

538-0038

PD-111-504

UNITED STATES GOVERNMENT

# memorandum

538-0038

DATE: July 21, 1980

*William L. DeMarco*  
AAG/W, George L. DeMarco

REPLY TO  
ATTENTION

SUBJECT: Audit Report No. 80-83, Pre-Award Survey -  
National Office for Social Responsibility (NOSR)

TO: CM/ROD/LAC, Mr. Wesley L. Hawley

### Purpose and Scope

In accordance with your request dated May 6, 1980, we have performed an on-site pre-award review of NOSR's proposal for a youth development plan in St. Lucia.

The review was conducted at the NOSR's office in Alexandria, Virginia to determine (1) financial capability in relation to the proposed grant requirements; (2) adequacy of the accounting system in accumulating, segregating and recording costs; (3) review of salary and fringe benefit plan; and (4) reasonableness of overall cost estimates with specific attention given to the fringe benefit and overhead rate.

Under the proposed grant, NOSR will assist the Government of St. Lucia in providing agricultural and vocational training to unemployed and under-employed youth between the ages of 15 to 25. It will also establish a job placement program to assist trained youth to find gainful employment, and assist trained youth in establishing their own self-supporting activities.

On April 28, 1980, NOSR submitted a proposal for \$500,000 to cover the three-year project. On May 19, 1980, the proposal was increased to slightly over \$800,000 at the request of the Director, Regional Development Office/Caribbean, Barbados. The \$300,000 increase was to provide additional funds for operation of the training centers which will be an integral part of the project. This total amount is in line with the mission's fiscal year 1982 Annual Budget Submission which provides \$800,000 for the project.

The proposed project will be NOSR's first overseas experience in development activities.

### Results of Review

As a result of our review, the following information is provided for your use in negotiating the proposed grant.



Buy U.S. Savings Bonds Regularly on the Payroll Savings Plan

OPTIONAL FORM NO. 10  
(REV. 7-76)  
GSA FPMR (41 CFR) 101-11.6  
5010-112

1. Organizational Background

NOSR was incorporated in Indiana in 1973 as a not-for-profit corporation. In 1974, the IRS classified NOSR as a public-supported organization. In May, 1980 AID approved the registration of NOSR as a private and voluntary organization (PVO).

NOSR works with communities, the Federal Government agencies, and private organizations to improve social institutions to create an environment supportive of the personal and social development of youth. NOSR has had contracts with the Department of Labor, Department of Health and Human Services, Department of Justice and ACTION.

2. Financial Capability

During the past three Fiscal Years ending June 30, NOSR's current ratio (current assets ÷ current liabilities) has been increasing from 1.4 to 1 in 1976 to 3.7 to 1 in 1979. The minimum favorable current ratio should be 1 to 1. In our opinion, the grantee's financial capability is adequate for performing the services under the proposed grant.

3. Accounting System

NOSR operates on a fund accounting type system. Each program is set up as a separate fund and all costs related to that program are allocated to that fund. In our opinion, the system is adequate for accumulating, segregating and recording costs under government contracts and grants.

4. Cost Proposal

The grantee proposed three program-year budgets for the following activities of the project.

- a. NOSR Home Office Technical Support
- b. St. Lucia Youth Development Program Office
- c. Training Centers

Except for direct salaries for the employees working for NOSR, we are unable to comment on the reasonableness of the costs proposed for other home office costs and the entire budgets for the St. Lucia office and the training centers.

According to NOSR's President, the estimated costs for salaries, equipment and non-consumable supplies for the program in St. Lucia are based upon current salary levels in St. Lucia and equipment price lists. However, supporting documentation for these and other estimated costs were not available for our review.

5. Fringe Benefits

The grantee proposed a fringe benefit rate of 14 percent applied to direct salaries. Our analysis of the actual rate for the past 46 months indicated that the rate averaged about 11.1 percent. The estimated rate for the three-year life of the project is 10.5 percent, and in our opinion, can be accepted as the proper projected rate.

6. Overhead

The proposal includes a home office overhead rate of 50.95 percent which is the provisional overhead rate for the fiscal year ended June 30, 1979 negotiated by the Law Enforcement Assistance Association. This rate is based upon the final rate of 50.95 percent for the fiscal year ended June 30, 1978, and can be accepted as the provisional rate under the proposed grant.

7. Salary and Fringe Benefit Plan

NOSR has an established plan for leave and fringe benefit and annual salary increases (about four percent) provided the employee has met expected job performance requirements. Salary increases are given on the employees anniversary date with the organization.

8. Procurement

We stated previously that NOSR had no previous overseas experience and therefore is not familiar with AID's procurement requirements for a PVO. We briefly discussed with NOSR personnel certain policies related to procurement as stated in AID Handbook 13, Grants.

NOSR has proposed the acquisition of a right-hand drive automobile for project use. A waiver for off-shore procurement for this item will be required by NOSR and we brought this to the attention of the President. The majority of the equipment and non-consumable supplies needed for the project are apparently available in and around the St. Lucia area. The grant will, therefore, need to spell out the procurement practices NOSR is expected to follow.

9. Cost Sharing Documentation

We believe the proposed grant to NOSR constitutes a specific support type as defined in Chapter 4 of HB 13, Grants. Therefore, AID's policies and procedures applicable to this type of grant should be enumerated in any grant agreement, and include Agency requirements for recording and reporting the value of non-AID support to the project.

10. Grant Budget

Exhibit A summarizes the revised cost proposal for the three-year development project. Supporting schedules give the detailed budget proposed by NOSR.

National Office of Social Responsibility  
List of Report Recipients

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Assistant Administrator/SER	5
Office of Contract Management, Director	1
Office of Contract Management, CM/ROD/LAC	1
Audit Liaison Office, LAC	1
AG/PPP	1
Auditor General	1

National Office for Social Responsibility (NOSR)  
 Summary of Revised Budget for  
 AID Support for Three-Year Project

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	<u>Cost Proposed</u>			Total
	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	
NOSR Home Office Technical Support	\$61,272	\$41,014	\$59,431	\$161,717
St. Lúcia Youth Development Program Office	125,083	107,125	33,583	265,791
Training Centers	108,178	155,955	120,062	384,195
Totals	<u>294,533</u>	<u>\$304,094</u>	<u>\$213,076</u>	<u>\$811,703</u>

National Office for Social Responsibility (NOSR)  
 Revised Budget for Three Year Costs  
 for NOSR Home Office Technical Support 1/

<u>Description</u>	<u>Cost Proposed</u>			Total
	Year One	Year Two	Year Three	
Salaries	\$25,658	\$14,697	\$22,494	\$62,849
Fringe Benefits (14%)	2,694	1,543	2,362	6,599 <u>2/</u>
Staff Travel	13,025	13,000	12,910	38,935
Curriculum Development (Training Materials)	450	---	---	450
Consultant	5,000	3,500	1,500	10,000
Overhead Off site (50.95%)	14,445	8,274	12,665	35,384
Final Report and Training Manuals	---	---	7,500	7,500
Totals	<u>\$61,272</u>	<u>\$41,014</u>	<u>\$59,431</u>	<u>\$161,717</u>

Explanatory Notes

- 1/ NOSR proposed that AID fund 100 percent of the costs of the Home Office Technical Support.
- 2/ Reflects adjustment to accepted Fringe Benefit rate of 10.5 percent.

National Office for Social Responsibility (NOSR)  
 Revised Budget for Three Year Costs for  
St. Lucia Youth Development Program Office

<u>Description</u>	<u>Year One</u>		<u>Year Two</u>		<u>Year Three</u>		<u>Totals</u>	
	<u>AID</u>	<u>Non- AID</u>	<u>AID</u>	<u>Non- AID</u>	<u>AID</u>	<u>Non- AID</u>	<u>AID</u>	<u>Non- AID</u>
Salaries								
NOSR Director	\$26,395	\$ --	\$27,410	\$ --	\$ --	\$ --	\$53,805	\$ --
Local Employees	22,620	12,012	23,525	12,495	19,975	12,995	66,120 <sup>1/</sup>	37,502
Fringe Benefits (14%)	2,772	--	2,878	--	--	--	5,650	--
Office Rental	12,000	--	12,000	--	--	12,000	24,000	12,000
Office Equipment								
NOSR Director	516	--	--	--	--	--	4,616	--
Local Employees	--	7,715	--	--	--	--	--	7,715
Communications								
Telephone	400	--	5,700	--	--	3,000	11,100	3,000
Postage	200	--	1,260	--	156	444	2,616	444
Consumable Supplies	3,600	--	3,600	--	1,800	--	9,000	--
Training Materials	1,500	--	1,500	--	1,500	--	4,500	--
Project Vehicle/Insurance	10,000	--	--	--	--	--	10,000	--
Industrial/Commercial Surveys	3,628	--	--	--	--	--	3,628	--
Allowances	11,700	--	9,600	--	--	--	21,300	--
Meetings								
National Advisory Committee	3,000	--	3,000	--	--	3,000	6,000	3,000
Business Advisory Group	1,500	--	1,500	--	--	1,500	3,000	1,500
Local Travel	6,000	--	6,000	--	6,000	-	18,000	--
Duplicating	5,000	--	5,000	--	--	--	10,000	--
Other Direct Costs	4,152	--	4,152	--	4,152	--	12,456	--
<b>Totals</b>	<b>\$125,083</b>	<b>\$19,727</b>	<b>\$107,125</b>	<b>\$12,495</b>	<b>\$33,583</b>	<b>\$32,939</b>	<b>\$265,791</b>	<b>\$65,161</b>

Explanatory Notes

<sup>1/</sup> See Exhibit A

<u>Description</u>	<u>Year One</u>		<u>Year Two</u>		<u>Year Three</u>		<u>Totals</u>	
	<u>AID</u>	<u>Non-AID</u>	<u>AID</u>	<u>Non-AID</u>	<u>AID</u>	<u>Non-AID</u>	<u>AID</u>	<u>Non-AID</u>
<u>Distribution Center</u>								
Personnel	\$ 8,772	\$ --	\$ 9,123	\$ --	\$ 9,488	\$ --	\$27,383	\$ --
Land and Facilities	--	5,000	--	--	--	--	--	5,000
Equipment and Supplies	4,000	1,000	--	--	--	--	4,000	1,000
Utilities	--	1,925	--	2,000	--	2,000	--	5,925
Transportation/Telephone/Contingencies	--	3,845	--	4,000	--	4,000	--	11,845
<b>Totals</b>	<b>\$108,178</b>	<b>\$100,661</b>	<b>\$155,955</b>	<b>\$113,361</b>	<b>\$120,062</b>	<b>\$61,000</b>	<b>\$384,195</b>	<b>\$275,022</b>

National Office for Social Responsibility (NOSR)  
Revised Budget for Three Year Costs for Training

<u>Description</u>	<u>Year One</u>		<u>Year Two</u>
	<u>AID</u>	<u>Non- AID</u>	<u>AID</u>
<u>Residential Agric. Centers</u>			
Personnel	\$ --	\$ --	\$ --
Land and Facilities	--	--	--
Equipment and Supplies	27,872	6,968	--
<u>Agribusiness/Agriproducts Centers</u>			
Personnel	27,228	--	28,317
Land and Facilities	--	46,092	--
Equipment and Supplies	7,622	1,905	--
Fuel and Electricity	--	3,850	--
Transport/Telephone/Contingencies	--	7,690	--
Other Direct Costs (Working Capital)	10,000	14,616	10,000
<u>Arts and Crafts Center</u>			
Personnel	9,684	--	10,071
Land and Facilities	--	--	--
Equipment and Supplies	8,000	2,000	--
Utilities	--	1,925	--
Transportation/Telephone/Contingencies	--	3,845	--
Other Direct Costs	5,000	--	5,000
<u>Mechanical Arts Center</u>			
Personnel	--	--	25,601
Land and Facilities	--	--	--
Equipment and Supplies	--	--	23,494
Utilities	--	--	--
Transportation/Telephone	--	--	--
Other Direct Costs	--	--	5,000
<u>Garment Center</u>			
Personnel	--	--	17,629
Land and Facilities	--	--	--
Equipment and Supplies	--	--	16,720
Utilities	--	--	--
Transportation/Telephone	--	--	--
Other Direct Costs	--	--	5,000

Office for Social Responsibility (NOSR)  
for Three Year Costs for Training Centers

<u>Year One</u>		<u>Year Two</u>		<u>Year Three</u>		<u>Totals</u>	
<u>AID</u>	<u>Non-AID</u>	<u>AID</u>	<u>Non-AID</u>	<u>AID</u>	<u>Non-AID</u>	<u>AID</u>	<u>Non-AID</u>
\$ --	\$ --	\$ --	\$10,000	\$ --	\$10,000	\$ --	\$20,000
--	--	--	--	--	--	--	--
27,872	6,968	--	--	--	--	27,872	6,968
27,228	--	28,317	--	29,448	--	84,993	--
--	46,092	--	--	--	--	--	46,092
7,622	1,905	--	--	--	--	7,622	1,905
--	3,850	--	4,000	--	4,000	--	11,850
--	7,690	--	8,000	--	8,000	--	23,690
10,000	14,616	10,000	15,000	10,000	15,000	30,000	44,616
9,684	--	10,071	--	10,474	--	30,229	--
--	--	--	--	--	--	--	--
8,000	2,000	--	--	--	--	8,000	2,000
--	1,925	--	2,000	--	2,000	--	5,925
--	3,845	--	4,000	--	4,000	--	11,845
5,000	--	5,000	--	5,000	--	15,000	--
--	--	25,601	--	27,317	--	52,918	--
--	--	--	20,000	--	--	--	20,000
--	--	23,494	5,873	--	--	23,494	5,873
--	--	--	2,000	--	2,000	--	4,000
--	--	--	4,000	--	4,000	--	8,000
--	--	5,000	--	5,000	--	10,000	--
--	--	17,629	--	18,335	--	35,964	--
--	--	--	22,308	--	--	--	22,308
--	--	16,720	4,180	--	--	16,720	4,180
--	--	--	2,000	--	2,000	--	4,000
--	--	--	4,000	--	4,000	--	8,000
--	--	5,000	--	5,000	--	10,000	--