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Auditor General

THE EFFECTIVENESS OF THE COOPERATIVE LEAGUE OF THE UNITED STATES TO DEVELOP COOPERATIVES IN INDONESIA, INDIA AND SWAZILAND

The Cooperative League of the United States (CLUSA), a recipient of about \$5 million in grant and contract funds, is carrying out its responsibilities in a satisfactory manner. However, program implementation in Indonesia, India and Swaziland can be improved. Also, AID needs to improve its oversight over CLUSA activities.

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EXECUTIVE SUMMARY

Purpose of Review

The Cooperative League of the United States (CLUSA) is a confederation of U.S. cooperatives representing - through national and regional associations and state and local organization - 23 million families. CLUSA member organizations include both rural and urban cooperatives, such as farm supply and marketing organizations, credit unions, group health associations and cooperative oriented insurance companies.

The purpose of our review was to determine whether: (1) CLUSA was effectively and efficiently using AID-provided resources; (2) applicable laws and AID regulations were being complied with; (3) CLUSA was meeting its goals and objectives as stated in project documentation; (4) AID funds had been expended properly; (5) AID had given adequate program supervision to CLUSA; and (6) the intent of Congress was being followed.

Findings

The review disclosed nine (9) major findings regarding CLUSA program accomplishments. Pertinent comments on these findings are highlighted below:

Project Evaluation Needs Improving

AID's management and supervision of cooperative activities has been fragmented between two agency bureaus with no one office having overall responsibility. We found that project evaluations pertaining to CLUSA activities have not been prepared in over four years. Moreover, CLUSA had neither established nor incorporated interim benchmarks into its project as a means of measuring program accomplishments. Goals were established for project completion, but there were no benchmarks established for measuring accomplishments on an interim basis. In our opinion, the absence of centralized management, evaluation and interim benchmarks inhibit the Agency's ability to detect problems and improve project implementation.

CLUSA officials agree that benchmarks are needed and that corrective measures will be taken to build quantitative planned goals into their projects.

Project Implementation Problems Requiring Attention

Based upon our review, we concluded that CLUSA is carrying out its responsibilities as outlined in the various contracts and operational

grants. Its country representatives and field personnel were providing technical assistance to developing cooperatives, both in numbers of technical experts and length of assignments as contained in the project agreements. We did find, however, problems in project implementation which CLUSA and/or AID has to address in order to improve program administration and results.

- CLUSA/Indonesia needs to establish accounting records that will adequately record the receipts and disbursements of AID-provided funds. At the present time the CLUSA/Indonesia system is principally a personal check book operation. (Page 4)
- Cooperative groups on Indonesia's Java, Sulawesi and Aru Islands should collaborate the results of their development efforts. We found very little communication between the various cooperatives. (Page 4)
- The Aru Islands Seaweed Farming Industry and Village Unit Cooperative Project is nine to twelve months behind schedule and a revised completion date needs to be established. (Page 5)
- India's Oilseed Growers Cooperative Project needs improvement in the control of locally generated currency, the right of U.S. representatives to audit, and on the acceptability of the Title II oil by the Indian consumer. (Page 7)
- Improvement in the lives of the poor majority in Indonesia through cooperatives will be difficult because of the limited size of the average farm and the ideological ties at the village level. (Page 10)
- The Swaziland Cooperative and Marketing program is at an important crossroads in determining if it is viable due to lack of Government support. (Page 12)

The Office of Food for Peace and the Bureau for Asia have indicated that corrective steps are being taken to correct the deficiency in controlling local currency generated from PL-480 Title II sales of vegetable oil. The Office of Food for Peace has also indicated they have initiated a joint effort with the Department of Agriculture to eliminate unacceptable odors when the vegetable oil is heated.

Contract and Grant Costs

Costs claimed during the period January 1, 1978 through December 31, 1979 totaling \$3,051,248 were examined. Of this sum, \$2,940,393 is recommended for acceptance. The balance of \$110,855 represents costs questions. (Page 14)

Conclusions and Recommendations

The Cooperative League of the United States of America is generally carrying out its responsibilities in a satisfactory manner and its programs are consistent with AID development objectives. But, improvements are needed in program implementation. Accordingly, we recommend that the appropriate Agency bureaus and offices take action to assure that:

- CLUSA establish interim benchmarks into the current long term projects as well as all future projects.
- CLUSA establish an accounting system in its Indonesia Office that will adequately show the receipt and disbursement grant provided funds.
- CLUSA revise the completion date for the Aru Islands Sea-weed Farming Industry and Village Unit Cooperative Project.
- CLUSA deposit all local currency generated from the sale of PL-480 Title II vegetable oil into one special account.
- An audit provision is incorporated into all Oilseed Growers Cooperative subproject agreements.
- AID and CLUSA make the necessary tests and surveys to ensure that the PL 480 Title II provided vegetable oil has consumer acceptability in India.
- USAID/Mbabane establish a definite timetable which the Government of Swaziland is expected to take definitive action upon the Cooperative and Market Project or terminate the program.
- CLUSA develop alternative courses of action for its development activities in Indonesia and Swaziland in case the governments of these countries do not adequately support cooperative development.

AID's Bureau for Private and Development Cooperation, Office of Food for Peace, the Bureau for Asia, and USAID/Indonesia reviewed the report and found it to be accurate and acceptable. They did, however, provide comments which, they feel amplified, clarified and strengthened the report. These comments were taken into consideration and changes made where considered appropriate.

INTRODUCTION AND SCOPE

Background

The Cooperative League of the U.S.A.(CLUSA) is a confederation of U.S. cooperatives representing - through national and regional associations and state and local organizations - 23 million families. CLUSA member organizations include both rural and urban cooperatives, such as farm supply and marketing organizations, credit unions, group health associations and cooperative oriented insurance companies.

CLUSA was founded in 1916 and is headquartered in Washington, D.C. Its objective is to assist member organizations in developing and maintaining maximum professional competence. CLUSA represents its members on the boards of international organizations, such as: The International Cooperative Alliance; the Organization of Cooperatives of America; the Inter-American Cooperative Finance Development Society; and the International Cooperative Bank.

For over a quarter of a century it has been the stated policy of CLUSA to assist cooperative development worldwide as a means of enhancing the socio-economic development for low income peoples. CLUSA has supported this policy through contributions from member organizations, and by utilizing the representatives of the U.S. cooperatives in international assistance programs to the maximum degree possible.

CLUSA's cooperative development work with AID began in 1963. Since that time AID has provided approximately \$14.5 million in support of CLUSA's worldwide cooperative development.

Scope of Audit

Our audit covered contracts and operational program grants awarded to CLUSA for the period September 1, 1976 through December 31, 1979. The purpose of the audit was to determine if CLUSA is (1) using AID-provided resources effectively and efficiently; (2) following applicable laws and AID regulations; (3) meeting goals and objectives stated in project documentation; and (4) spending AID funds properly. (5) We also attempted to determine if AID is giving CLUSA adequate supervision, and if the CLUSA program is following the intent of Congress.

Our work was performed at CLUSA's headquarters in Washington, D.C. and three field locations: India, Indonesia and Swaziland. Our examination included a review of CLUSA and the various USAID records as well as discussions with appropriate host government and AID officials.

FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

Project Management Needs to be Improved

We found that project evaluations pertaining to CLUSA activities have not been prepared in over four years. Moreover, CLUSA has neither established nor incorporated interim benchmarks into its projects as a means of measuring program accomplishments. In our view, the absence of centralized management, evaluation and interim benchmarks inhibit the Agency's ability to detect problems and improve project implementation.

Cooperative Activities Should be Assigned to a Specific Bureau

AID's management and supervision of cooperative activities has been fragmented between two agency Bureaus with no one office having overall responsibility.

There has been a lack of centralized and focused concern for cooperative development. The cooperative development organizations, in general, wish to be more fully utilized by AID and feel that a modification of certain AID procedures could facilitate this. Principal among the things mentioned as desirable by one such organization were: (a) inclusion of the cooperative development organization under the "collaborative assistance method" which would allow for cooperative development organizations to be involved in all phases of a project from planning through implementation, and (b) the centralizing and elevating of AID's interest in cooperative development.

The U.S. Congress has directed that foreign assistance agencies promote the development of cooperatives in the Less Developed Countries (LDC's) and engage the American cooperative movement in this enterprise. What had been a modest effort in the Point IV era became a large, more directed effort in the '60s and into the '70s. In recent years, Congress has even earmarked the sum that should be expended for cooperative development activities.

Currently, Section 123(a) of the International Development and Food Assistance Act of 1978 reads in part:

"The Congress declares that it is in the interest of the United States that...cooperatives expand their overseas development efforts without compromising their private and independent nature. The Congress further declares that the financial resources of such organizations and cooperatives should be supplemented by the contribution of public funds for the purpose of undertaking development activities in accordance with the principles set forth in Section 102. The Congress urges the Agency primarily responsible for administering this part, in implementing programs authorized under this part, to draw on the resources of private and voluntary organizations and cooperatives to plan and carry out development activities."

We believe that for the Agency to fully comply with the intent of Congress, cooperative activities must be permanently assigned to a specific bureau.

Effective March 30, 1980 the Agency Administrator assigned permanent responsibility for cooperative programs to the Bureau for Private and Development Cooperation. Since action has been taken to alleviate this problem, we are not making a formal recommendation.

CLUSA Needs to Establish Interim Benchmarks into the Projects

Most of CLUSA's overseas activities continue for extended periods of time and need quantitative interim goals to measure project progress. For example, CLUSA's oilseed growers cooperative project in India began in 1978 and will run for eight years. At the present time they have 70 grower organizations with approximately 300 individual members. After eight years it is expected that about 347,000 oilseed growers will belong to societies covering some 8,000 villages in 8 districts.

The goals are fixed for project completion but no benchmarks are established for measuring accomplishments on an interim basis. We believe that phase-line goals should be determined perhaps every two years, to measure progress against targets. Another example, Indonesia's ARU Islands Seaweed Farming Industry and Village Unit Cooperative Project, is scheduled to run 3 years with a goal of increasing seaweed production through increased cooperative membership and a higher per capita income for the villages. But, project documentation is silent on quantifying production increases and improvements in per capita income at the end of years one and two.

CLUSA officials indicated their programs contain an end of project status which delineates what they plan to accomplish when the project is completed but, there are no interim benchmarks. They agree that benchmarks are needed and that corrective measures will be taken to build quantitative planned goals into their projects.

Recommendation No. 1

Bureau for Private and Development Cooperation (PDC/PVC) take appropriate action to ensure that CLUSA establishes interim benchmarks into the current long term projects as well as all future projects.

Project Implementation Problems Requiring Attention

Based upon our review, we concluded that CLUSA is carrying out its responsibilities as outlined in the various contracts and operational grants. Its country representatives and field personnel were providing technical assistance to developing cooperatives, both in numbers of technical experts and length of assignments as contained in the project agreements. We did find, however, problems in project implementation which need to be addressed. Areas of concern are:

1. CLUSA/Indonesia Needs to Establish Accounting Records

CLUSA needs to establish accounting records that will adequately record the receipt and disbursement of AID-provided funds. At the present time the CLUSA/Indonesia system is principally a personal check book operation which commingles project related funds with personal funds. By commingling personal funds the internal controls are weakened, and audit trails are almost nonexistent, and it becomes difficult to readily identify project expenditures.

CLUSA officials stated that the program in Indonesia has grown so rapidly that they didn't take the time to install the proper accounting system. They agreed that one was needed.

AID will be providing approximately \$700 thousand to CLUSA/Indonesia. Without the proper records to document the receipt and disbursement of these funds, it becomes virtually impossible to determine if grant funds are being managed in accordance with the terms of the various grant agreements.

Recommendation No. 2

USAID/Indonesia ensure that CLUSA establish an accounting system in its Indonesia office. Such a system should adequately show the receipt and disbursement of all AID-provided grant funds.

2. Indonesia's Developing Cooperatives Should Collaborate Lessons Learned from Organizational Experiences

Developing Cooperative groups on Indonesia's Java, Sulawesi and Aru Islands should collaborate the results of their development efforts. An exchange of information, particularly in the lessons learned areas, could be very useful. Organizational problems of a similar nature could be exchanged between cooperatives, thus giving a workable solution which otherwise may not be identified. Based upon our review, we concluded this was not being done.

CLUSA officials agreed that an exchange of information is needed and would be invaluable but personnel problems within the various cooperatives had prevented the exchange of information. This problem has since been resolved. CLUSA officials stated they plan to hold periodic meetings with senior cooperative personnel from the various organizations to discuss matters of mutual concern.

Since CLUSA recognizes the need for collaborating conferences and has taken positive steps to rectify the deficiencies, we are not making a formal recommendation.

3. Indonesia's Aru Islands Seaweed Farming Industry and Village Unit Cooperative Project Needs to be Reviewed and a Revised Completion Date Established

The Aru Islands Seaweed Farming Industry and Village Unit Cooperative Project was 9 to 12 months behind schedule and a revised completion date needs to be established. The activity was initially planned to be completed in 36 months.

The Government of Indonesia went through a major reorganization which had a delaying effect on cooperative development. Aru, where the cooperative project was just getting started, received the full impact of the reorganization. The Director General of Cooperatives was transferred to another ministry. And, most importantly, new ministers were appointed to the Ministry of Cooperatives which had been downgraded to a junior ministry.

These changes had significant effect on CLUSA projects. The new ministers were inexperienced and had to feel their way which proved to be time consuming. In addition, new working relationships had to be established.

The primary objective of the project is to enable the families of the Aru Islands to establish a cooperative which would sustain a seaweed farming industry. As planned, the industry would:

1. Greatly increase the income of participating families, and help improve living conditions for the rural areas of these remote islands.
2. Prevent the drastic depletion of the area's natural seaweed beds and the resulting unknown effect on the local marine environment by excessive gathering.
3. Develop an effective and economically viable village unit cooperative organization.

As mentioned, the project will not be completed within 36 months. Thus, a new time frame should be developed and incorporated into all project documentation. This will also necessitate amending the completion date shown in the grant agreement.

Recommendation No. 3

USAID/Indonesia take appropriate action to ensure that CLUSA revises the completion date for the Aru Islands Seaweed Farming Industry and Village Unit Cooperative Project. The revised date should take into account all prior slippages in project progress.

4. India's Oilseed Growers Cooperative Project Requires Management Attention

Though the project was approved in 1978, it was just getting underway in late 1979 with the first shipment of commodities. Specifically, there is a need to address the control of locally generated currency; the right of U.S. representatives to audit; and the need to know whether the PL 480 Title II oil will have consumer acceptability.

The vegetable oilseed growers project involves the sale, through CLUSA, of \$100 million of donated United States PL 480 vegetable oil by the Indian National Dairy Development Board (NDDB). NDDB is to use the proceeds from the sale of oil to develop a complete oilseed production, processing and marketing system owned and controlled by the oilseed farmer cooperatives of Western India.

The project is programmed for eight years - 1978-1985 - and calls for the organization of village level cooperatives. These village cooperatives will then be formed into area unions, which will own and operate their own network of crushing facilities, solvent extraction plants and cattle feed compounding facilities. Ultimately the unions will be federated into a National Federation of Oilseed Growers Cooperatives. By 1985 approximately 8,000 village co-op societies are supposed to be organized and eventually expected to employ approximately 200,000 persons on a full or part-time basis. Some of the India Oilseed Growers Cooperative problem areas requiring attention are:

a. Local Currency Generated from PL 480 Title II Sales is not Deposited in Accordance with the Transfer Authorization

According to the transfer authorization, all local currency generated from the sale of 117,500 metric tons of PL 480 Title II vegetable oil was to be deposited into one special account. We found where CLUSA/NDDB was depositing only up to Rs5,500 (equivalent to \$786) per metric ton of oil sold into the special account, any excess rupees earned to be deposited into a general account. Revenues derived from the sale of containers are deposited into yet another account.

CLUSA/NDDB and USAID/India officials agreed that NDDB would deposit Rs5,500 per each ton of oil received into the special account. This was to be done as soon as possible after delivery. When the commodities were sold, any funds realized in excess of Rs5,500 per metric ton would be considered as an NDDB contribution to the project and go direct to the NDDB General Account rather than deposited into the special account.

Title II vegetable oil has been selling at prices ranging from Rs7,800 per M/T to Rs10,200 per M/T. At this rate the excess over Rs5,500 per M/T would range between Rs2,300 and Rs4,700 per M/T. These overages would be deposited into NDDB's general account, and under the present arrangements escape U.S. Government audit.

As of June 30, 1980, CLUSA had turned over to NDDB about 31,000 M/T of vegetable oil. Applying the Rs5,500 rate to the 31,000 M/T the sales generation would have been Rs170,500,000 or approximately US\$21.8 million, which would have been deposited into the special account. Using an average sales price of Rs9,000 per M/T, the local currency generations would have a total of Rs279,000,000 or approximately US\$35.7 million. Thus, about US\$14 million in local currency generations is not subject to any U.S. Government audit.

The TA serves as the Food for Peace Agreement between the U.S. Government and the cooperating sponsor, the project authorization document, and the authority for the Commodity Credit Corporation to ship commodities. All funds generated from the sale of Title II commodities are to be utilized in developing project goals, i.e. organizing and establishing an integrated cooperative domestic oilseed and processed oil products marketing system, owned and controlled by the small farmers who grow the bulk of oilseed.

The possibility exists that not all local currencies generated from Title II oil sales will be made available to achieve this goal. We learned that the Rs5,500 amount was decided upon by CLUSA and a USAID/India official. We were unable to determine the rationale for this decision. However, irrespective of the rationale, this practice clearly conflicts with the provisions of the TA.

CLUSA officials stated they will review the matter with appropriate AID officials. Pending clarification, we recommend that all local currency generated from the Title II oil sales, be deposited as prescribed by the transfer authorization.

The Office of Food for Peace has indicated that immediate action will be taken to amend the deficiency either by having all the funds deposited into one special account or by establishing additional special accounts which will be made available to the auditors for review.

Recommendation No. 4

The Office of Food for Peace (PDC/FFP) in conjunction with the Bureau for Private Development Cooperation (PDC/PVC) and Bureau for Asia (ASIA/BI) ensure that CLUSA deposits all local currency generated from the sale of PL 480 Title II vegetable oil into one special account.

b. There is a Need for an AID Audit Provision in CLUSA's India Oilseed Growers Cooperative Project

The agreements between CLUSA and National Dairy Development Board (NDDB) fail to give AID the right to audit funds received from the sale of the \$100 million in PL 480 Title II vegetable oil donated by the U.S. to the Oilseed Growers Cooperative Project. While AID audit rights are clearly defined in the Transfer Authorization between the United States Government and CLUSA, these rights are not carried over into the agreements between CLUSA and the National Dairy Development Board. In fact, the Memorandum of Agreement between NDDB and CLUSA specifically excludes compliance with Section 211.10(c) of Regulation 11, Inspection and Audit.

In the Transfer Authorization CLUSA agreed to make available to USG representatives all records pertaining to the deposit and disbursement of all local currency generated from the sale of commodities consigned to NDDB and deposited in the Special Account.

The Transfer Authorization states that the OIL MARKETING WING of NDDB will commingle funds generated from the sales of U.S. donated Title II commodities with funds received from other sources in the special account. This is not being done. Thus, U.S. Government representatives are limited to: (1) monitoring CLUSA's records and their approval of funds transferred to the Oil Marketing Wing from NDDB's Special Account; and (2) a field review of facilities and activities under taken by the NDDB with these and other funds.

It is clear from the contents of the Memorandum of Agreement (between CLUSA and NDDB) that it was never intended that we would have the right to audit local currency accounts or trace the funds to the general account under the sole control of NDDB.

Regulation II, Section 211.10(c) Inspection and Audit states:

"Cooperating sponsors shall cooperate with and give reasonable assistance to U.S. Government representatives to enable them at any reasonable time to examine activities of the cooperating sponsors, processors, or others, pertaining to the receipt, distribution, processing, repackaging and use of commodities by recipients;...to inspect and audit records including financial records and reports pertaining to storage, transportation, processing, repackaging, distribution and use of commodities, the deposit of and use of any Title II generated local currencies."

Under the present agreements we cannot make these determinations.

CLUSA officials told us they never intended to deny the U.S. Government audit rights. In fact, we were informed that in late 1979 CLUSA officials requested a systems audit of the program. They did, however, indicate that confusion may have occurred because Government of India's laws prohibit foreign governments from auditing Indian corporations and, the NDDB is an Indian corporation. Nevertheless, CLUSA officials said they will make the necessary amendments to the Agreements to authorize U.S. Government access to NDDB's records as they pertain to the project.

Recommendation No. 5

The Office of Food for Peace (PDC/FFP) in conjunction with the Bureau for Private and Development Cooperation (PDC/PVC) and Bureau for Asia (ASIA/BI) ensure that an audit provision is included in all Oilseed Growers Cooperative subproject agreements.

c. There is an Indication the PL 480 Title II Oil is Unacceptable to the Indian Consumer

The Title II vegetable oil provided for the Oilseed Growers Cooperative Project is meeting with consumer resistance. From our discussions with local nationals we learned that the Indians find both the taste and smell objectionable.

The taste of the U.S. vegetable oil is different than that which the Indians are accustomed. Their main objection is that the U.S. vegetable oil has a fishy smell once it is boiled. Some Indian religious cultures prohibit the eating of meat and/or fish, as well as cooking with animal or fish oil.

Our concerns were reinforced by members of the U.S. Embassy's agricultural attache office. Attache officials told us that they had also learned of consumer resistance to the Title II vegetable oil. The initial shipments of U.S. vegetable oil sold well but, future sales may be sluggish. More importantly, there is an additional 70,000 metric tons of oil to be shipped to India. Therefore, if the oil does not sell well, the Oilseed Producers Cooperative Project could be in jeopardy.

In discussing this problem, CLUSA officials indicated that it is common for soybean oil to have a fishy smell when heated. This problem is not new since oil had been imported into India for years. CLUSA further indicated that they would review the situation and take whatever action is deemed necessary to insure the success of the program. One possible solution is to admit an additive which would remedy both the taste and malodorous problem. If the problem can be corrected, we feel it should be done as quickly as possible.

The Office of Food for Peace indicated they have subsequently asked the Department of Agriculture to develop a new method for shipping the PL 480 vegetable oil so that the quality would not deteriorate or develop a fishy smell when heated.

Recommendation No. 6

The Bureau for Private and Development Cooperation (PDC/PVC) in conjunction with the Office of Food for Peace (PDC/FFP) and CLUSA make the necessary tests and surveys to ensure that the PL 480 Title II-provided vegetable oil has consumer acceptability in India. If not, future oil shipments should be suspended pending an alternative solution.

5. Impediments to Improving the Status of Small and Landless Farmers Through Cooperatives

Due to the limited size of the average farm in Indonesia, and the ideological ties at the village level, the use of cooperatives to improve conditions for small and landless farmers is difficult.

Without major change in the Government's position in land tenure practices, a cooperative would be hard pressed to fulfill its three basic objectives in the agri-business field. These objectives are:

- increased agricultural productivity
- expansion of employment opportunities
- a more equitable distribution of income in the rural areas.

In our opinion the following factors are inhibiting the success of cooperatives:

- The Role of the Landowner and Village Leaders. Extreme population pressures are leading to a number of social changes within the Central Java villages enabling landowners and village leaders to consolidate their positions at the expense of the tenants and landless laborers. A large and increasing number of families in the villages own no rice fields. Among the owners, the size of the average farm is about 0.3 hectare. Village officials and villagers granted land by the principality have holdings two or three times as large as those of nonofficials, and their land tends to have better fertility and irrigation. Since there is no possibility of increasing the size of holdings by the village, cropping intensity is being increased to five crops of rice in two years. The land rental system, which virtually relegates the tenant to the status of a laborer, is widely employed.
- Production Practices. To increase production there are two alternatives which can be taken. First, expand the rice areas. For the small farmer, this can only be done through the leasing or sharecropping of more rice land. But for the village as a whole, expanding the rice area is impossible. The second way to increase production is by increasing the yield per hectare. This can be achieved through crop intensification efforts, including the use of modern variety seeds, chemical fertilizers and pesticides, and improvement of farm practices to include improved irrigation systems. However, because of the limited farm size, increases in production are rather limited.
- Land Tenure Practices. The lack of definitive proof of land ownership is widespread among small landholders and hinders farmer motivation in improving the land. In addition, landlessness is already estimated at one-third of the rural population, and as urban incomes rise, there is an ever increasing migration to the cities. Further, a tendency has emerged toward non-farmer acquisition of farm land. Thus, questions arise about whether future rice production increases can be achieved, given both the impact more intensive rice cultivation may have on land degradation and the emerging pattern of landlessness.

We conclude that because of the social and economic factors in the rural areas of Indonesia, cooperatives will only have marginal impact. However, this may be the only hope that the farmer has for improving his life style.

USAID/Indonesia disagrees with our judgment. The Mission stated that recent CLUSA experience in Klaten and Luwu has proven that cooperative organizations will increase production and employment, as well as economic improvement, of the small farmer.

6. The Swaziland Program is at an Important Crossroads

In November 1979, USAID/Swaziland performed an evaluation which questions whether the Swaziland Cooperatives and Market Project is, in fact, viable. Specifically, the evaluation chides the government's failure to commit itself to a long term cooperative development program.

The specific goal of this project is to move the small Swazi farmer from subsistence into semi-commercial activities. By the end of project, 1982, a working cooperative is expected to be in existence which can handle agriculture inputs at least 200 percent higher than the 1976 level, and handle a growing percentage of the marketed production of agricultural commodities for which marketing arrangements have been developed. In terms of dollars, it would increase from 2 million to 6 million by 1982. Plans for the project were approved in May 1976, and CLUSA was selected as the contractor to provide technical assistance on August 19, 1977.

In early Fiscal Year 1978 six CLUSA cooperative specialists began implementing the program intended to develop and strengthen the marketing and farm supplies function of the Swaziland Control Cooperative review (CCU). The technical service will extend through 1980.

Although the CLUSA technicians are in place and operating on a daily basis with their respective counterparts, future expansion of the project is in doubt. In November 1979 USAID/Swaziland prepared an evaluation on the project and as a result of that evaluation placed the project in an "on hold" status.

The Mission evaluation recognized that the project had been on-going for two years, but the Government of Swaziland (GOS) had not made any firm commitment towards the development of cooperatives. There is also a critical need for a government prepared long-range operational plan for cooperative development. As a result of the Mission evaluation the government was requested to address these issues, but has not yet responded. However, if and when the GOS does respond, the Mission should review the long-range plan and decide if the project warrants being continued. Mission officials were unable to tell us when they expect to receive the Government's reply to the evaluation.

We concur with the Mission's actions but we believe that the matter should be resolved within a definite time-frame.

Recommendation No. 7

USAID/Mbabane establish a definite time table which the Government of Swaziland is expected to take definitive action or consider terminating the program.

The Governments of Indonesia and Swaziland are Not Fully Supportive of Cooperative Development

While both the Government of Indonesia (GOI) and the Government of Swaziland (GOS) talk about supporting cooperative developments, their actions do not support their dedication. This is clear both from government pronouncements to official documents - such as REPELITA III, Indonesia's five year development plan and Swaziland's Second National Development Plan, both of which refer to cooperative development. For example, while many top leaders in both governments are fully convinced that cooperatives can perform valuable socio-economic functions, many other leaders do not share this opinion. The result is that full support by way of legislation, national cohesive plans and budget are needed but have not materialized. Thus, CLUSA should consider alternative sources of funding in case the two governments develop an intransigent policy towards cooperatives. More importantly, CLUSA will have to assess at that time whether to continue with cooperative development activities.

Despite the official stated positions, there are some long standing obstacles which must be faced if official policy is to be translated into action.

- Indonesia - The official position of the GOI regarding cooperatives is not equally shared across the board in the GOI, especially at the Ministerial and Director General of Cooperatives levels. There is both skepticism as well as a lack of information as to what a cooperative should be and what role it can play in economic development. In some circles in the GOI there is even hostility toward cooperatives. There is also a suspicion that if cooperatives are permitted, greater freedom and a more active economic role at both the rural and national levels, this might pose a threat to other public and private sector interest. Even where there is some understanding of the function and role of cooperatives, there is a lack of unanimity as to what that should be.

If the official GOI position is to meet with success, then as several Ministry of Cooperative officials and the CLUSA representative pointed out, cooperative development must be a balanced effort between government and the small farmers.

Swaziland - The GOS's Development Plan stated that producers cooperatives were to be strengthened. But the Development of Cooperatives lacks sufficient staff to carry out the duties of promotion, education and supervision of cooperative activities. The on-board staff members are often poorly trained and are inadequately supervised.

Neither government has budgets for the type of effort REPELITA II or the Second National Development Plan calls for. In fact if the goals contained therein for cooperative development are to be achieved, they should be reflected in the budgets. In our opinion, budgets often reveal more about true governmental position than official pronouncements.

In a July 1980 report pertaining to Cooperative Development in three countries, the General Accounting Office said that appropriate host government support is a critical factor. In addition to an appropriate legislative framework, adequate budget support for agencies charged with organizing cooperatives or for training purposes is required.

AID has provided CLUSA with about \$.8 million for its Indonesia program and \$1.9 million for its Swaziland program. But, neither Government has provided its respective cooperative program with sufficient financial or legislative support. Without this vital support, cooperatives cannot expand and U.S. assistance funds will have been wasted.

Recommendation No. 8

USAID/Indonesia and USAID/Swaziland take appropriate action to ensure CLUSA develops alternative courses of action for its development activities in Indonesia and Swaziland should the government of these countries limit or withdraw support of cooperative development.

Contract and Grant Costs

Cost claimed during the period January 1, 1978 through December 31, 1979, totaling \$3,051,248 were examined. Of this sum, \$2,940,393 is recommended for acceptance. The balance of \$110,855 represents costs questioned. These amounts are summarized below, and detailed in the referenced exhibits.

<u>Grant/Contract Number</u>	<u>Costs Reimbursed</u>	<u>Questioned</u>	<u>Exhibit</u>
AID/csd-2901	\$ 346,219	\$ 23,175	A
AID/SOD/PDC-G-0091 (SSG)	769,094	31,737	B
AID/pha-G-1092 (DPG)	312,830	23,441	C
AID/asia-G-1180	278,372	9,346	D
AID/Grant No. 79-7	12,624	417	E
AID/afr-C-1330	690,824	9,676	F
AID/493-8003-T	157,547	6,075	G
AID/386-2127-T (OPG)	178,593	5,943	H
AID/OPG 696-0108	83,481	2,765	I
AID/386-2135	54,011	-	J
AID/493-9018-T	134,260	(1,937)	K
AID/386-2144	1,583	52	L
AID/BOA-1136 (T.O. #2)	31,810	165	M
	<u>\$3,051,248</u>	<u>\$110,855</u>	

Recommendation No. 9

The Office of Contract Management (SER/CM, take appropriate action to ensure settlements of \$110,855 in questioned costs.

COOPERATIVE LEAGUE OF THE U.S.A.

Exhibit A

Contract No. AID/csd-2901
 Summary of Cost Reimbursed and Recommended for Acceptance
 Period January 1, 1978 through July 31, 1979

	<u>Costs Previously Accepted</u>	<u>Current Period 1/1/78 - 7/31/79</u>			<u>Total Costs Recommended for Acceptance</u>	<u>Reference</u>
		<u>Costs Reimbursed</u>	<u>Costs Questioned</u>	<u>Costs Recommended for Acceptance</u>		
Task Order No. 1	\$1,770,798	\$ 253,904	\$ 22,420	\$ 231,484	\$2,002,282	Schedule A-1
Task Order No. 13	<u>151,397</u>	<u>92,315</u>	<u>755</u>	<u>91,560</u>	<u>242,957</u>	Schedule A-2
	<u>\$1,922,195</u>	<u>\$ 346,219</u>	<u>\$ 23,175</u>	<u>\$ 323,044</u>	<u>\$2,245,239</u>	

COOPERATIVE LEAGUE OF THE U.S.A.

Contract No. AID/scd-2901, Task Order No. 1
 Summary of Costs Reimbursed and Recommended for Acceptance
 Period January 1, 1978 through July 31, 1979

	Costs Previously Accepted	Current Period 1/1/78 - 7/31/79			Total Costs Recommended For Acceptance
		Costs Reimbursed	Costs Questioned	Recommended For Acceptance	
Direct Salaries	\$ 765,048	\$ 96,436	\$ -	\$ 96,436	\$ 861,484
Fringe Benefits	81,488	13,681	-	13,681	95,169
Consultants	30,716	9,444	-	9,444	40,160
Travel and Allowances	95,452	30,652	-	30,652	126,104
Other Direct Costs	<u>232,360</u>	<u>31,550</u>	-	<u>31,550</u>	<u>263,910</u>
Total Direct Costs	1,205,064	181,763	-	181,763	1,386,827
Overhead	<u>565,734</u>	<u>72,141</u>	<u>22,420</u> ^{1/}	<u>49,721</u>	<u>615,455</u>
Total Direct Costs & Overhead	<u>\$1,770,798</u>	<u>\$253,904</u>	<u>\$22,420</u>	<u>\$231,484</u>	<u>\$2,002,282</u>

Explanatory Note:

1/ Represents adjustments of overhead as follows:

Overhead Reimbursed			\$ 72,141
Overhead Allowed:			
Direct Costs Reimbursed 1/1/78-12/31/78	\$177,082		
Audited Overhead Rate	x27.45%	\$ 48,609	
Direct Costs Reimbursed 1/1/79-7/31/79	\$ 4,681		
Audited Overhead Rate	23.76%	<u>1,112</u>	<u>49,721</u>
Net Adjustment			\$ 22,420

COOPERATIVE LEAGUE OF THE U.S.A

Schedule A-2

Contract No. AID/csd 2901, Task Order No. 13
 Summary of Costs Reimbursed and Recommended for Acceptance
 Period January 1, 1978 through July 31, 1979

	<u>Costs Previously Accepted</u>	<u>Current Period 1/1/78 - 7/31/79 Costs Reimbursed</u>	<u>Costs Questioned</u>	<u>Recommended For Acceptance</u>	<u>Total Costs Recommended For Acceptance</u>
Direct Salaries	\$ 72,454	\$ 42,209	-	\$ 42,209	\$ 114,663
Fringe Benefits	18,874	13,089	-	13,089	31,963
Travel & Transportation	7,924	6,691	-	6,691	14,615
Allowances	18,481	9,644	-	9,644	28,125
Other Direct Costs	<u>1,477</u>	<u>1,056</u>	-	<u>1,056</u>	<u>2,533</u>
Total Direct Costs	119,210	72,689	-	72,689	191,899
Overhead	<u>32,187</u>	<u>19,626</u>	<u>755</u> ^{1/}	<u>18,871</u>	<u>51,058</u>
Total Direct Costs & Overhead	<u>\$ 151,397</u>	<u>\$ 92,315</u>	<u>\$ 755</u>	<u>\$ 91,560</u>	<u>\$ 242,957</u>

Explanatory Notes:

1/ Represents adjustments of overhead as follows:

Overhead Reimbursed				\$ 19,626
Overhead Allowed:				
Direct Costs Reimbursed 1/1/78 - 12/31/78		\$ 49,384	\$ 13,334	
Maximum Overhead Rate		a/ <u>X27.0%</u>		
Direct Costs Reimbursed 1/1/79 - 7/31/79		\$ 23,305		
Audited Overhead Rate		<u>X23.76%</u>	<u>5,537</u>	<u>18,871</u>
Net Adjustment				<u>\$ 755</u>

a/ The audited overhead rate for 1978 exceeded the maximum allowable rate. Therefore, reimbursement at the minimum rate is acceptable.

COOPERATIVE LEAGUE OF THE U.S.A

Exhibit B

Grant No. AID/SOD/PDC-G-0091 (SSG)
 Summary of Cost Reimbursed and Recommended for Acceptance
 Period August 1, 1978 through December 31, 1979

	<u>Costs Reimbursed</u>	<u>Costs Questioned</u>	<u>Costs Recommended For Acceptance</u>
Direct Salaries	\$ 334,733	\$ -	\$ 334,733
Consultants	27,365	-	27,365
Fringe Benefits	53,846	-	53,846
Travel and Allowances	98,991	-	98,991
Other Direct Costs	<u>77,472</u>	<u>32 ^{1/}</u>	<u>77,440</u>
Total Direct Costs	\$ 592,407	\$ 32	\$ 592,375
Overhead	<u>176,687</u>	<u>31,705 ^{2/}</u>	<u>144,982</u>
Total Direct Costs & Overhead	<u>\$ 769,094</u>	<u>\$ 31,737</u>	<u>\$ 737,357</u>

Explanatory Notes:

1/ Represents adjustment due to contractor mathematical error

2/ Represents adjustment of overhead as follows:

Overhead Reimbursed			\$176,687
Overhead Allowed:			
Direct Cost Reimbursed 8/1/78 - 12/31/78	\$ 114,775		
Deduct: Audit Adjustment	32		
Adjusted Direct Costs	<u>\$ 114,743</u>		
Audited Overhead Rates	X27.45%	\$ 31,497	
Direct Costs Reimbursed 1/1/79 - 12/31/79	\$ 477,632		
Audited Overhead Rate	<u>X23.76%</u>	<u>113,485</u>	<u>144,982</u>
Net Adjustment			<u>\$ 31,705</u>

COOPERATIVE LEAGUE OF THE U.S.A.

Grant No. AID/pha-G-1092(DPG)
 Summary of Costs Reimbursed and Recommended for Acceptance
 Period January 1, 1978 through December 15, 1979

	<u>Costs Previously Accepted</u>	<u>Current Period 1/1/78 - 12/15/79</u>			<u>Total Costs Recommended For Acceptance</u>
		<u>Costs Reimbursed</u>	<u>Costs Questioned</u>	<u>Recommended For Acceptance</u>	
Direct Salaries & Fringe Benefits	\$ 216,148	\$ 113,593	\$ -	\$ 113,593	\$ 329,741
Consultants	29,627	25,902	-	25,902	49,529
Travel & Allowances	91,789	64,220	-	64,220	156,009
Other Direct Costs	<u>63,044</u>	<u>23,737</u>	<u>-</u>	<u>23,737</u>	<u>86,781</u>
Total Direct Costs	\$ 394,608	\$ 227,452	\$ -	\$ 227,452	\$ 622,060
Overhead	<u>168,848</u>	<u>85,378</u>	<u>23,441^{1/}</u>	<u>61,937</u>	<u>230,785</u>
Total Direct Costs & Overhead	<u>\$563,456</u>	<u>\$312,830</u>	<u>\$23,441</u>	<u>\$289,389</u>	<u>\$852,845</u>

Explanatory Note:

1/ Represents adjustment of overhead as follows:

Overhead Reimbursed			\$ 85,378
Overhead Allowed:			
Direct Costs Reimbursed 1/1/78-12/31/78	\$213,940		
Audited Overhead Rate	<u>x27.45%</u>	\$ 58,727	
Direct Costs Reimbursed 1/1/79-12/15/79	\$ 13,512		
Audited Overhead Rate	<u>x23.76%</u>	<u>3,210</u>	<u>61,937</u>
Net Adjustment			<u>\$ 23,441</u>

COOPERATIVE LEAGUE OF THE U.S.A.

Exhibit D

Grant No. AID/asia-G-1180
 Summary of Costs Reimbursed and Recommended for Acceptance
 Period January 1, 1978 through December 31, 1979

	<u>Costs Previously Accepted</u>	<u>Current Period 1/1/78-12/31/79</u>		<u>Recommended For Acceptance</u>	<u>Total Costs Recommended For Acceptance</u>
		<u>Costs Reimbursed</u>	<u>Costs Questioned</u>		
Direct Salaries & Fringe Benefits	\$ 39,800	\$ 137,905	\$ -	\$ 137,905	\$ 177,705
Travel & Allowances	16,471	60,090	-	60,090	76,561
Other Direct Costs	<u>6,528</u>	<u>17,280</u>	<u>-</u>	<u>17,280</u>	<u>23,808</u>
Total Direct Costs	\$ 62,799	\$ 215,275	\$ -	\$ 215,275	\$ 278,074
Overhead	<u>24,718</u>	<u>63,097</u>	<u>9,346^{1/}</u>	<u>53,751</u>	<u>78,469</u>
Total Direct Costs & Overhead	<u>\$87,517</u>	<u>\$278,372</u>	<u>\$9,346</u>	<u>\$269,026</u>	<u>\$356,543</u>

Explanatory Note:

1/ Represents adjustment of overhead as follows:

Overhead Reimbursed				\$ 63,097
Overhead Allowed:				
Direct Costs Reimbursed 1/1/78-12/31/78		\$ 70,518		
Audited Overhead Rate		<u>x27.45%</u>	\$ 19,357	
Direct Costs Reimbursed 1/1/79-12/31/79		\$144,757		
Audited Overhead Rate		<u>x23.76%</u>	<u>34,394</u>	<u>53,751</u>
Net Adjustment				<u>\$ 9,346</u>

COOPERATIVE LEAGUE OF THE U.S.A.

Grant No. 79-7

Summary of Costs Reimbursed and Recommended for Acceptance
 Period July 10, 1979 through December 31, 1979

	<u>Costs Reimbursed</u>	<u>Costs Questioned</u>	<u>Costs Recommended For Acceptance</u>
Personnel Compensation	\$ 6,818	\$ -	\$ 6,818
Travel & Transportation	1,614	-	1,614
Other Direct Costs	<u>1,431</u>	<u>-</u>	<u>1,431</u>
Total Direct Costs	\$ 9,863	\$ -	\$ 9,863
Overhead	<u>2,761</u>	<u>417^{1/}</u>	<u>2,344</u>
Total Direct Costs & Overhead	<u>\$12,624</u>	<u>\$417</u>	<u>\$12,207</u>

Explanatory Note:

1/ Represents adjustment of overhead as follows:

Overhead Reimbursed		\$ 2,761
Overhead Allowed:		
Direct Costs Reimbursed 7/10/79-12/31/79	\$ 9,863	
Audited Overhead Rate	<u>x23.76%</u>	<u>2,344</u>
Net Adjustment		<u>\$ 417</u>

COOPERATIVE LEAGUE OF THE U.S.A.

Contract No. AID/afr-G-1330 (Swaziland)
 Summary of Costs Reimbursed and Recommended for Acceptance
 Period January 1, 1978 through December 31, 1979

	<u>Costs Previously Accepted</u>	<u>Current Period 1/1/78-12/31/79</u>			<u>Total Costs Recommended For Acceptance</u>
		<u>Costs Reimbursed</u>	<u>Costs Questioned</u>	<u>Recommended For Acceptance</u>	
Direct Salaries	\$ 27,151	\$ 300,577	\$ -	\$ 300,577	\$ 327,728
Fringe Benefits	5,124	69,845	-	69,845	74,969
Travel	24,273	74,826	-	74,826	99,099
Allowances	2,305	27,539	-	27,539	29,844
Other Direct Costs	2,617	19,650	-	19,650	22,267
Equipment	9,718	11,028	-	11,028	20,746
Training	-	<u>40,491</u>	-	<u>40,491</u>	<u>40,491</u>
Total Direct Costs	\$ 71,188	\$ 543,956	\$ -	\$ 543,956	\$ 615,144
Overhead	<u>19,220</u>	<u>146,868</u>	<u>9,676^{1/}</u>	<u>137,192</u>	<u>156,412</u>
Total Direct Costs & Overhead	<u>\$90,408</u>	<u>\$690,824</u>	<u>\$9,676</u>	<u>\$681,148</u>	<u>\$771,556</u>

Explanatory Notes:

1/ Represents adjustment of overhead as follows:

Overhead Reimbursed \$146,868

Overhead Allowed:

Direct Costs Reimbursed 1/1/78-12/31/78 \$245,303
 Maximum Overhead Rate a/ x 27.0% \$ 66,232

Direct Costs Reimbursed 1/1/79-12/31/79 \$298,654
 Audited Overhead Rate x23.76% 70,960 137,192

Net Adjustment \$ 9,676

a/ The audited overhead rate for 1978 exceeded the maximum allowable rate. Therefore, reimbursement at the

COOPERATIVE LEAGUE OF THE U.S.A.

Grant No. AID/493-8003-T
 Summary of Costs Reimbursed and Recommended for Acceptance
 Period May 17, 1978 through March 30, 1979

	<u>Costs Reimbursed</u>	<u>Costs Questioned</u>	<u>Costs Recommended For Acceptance</u>
Direct Salaries & Fringe Benefits	\$ 51,943	\$ -	\$ 51,943
Consultants	21,574	-	21,574
Travel & Allowances	39,288	-	39,288
Other Direct Costs	<u>7,417</u>	<u>15^{1/}</u>	<u>7,402</u>
Total Direct Costs	\$ 120,222	\$ 15	\$ 120,207
Overhead	<u>37,325</u>	<u>6,060^{2/}</u>	<u>31,265</u>
Total Direct Costs & Overhead	<u>\$157,547</u>	<u>\$6,075</u>	<u>\$151,472</u>

Explanatory Notes:

1/ Represents costs erroneously charged to grant.

2/ Represents adjustment of overhead as follows:

Overhead Reimbursed \$ 37,325

Overhead Allowed:

Direct Costs Reimbursed 5/17/78-12/31/78	\$ 73,277	
Audited Overhead Rate	<u>x27.45%</u>	\$ 20,115

Direct Costs Reimbursed 1/1/79-3/30/79	\$ 46,945	
Deduct: Audit Adjustment	<u>15</u>	
Adjusted Direct Costs	46,930	
Audited Overhead Rate	<u>x23.76%</u>	<u>11,150</u>

<u>31,265</u>
<u>\$ 6,060</u>

COOPERATIVE LEAGUE OF THE U.S.A.

Grant No. AID 386-2127-T (OPG)
 Summary of Costs Reimbursed and Recommended for Acceptance
 Period August 30, 1978 through December 31, 1979

	<u>Costs Reimbursed</u>	<u>Costs Questioned</u>	<u>Costs Recommended For Acceptance</u>
Direct Salaries & Fringe Benefits	\$ 66,037	\$ -	\$ 66,037
Allowances	33,117	-	33,117
Travel & Transportation	26,457	-	26,457
Training Costs	8,653	-	8,653
Other Direct Costs	<u>4,793</u>	<u>-</u>	<u>4,793</u>
Total Direct Costs	\$ 139,057	\$	\$ 139,057
Overhead	<u>39,536</u>	<u>5,943^{1/}</u>	<u>33,593</u>
Total Direct Costs & Overhead	<u>\$178,593</u>	<u>\$ 5,943</u>	<u>\$ 172,650</u>

Explanatory Note:

1/ Represents adjustment of overhead as follows:

Overhead Reimbursed		\$ 39,536
Overhead Allowed:		
Direct Costs Reimbursed 8/30/78-12/31/78	\$ 14,990	
Audited Overhead Rate	<u>x27.45%</u>	\$ 4,115
Direct Costs Reimbursed 1/1/79-12/31/79	\$ 124,067	
Audited Overhead Rate	<u>x23.76%</u>	<u>29,478</u>
Net Adjustment		<u>\$ 5,943</u>

COOPERATIVE LEAGUE OF THE U.S.A.

Exhibit I

Grant AID/OPG 696-0108
 Summary of Cost Reimbursed and Recommended for Acceptance
 Period July 7, 1978 through December 31, 1979

	<u>Costs Reimbursed</u>	<u>Costs Questioned</u>	<u>Costs Recommended For Acceptance</u>
Direct Salaries and Fringe Benefits	\$ 47,198	\$ -	\$ 47,198
Travel & Transportation	10,744	-	10,744
Training Costs	2,130	-	2,130
Other Direct Costs	<u>5,148</u>	<u>-</u>	<u>5,148</u>
Total Direct Costs	\$ 65,220	\$ -	\$ 65,220
Overhead	<u>18,261</u>	<u>2,765</u> 1/	<u>15,496</u>
Total Direct Costs & Overhead	<u>\$ 83,481</u>	<u>\$ 2,765</u>	<u>\$ 80,716</u>

Explanatory Notes:

1/ Represents adjustment of overhead as follows:

Overhead Reimbursed		\$ 18,261
Overhead Allowed:		
Direct Costs Reimbursed 7/7/78 - 12/31/78	\$ -0-	
Audited Overhead Rates	<u>X27.45%</u>	\$ -0-
Direct Costs Reimbursed 1/1/79 - 12/31/79	\$ 65,220	
Audited Overhead Rate	<u>X23.76%</u>	<u>15,496</u>
Net Adjustment		<u>\$ 2,765</u>

COOPERATIVE LEAGUE OF THE U.S.A.

Grant No. AID/386-2135 (India)
Summary of Costs Reimbursed and Recommended for Acceptance
Period January 1, 1979 through December 31, 1979

	<u>Costs Reimbursed And Recommended For Acceptance</u>
Direct Salaries	\$ 17,792
Travel & Allowances	12,557
Equipment & Supplies	4,143
Rent and Utilities	15,283
Other Direct Costs	<u>4,236</u>
Total	<u>\$ 54,011</u>

COOPERATIVE LEAGUE OF THE U.S.A.

Exhibit K

Grant No. AID 493-9018-T
 Summary of Costs Reimbursed and Recommended for Acceptance
 Period July 1, 1979 through December 31, 1979

	<u>Costs Reimbursed</u>	<u>Costs Questioned</u>	<u>Costs Recommended For Acceptance</u>
Personnel Compensation	\$ 65,552	-	\$ 65,552
Travel and Allowances	39,651	-	39,651
Other Direct Costs	<u>4,846</u>	<u>-</u>	<u>4,846</u>
Total Direct Costs	\$ 110,049	-	\$ 110,049
Overhead	<u>24,211</u>	<u>\$ (1,937)^{1/}</u>	<u>26,148</u>
Total Direct Costs & Overhead	<u>\$ 134,260</u>	<u>\$ (1,937)</u>	<u>\$ 136,197</u>

Explanatory Notes:

1/ Represents adjustment of overhead as follows:

Overhead Reimbursed		\$ 24,211
Overhead Allowed:		
Direct Costs Reimbursed 7/1/79 - 12/31/79	\$ 110,049	
Audited Overhead Rate	<u>X23.76%</u>	<u>26,148</u>
Net Adjustment		<u>\$ (1,937)</u>

COOPERATIVE LEAGUE OF THE U.S.A.

Exhibit L

Grant No. AID 386-2144 (India)
 Summary of Costs Reimbursed and Recommended for Acceptance
 Period August 17, 1979 through December 31, 1979

	<u>Costs Reimbursed</u>	<u>Costs Questioned</u>	<u>Costs Recommended For Acceptance</u>
Travel and Allowances	\$ 372	\$ -	\$ 372
Equipment and Supplies	205	-	205
Other Direct Costs	<u>660</u>	<u>-</u>	<u>660</u>
Total Direct Costs	\$ 1,237	\$ -	\$ 1,237
Overhead	<u>346</u>	<u>52 1/</u>	<u>294</u>
Total Direct Costs & Overhead	<u>\$ 1,583</u>	<u>\$ 52</u>	<u>\$ 1,531</u>

Explanatory Notes:

1/ Represents adjustment of overhead as follows:

Overhead Reimbursed		\$ 346
Overhead Allowed:		
Direct Costs Reimbursed 8/17/79 - 12/31/79	\$ 1,237	
Audited Overhead Rate	<u>X23.76%</u>	<u>294</u>
Net Adjustment		<u>\$ 52</u>

COOPERATIVE LEAGUE OF THE U.S.A.

Exhibit M

Contract No. AID/BOA-1136, Task Order No. 2
 Summary of Costs Reimbursed and Recommended for Acceptance
 Period January 1, 1978 through December 31, 1978

	<u>Costs Previously Accepted</u>	<u>Costs Reimbursed</u>	<u>Costs Questioned</u>	<u>Recommended For Acceptance</u>	<u>Total Costs Recommended For Acceptance</u>
Direct Salaries	\$ 49,382	\$ 9,633	\$ -	\$ 9,633	\$ 59,015
Fringe Benefits	14,797	4,748	-	4,748	19,545
Travel	1,684	6,471	-	6,471	8,155
Allowances	10,055	3,971	-	3,971	14,026
Other Direct Costs	<u>1,386</u>	<u>224</u>	<u>-</u>	<u>224</u>	<u>1,610</u>
Total Direct Costs	\$ 77,304	\$ 25,047	\$ -	\$ 25,047	\$ 102,351
Overhead	<u>20,872</u>	<u>6,763</u>	<u>165</u> ^{1/}	<u>6,598</u>	<u>27,470</u>
Total Direct Costs & Overhead	<u>\$ 98,176</u>	<u>\$ 31,810</u>	<u>\$ 165</u>	<u>\$ 31,645</u>	<u>\$ 129,821</u>

Explanatory Notes:

1/ Represents adjustment of overhead as follows:

Overhead Reimbursed

Overhead Allowed:

Direct Costs Reimbursed 1/1/78 - 12/31/78

Maximum Overhead Rate

\$ 19,944

a/ X27.00%

\$ 5,385

Direct Costs Reimbursed 1/1/79 - 6/30/79

Audited Overhead Rate

b/ 5,103

X23.76%

1,213

Net Adjustment

6,598

\$ 165

a/ The audited overhead rate for 1978 exceeded the maximum allowable rate. Therefore, reimbursement at the maximum rate is acceptable.

b/ Costs were incurred prior to contract expiration date and paid subsequent thereto.

COOPERATIVE LEAGUE OF THE U.S.A.
Overhead Rate Computation
Calendar Year 1978

	<u>Contractor's Proposed Costs</u>	<u>Costs Questioned</u>	<u>Costs Recommended For Acceptance</u>
<u>Administrative Costs</u>			
Board and Executive Committee	\$ 4,843	\$	\$ 4,843
Presidents Office	148,394		148,394
Outreach Division	87,744		87,744
Secretary-Treasurer	111,335		111,335
Member and Public Relations	15,226		15,226
Subtotal	\$ 367,542		\$ 367,542
Less:			
Cooperative Management Devel.	1,975		1,975
Consumer Cooperative Mngs. Assn.	2,000		2,000
Assn. of Cooperative Educators	2,000		2,000
Reclassification of Outreach Div.	9,150		9,150
Total Administrative Costs (A)	\$ 352,417		\$ 352,417
<u>Direct Costs</u>			
Member Services			
Education/Information Dept.	\$ 87,842	\$	\$ 87,842
Gain on Publications	(1,411)	<u>1/</u> 1,355	(2,766)
Government Affairs Dept.	50,653		50,653
Members and Public Relations Dept.	35,526		35,526
Consumer Cooperative Bank	56,310		56,310
Reclassification of Outreach Div.	9,150		9,150
Coop. League Fund Program	55,011		55,011
Cooperative Partners Fund	7,813		7,813
Special Funds	11,134		11,134
Foundations	-0-	<u>2/</u> (8,913)	8,913
Subtotal	\$ 312,028	<u>\$</u> (7,558)	\$ 319,586
<u>Contracts</u>			
AID	979,213	<u>3/</u> 32	979,181
Others	44,836		44,836
Subtotal	\$1,024,049	<u>\$</u> 32	\$ 1,024,017
Contract Administration Pool	11,815		11,815
Total Direct Costs (B)	\$1,347,892	<u>\$</u> 7,526	\$ 1,355,418

Overhead Rates

Overhead Rate (A) - B	26.15%	26.00%
Contract Administration Pool	1.52 (a)	1.45 (b)
	27.67%	27.45%
(a) Contract Administration Pool (\$11,815) plus 26.15% overhead (\$3,090) divided by contract costs (\$979,213).		
(b) Contract Administration Pool (\$11,815) plus 26.0% overhead (\$3,072) divided by contract costs (\$1,024,016).		

Explanatory Notes:

- 1/ Represents gain reflected in general ledger accounts but inadvertently not included by contractors in the direct costs compilations.
- 2/ Represents costs inadvertently omitted by contractors in the direct costs compilations.
- 3/ Represents adjustment of costs due to mathematical error.

**COOPERATIVE LEAGUE OF THE U.S.A.
Overhead Rate Computation
Calendar Year 1979**

<u>Administrative Costs</u>	<u>Contractor's Proposal and Costs Recommended for Acceptance</u>
Board and Executive Committee	\$ 3,706
Presidents Office	142,268
Outreach Division	92,731
Secretary-Treasurer	<u>171,147</u>
Subtotal	409,852
Less: Cooperative Management Development	1,975
Consumer Cooperative Managers Assn.	2,000
Assn. of Cooperative Educators	2,000
Reclassification of Outreach Div.	<u>13,180</u>
Total Administrative Costs	(A) \$ <u>390,697</u>

Direct Costs

Member Services	
Education/Information Dept.	\$ 70,455
Loss on Publications	1,711
Government Affairs Dept.	56,866
Reclassification of Outreach Div.	13,180
Coop. League Fund Program	60,298
Coop. Partners Fund	4,778
Special Funds	34,905
Foundations	<u>24,927</u>
	\$ <u>267,120</u>

Contracts

AID	\$1,325,011
Other	117,600
	<u>\$1,442,611</u>

Contract Administration Pool

12,677

Total Direct Costs

\$1,722,408

Overhead Rate

Overhead Rate (A) ÷ (B)	22.68%
Contract Administration Pool	<u>1.08 (a)</u>
	<u><u>23.76%</u></u>

(a) Contract Administration Pool (\$12,677) plus 22.68% overhead (\$2,875) divided by contract costs (\$1,442,611).

LIST OF RECOMMENDATIONS

Recommendation No. 1

Bureau for Private and Development Cooperation (PDC/PVC) take appropriate action to ensure that CLUSA establishes interim benchmarks into the current long term projects as well as all future projects.

Recommendation No. 2

USAID/Indonesia ensure that CLUSA establish an accounting system in its Indonesia office. Such a system should adequately show the receipt and disbursement of all AID-provided grant funds.

Recommendation No. 3

USAID/Indonesia take appropriate action to ensure that CLUSA revises the completion date for the Aru Islands Seaweed Farming Industry and Village Unit Cooperative Project. The revised date should take into account all prior slippages in project progress.

Recommendation No. 4

The Office of Food for Peace (PDC/FFP) in conjunction with the Bureau for Private Development Cooperation (PDC/PVC) and Bureau for Asia (ASIA/BI) ensure that CLUSA deposits all local currency generated from the sale of PL 480 Title II vegetable oil into one special account.

Recommendation No. 5

The Office of Food for Peace (PDC/FFP) in conjunction with the Bureau for Private and Development Cooperation (PDC/PVC) and Bureau for Asia (ASIA/BI) ensure that an audit provision is included in all Oilseed Growers Cooperative subproject agreements.

Recommendation No. 6

The Bureau for Private and Development Cooperation (PDC/PVC) in conjunction with the Office of Food for Peace (PDC/FFP) and CLUSA make the necessary tests and surveys to ensure that the PL 480 Title II-provided vegetable oil has consumer acceptability in India. If not, future oil shipments should be suspended pending an alternative solution.

Recommendation No. 7

USAID/Mbabane establish a definite time table which the Government of Swaziland is expected to take definitive action or terminate the program.

Recommendation No. 8

USAID/Indonesia and USAID/Swaziland take appropriate action to ensure CLUSA develops alternative courses of action for its development activities in Indonesia and Swaziland should the government of these countries limit or withdraw support of cooperative development.

Recommendation No. 9

The Office of Contract Management (SER/CM), take appropriate action to ensure settlements of \$110,855 in questioned costs.

LIST OF REPORT RECIPIENTS

Deputy Administrator	1
Assistant Administrator/Africa	5
Assistant Administrator/Asia	5
Assistant Administrator/Private and Development Cooperation	5
Director, USAID/India	5
Director, USAID/Indonesia	5
Director, USAID/Swaziland	5
SER/CM	5
Office of Legislative Affairs	1
Office of the General Counsel	1
PDC/FFP	5
DS/DIU	4
Auditor General	1
AG/EMS/C&R	12
AG/PPP	1
AG/IIS	1
AAG's	1