponding expansion of the IPPF activities, this rapid growth contributed to a number of organizational and operational problems.

AID contributions started in October, 1967 with a grant to IPPF providing for AID review and approval of specific projects in less developed countries on a worldwide basis. This grant was amended in April, 1971 to direct the AID contributions toward less developed countries under a general budgetary support arrangement. IPPF became responsible for ensuring that expenditures attributed to the AID funding were in accordance with the terms and conditions of the grant.

The USG also has contributed about 50 percent of funds donated to IPPF by the United Nations Fund for Population Activities.

The Office of Audit, Auditor General, performed an interim audit of Grant No. AID/csd-1837 which covered costs for the period of January 1, 1973 through December 31, 1973 and operations through October 1974. The audit included a review of records, documentation, procedures, and interviews with officials at the Grantee's headquarters in London, England and at Washington, D.C.

The audit was performed in accordance with generally accepted auditing standards and included such tests of the accounting records and related supporting documentation as were considered necessary.

DISCUSSION WITH GRANTEE AND A.I.D. MANAGEMENT

Audit findings relating to IPPF management were discussed with the Secretary-General and the Assistant Secretary-General, IPPF, London.

We also discussed all audit findings with cognizant AID officials, including the Assistant Administrator, Bureau for Population and Humanitarian Assistance (AA/PHA) and the Office of Contract Management, Central Operations Division (SER/CM/COD). After an exit conference, we furnished copies of the draft report for review by appropriate AID management.

Responsible AID officials generally concurred with the findings and agreed with the twelve recommendations presented in this report. Written comments by cognizant AID management officials have been considered and incorporated into the final report, as appropriate.

INTERNATIONAL PLANNED PARENTHOOD FEDERATION
Grant No. AID/csd-1837 (Global)
Cost Sharing Formula Computation
Calendar Years (CY) 1972 and 1973

	<u>CY 1972</u>	<u>CY 1973</u>
IPPF Expenditures	\$19,496,631 <u>1/</u>	\$24,401,311 <u>1/</u>
Expenditures by Autonomous National Family Planning Associations (FPA) From Funds That Were Not Received From IPPF	<u>5,621,500 2/ 3/</u>	<u>6,989,600 2/</u>
Total	\$25,118,131	\$31,390,941
Less: Europe	\$ 209,079 <u>4/</u>	\$ 280,064 <u>4/</u>
Rhodesia	76,412 <u>5/</u>	99,334 <u>5/</u>
Australia	1,574 <u>5/</u>	6,269 <u>5/</u>
New Zealand	6,944 <u>5/</u>	6,269 <u>5/</u>
Singapore	5,902 <u>5/</u>	31,945 <u>5/</u>
Hong Kong	-	158,079 <u>5/</u>
UNFPA Anniversary Conference	1,000,000 <u>1/ 6/</u>	1,793,567 <u>1/ 6/</u>
IPPF Grants to Excess or Near Excess Currency Countries	-	598,141
USAID Grants	1,092,400 <u>6/</u>	1,209,279 <u>6/</u>
Population Council Grants	464,297 <u>6/</u>	-
Pathfinder Grants	608,172 <u>6/</u>	-
Income Generated by Selling Contraceptives	310,227 <u>6/</u>	-
IPPF Income That Was Earmarked for Specific Projects	484,672 <u>6/</u>	-
Prorata Share of Central Office Expenditures	775,949	-
	<u>610,692</u>	<u>727,620</u>
Total	<u>\$19,471,811</u>	<u>\$26,490,567</u>
Total A.I.D. Contribution	<u>\$10,191,442 1/</u>	<u>\$11,407,050 8/</u>
Percentage of Expenditures Contributed By A.I.D.	<u>52.34 9/</u>	<u>43.06 9/</u>

INTERNATIONAL PLANNED PARENTHOOD FEDERATION
Grant No. AID/csd-1837 (Global)
Cost Sharing Formula Computation
Calendar Years (CY) 1972 and 1973

Explanatory Notes:

- 1/ From audited financial statements.
- 2/ From the Report to Donors.
- 3/ From a review of CY 1972 FPA audited financial statements it was determined that the Report to Donors' amounts differ from the audited amounts.
- 4/ Represents all expenditures in the European region except for the Turkish FPA and a prorata share of the regional office expenditures.
- 5/ Represents expenditures in an FPA that was not an LDC plus a prorata share of the regional office expenditures.
- 6/ Amount does not include a prorata share of the applicable regional offices.
- 7/ Information for CY 1973 was not readily available; therefore, the percentage of expenditures contributed by A.I.D. are understated.
- 8/ Represents amount of audited financial statement less the \$250,000 that A.I.D. contributed towards the anniversary conference.
- 9/ This percentage is understated due to the situation explained above in explanatory notes 6/ and 7/ and the fact that IPPF did not segregate UNFPA grants made directly to FPAs.

INTERNATIONAL PLANNED PARENTHOOD FEDERATION
 Grant No. AID/csd-1837 (Global)
 Reports Submitted to IPPF
 Prior to July 9, 1974.

<u>Report Title</u>	<u>Due Dates</u>	<u>No. of Reports Required</u>		<u>Received When Due</u>		<u>1 - 30 Days Late</u>		<u>31 - 60 Days Late</u>		<u>Over 60 Days Late</u>		<u>On File No Indication When Rec.</u>		<u>Not Received</u>	
		<u>1973</u>	<u>1974</u>	<u>1973</u>	<u>1974</u>	<u>1973</u>	<u>1974</u>	<u>1973</u>	<u>1974</u>	<u>1973</u>	<u>1974</u>	<u>1973</u>	<u>1974</u>	<u>1973</u>	<u>1974</u>
Annual Report	3/31	85	88	33	25	17	26	27	12	2	6	3	4	3	15
Quarter Year Financial	4/30	87	88	17	5	20	36	11	18	8	3	1	1	30	25
Budget	5/31	84	90	15	65	36	10	1	2	-	-	26	-	6	13
Audited Accounts	6/30	85	88	31	29	8	8	11	-	19	-	6	2	10	49
Half Year Fiscal	7/31	87	<u>1/</u>	22	<u>1/</u>	47	<u>1/</u>	6	<u>1/</u>	4	<u>1/</u>	-	<u>1/</u>	8	<u>1/</u>
Revised Budget	12/20	74	<u>1/</u>	35	<u>1/</u>	9	<u>1/</u>	4	<u>1/</u>	5	<u>1/</u>	4	<u>1/</u>	17	<u>1/</u>
Terms/Conditions of Grants	12/10	85	<u>1/</u>	32	<u>1/</u>	34	<u>1/</u>	1	<u>1/</u>	13	<u>1/</u>	1	<u>1/</u>	4	<u>1/</u>
Work Program	11/15	90	<u>1/</u>	-	<u>1/</u>	-	<u>1/</u>	-	<u>1/</u>	59	<u>1/</u>	3	<u>1/</u>	28	<u>1/</u>

Explanatory Note:

1/ Report not due as of July 9, 1974.

INTERNATIONAL PLANNED PARENTHOOD FEDERATION
Grant No. AID/csd-1837 (Global)
Analysis of Commodities Reported in the Report to Donors

	<u>Beginning</u> <u>Balance</u>	<u>Delivered</u> ^{2/}	<u>Used</u> ^{2/}	<u>Ending</u> ^{2/} <u>Balance</u>	<u>Units Not</u> <u>Accounted For</u> <u>Over (Short)</u>
<u>Afghanistan</u>					
Orals (Cycles)					
1971	<u>1/</u>	85,500	16,650	151,850	
1972	151,850	-	35,452	116,498	100
1973	116,498	-	46,666	69,451	(381)
<u>Indonesia</u>					
Orals (Cycles)					
1971	<u>1/</u>	69,700	69,700	-	
1972	-	296,688	214,506	79,874	27,692
1973	79,874	392,366	280,003	125,935	(66,302)
<u>Philippines</u>					
Orals (Cycles)					
1971	<u>1/</u>	489,500	324,255	219,450	
1972	219,450	745,000	-	920,125	(44,325)
1973	920,125	1,416,041	1,114,954	1,186,162	(35,050)
<u>Argentina</u>					
Orals (Cycles)					
1971	<u>1/</u>	30,000	17,000	29,685	
1972	29,685	28,404	20,311	23,610	(14,168)
1973	23,610	<u>3/</u>	<u>3/</u>	<u>3/</u>	<u>3/</u>
<u>Colombia</u>					
Orals (Cycles)					
1971	-	140,000	145,002	31,750	
1972	31,750	602,600	356,177	284,844	6,671
1973	284,844	1,526,254	873,745	938,453	1,100
<u>Colombia</u>					
IUDS (Units)					
1971	<u>1/</u>	118,800	56,400	67,102	
1972	67,102	102,864	61,517	107,099	(1,350)
1973	107,099	204,200	84,299	127,000	(100,000)

INTERNATIONAL PLANNED PARENTHOOD FEDERATION
 Grant No. AID/csd-1837 (Global)
Analysis of Commodities Reported in the Report to Donors

	<u>Beginning</u> <u>Balance</u>	<u>Delivered</u>	<u>2/</u> <u>Used</u>	<u>2/</u> <u>Ending</u> <u>Balance</u>	<u>2/</u> <u>Units Not</u> <u>Accounted For</u> <u>Over (Short)</u>
<u>Ecuador</u>					
Orals (Cycles)					
1971	<u>1/</u>	38,854	13,171	27,817	
1972	27,817	30,000	14,664	27,407	(15,746)
1973	27,407	28,890	23,482	33,242	427
<u>Ecuador</u>					
Aerosol Foam (Containers)					
1971	<u>1/</u>	1,000	121	1,323	
1972	1,323	1,008	855	1,476	-
1973	1,476	1,080	1,476	72	(1,008)
<u>El Salvador</u>					
Orals (Cycles)					
1971	<u>1/</u>	209,950	202,750	90,200	
1972	90,200	65,000	87,120	31,380	(36,700)
1973	31,380	207,000	95,332	133,268	(9,780)
<u>Guatemala</u>					
Orals (Cycles)					
1971	<u>1/</u>	369,097	253,785	203,545	-
1972	203,545	200,996	121,475	283,066	-
1973	283,066	350,000	300,000	333,066	-
<u>Paraguay</u>					
Orals (Cycles)					
1971	<u>1/</u>	32,564	35,379	3,340	
1972	3,340	25,000	25,810	237	(2,293)
1973	237	124,877	53,814	72,990	1,690
<u>Venezuela FPA</u>					
Orals (Cycles)					
1971	<u>1/</u>	375,075	250,000	236,012	
1972	236,012	324,800	430,262	100,550	(30,000)
1973	100,550	500,000	500,000	100,550	-

INTERNATIONAL PLANNED PARENTHOOD FEDERATION
Grant No. AID/csd-1837 (Global)
Analysis of Commodities Reported in the Report to Donors

	<u>Beginning</u> <u>Balance</u>	<u>Delivered</u> ^{2/}	<u>Used</u> ^{2/}	<u>Ending</u> ^{2/} <u>Balance</u>	<u>Units Not</u> <u>Accounted For</u> <u>Over (Short)</u>
<u>Burundi</u>					
Orals (Cycles)					
1971	<u>1/</u>	2,100	2,060	4,550	
1972	4,550	1,000	1,500	2,600	(1,450)
1973	2,600	-	-	-	-
<u>Gambia</u>					
Orals (Cycles)					
1971	<u>1/</u>	20,000	1,000	19,000	
1972	19,000	25,000	3,000	41,500	500
1973	41,500	5,000	6,055	40,873	428
<u>Gambia</u>					
Aerosol Foam (Containers)					
1971	<u>1/</u>	300	138	162	
1972	162	1,800	480	2,424	942
1973	2,424	-	864	576	(984)
<u>Mauritius</u>					
Orals (Cycles)					
1971	<u>1/</u>	165,000	206,486	59,205	
1972	59,205	205,274	230,463	52,532	18,516
1973	52,532	74,800	37,693	127,007	37,368
<u>Mauritius</u>					
Condoms (Units)					
1971	<u>1/</u>	94,347	97,142	144,000	
1972	144,000	201,600	222,860	135,082	12,342
1973	135,082	73,584	45,216	154,656	8,794
<u>Mauritius</u>					
Aerosol Foam (Containers)					
1971	<u>1/</u>	697	92	1,109	
1972	1,109	-	105	1,094	90
1973	1,094	49	51	1,067	(25)

INTERNATIONAL PLANNED PARENTHOOD FEDERATION
Grant No. AID/csd-1837 (Global)
Analysis of Commodities Reported in the Report to Donors

	<u>Beginning</u> <u>Balance</u>	<u>Delivered</u>	<u>2/</u> <u>Used</u>	<u>2/</u> <u>Ending</u> <u>Balance</u>	<u>Units Not</u> <u>Accounted For</u> <u>Over (Short)</u>
<u>Sierra Leone</u>					
Orals (Cycles)					
1971	<u>1/</u>	20,000	3,545	31,294	
1972	31,294	5,000	7,391	18,350	(10,553)
1973	18,350	950	9,310	4,990	(5,000)
<u>Tanzania</u>					
Condoms (Units)					
1971	<u>1/</u>	14,400	10,632	9,600	
1972	9,600	43,200	85,824	72,576	105,600
1973	72,576	21,312	22,320	5,040	(66,528)
<u>India</u>					
Orals (Cycles)					
1971	<u>1/</u>	5,700	6,966	5,818	
1972	5,818	16,000	11,836	6,363	(3,619)
1973	6,363	9,360	10,046	10,435	4,758
<u>India</u>					
Condoms (Units)					
1971	<u>1/</u>	349,632	240,192	121,248	
1972	121,248	72,000	161,712	31,536	-
1973	31,536	56,646	59,503	17,427	(11,252)
<u>Nepal</u>					
Jelly (Cream Tubes)					
1971	<u>1/</u>	612	284	328	
1972	328	1,008	1,171	165	-
1973	165	4,565	6,041	4,234	5,545
<u>Pakistan</u>					
IUDS (Units)					
1971	<u>1/</u>	400	405	30	
1972	30	6,000	600	5,400	(30)
1973	5,400	2,500	4,500	1,500	(4,900)

INTERNATIONAL PLANNED PARENTHOOD FEDERATION
Grant No. AID/csd-1837 (Global)
Analysis of Commodities Reported in the Report to Donors

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<u>Hong Kong</u>					
Orals (Cycles)					
1971	<u>1/</u>	718,405	443,146	382,471	
1972	382,471	560,241	524,596	418,116	-
1973	418,116	849,140	612,782	204,813	(449,661)
<u>Hong Kong</u>					
Condoms (Units)					
1971	<u>1/</u>	172,788	465,396	876,738	
1972	876,738	993,312	528,192	557,568	(784,290)
1973	557,568	431,712	841,680	147,312	(288)
<u>Egypt</u>					
Orals (Cycles)					
1971	<u>1/</u>	40,000	72,378	30,443	
1972	30,443	40,000	56,212	874	(13,357)
1973	874	-	1,068,453	-	1,067,579

Explanatory Notes:

- 1/ Figures for Beginning Balance, 1971 and prior, not obtained.
- 2/ "Actual" per Reports to Donors, Sept. 1972, Sept. 1973, and Oct. 1974.
- 3/ "Not reported" in the Report to Donors.

General:

IPPF submitted the following unverified information to AID:

- (a) IPPF Associates who drew all contraceptives from other sources: India, Afghanistan and Egypt;
- (b) IPPF Associates who drew a large proportion of their contraceptives from other sources: Mauritius and Pakistan.

LIST OF AUDIT RECOMMENDATIONS

<u>NO.:</u>	<u>RECOMMENDATION</u>	<u>PAGE</u>
1	We recommend that the Grant Officer, CM/COD/PHA, require IPPF to establish a system for more effective program and project evaluation and determination of operational requirements and priorities.	7
2	We recommend that the Grant Officer, CM/COD/PHA, take appropriate action to assure timely submission to AID of accurate and reliable reports and data from IPPF.	9
3	We recommend that the Grant Officer, CM/COD/PHA, require IPPF to take appropriate action to assure improvements in the extent and quality of independent audits of associations' programs and management.	10
4	We recommend that the Grant Officer, CM/COD/PHA, establish a firm time period within which IPPF should complete codification of operational practices.	11
5	We recommend that the Grant Officer, CM/COD/PHA, determine whether IPPF expenditures of U.S. dollars in "excess" and "near excess" countries are allowable under terms of the grant and take appropriate action.	15
6	We recommend that the Grant Officer, CM/COD/PHA, take appropriate action to amend the grant with specific guidelines concerning the use of "excess" and "near excess" currencies.	15
7	We recommend that the Grant Officer, CM/COD/PHA, establish and include criteria in the grant defining which costs are excluded and which are included in the base figure for application of the 40% cost-sharing formula in accordance with grant purposes.	15

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2	We recommend that the Grant Officer, CM/COD/PHA, take appropriate action to assure timely submission to AID of accurate and reliable reports and data from IPPF.	9
3	We recommend that the Grant Officer, CM/COD/PHA, require IPPF to take appropriate action to assure improvements in the extent and quality of independent audits of associations' programs and management.	10
4	We recommend that the Grant Officer, CM/COD/PHA, establish a firm time period within which IPPF should complete codification of operational practices.	11
5	We recommend that the Grant Officer, CM/COD/PHA, determine whether IPPF expenditures of U.S. dollars in "excess" and "near excess" countries are allowable under terms of the grant and take appropriate action.	15
6	We recommend that the Grant Officer, CM/COD/PHA, take appropriate action to amend the grant with specific guidelines concerning the use of "excess" and "near excess" currencies.	15
7	We recommend that the Grant Officer, CM/COD/PHA, establish and include criteria in the grant defining which costs are excluded and which are included in the base figure for application of the 40% cost-sharing formula in accordance with grant purposes.	15

LIST OF AUDIT RECOMMENDATIONS

<u>NO.</u>	<u>RECOMMENDATION</u>	<u>PAGE</u>
8	We recommend that the Grant Officer, CM/COD/PHA, determine whether the CY 1973 drawdowns by IPPF were needed and in accord with the intent of grant terms and AID's interests, and take appropriate action.	16
9	We recommend that the Grant Officer, CM/COD/PHA, amend the grant so AID funds are drawn by IPPF on a quarterly or other basis that is equitable with the cost-sharing percentage.	16
10	We recommend that the Grant Officer, CM/COD/PHA, suspend costs claimed of \$10,141,191 pending (a) receipt of information required by the grant, and (b) a determination that acceptable audits have been performed on expenditures that are at least equal to AID's proper contribution.	17
11	The Grant Officer, CM/COD/PHA, after consulting with the Project Officer, PHA/POP, determine acceptability of Grantee's performance as a prerequisite to the approval of grant costs.	17
12	We recommend that the Assistant Administrator, AA/PHA, review the terms of AID's relationship with IPPF, and (1) determine whether this program should be funded by (i) program grants directly to the national associations, (ii) program grants to IPPF, or (iii) continue the budgetary support grant, and (2) direct appropriate action by cognizant AID officials.	19

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