PD-AAL-505

538-0021

UNITED STATES GOVERNMENT

memorandum

DATE: September 4, 1980

REPLY TO ATTN OF: AAG/W, George L. DeMarco

SUBJECT: Proposed Twelve Month Extension of Grant No. AID-538-0021 (Barbados) The Caribbeana Council, Audit Report No. 80-102

TO: Mission Director, USAID/Barbados, Mr. William Wheeler
LA/CAR, Mr. Edward Nadeau
LAC/CAR, Mr. Richard Archi

Purpose of Review

In accordance with a letter from the Bureau for Latin America and the Caribbean we have performed a pre-award review and evaluation of the Council's cost proposal for the twelve month period ending September 30, 1981. The review was performed in Washington, D. C. to determine the Council's (1) financial capability; (2) the adequacy of its accounting system; (3) the reasonableness of the provisional overhead rate; and (4) the relationship with the Pan American Development Foundation (PADF).

Results of Review

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

1. Organizational Background

The Caribbeana Council was incorporated in Washington, D. C. in March 1977 and registered with AID as a private voluntary organization (PVO) in October 1977. The Council has a board of directors and five officers and staff.

2. Grant Background

In July 1978 AID awarded the Council a grant to help implement a sheep improvement project in Barbados. Originally, the grant was expected to run for three years. However, because of management and financial problems, the project was curtailed and is currently being extended on a month-to-month basis until such time as the Council restores adequate fiscal management and controls.

3. Financial Capability

During the past two years, the Council has experienced cash flow problems because (a) it lacked sufficient operating capital, and (b) of the low provisional overhead rate of 15 percent provided in the AID grant. The Council was subsequently reimbursed for all allowable indir costs through May 31, 1979. There has, however, been no provisional payments for indirect costs subsequent to May 1979. As a result, the Council is in a precarious financial condition.

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(REV. 7-76)
GSA FPMR (41 CFR) 101-

For example, as of May 31, 1979, the [illegible] current assets of $61,815 and liabilities of $128,756. Included in the liabilities is the amount of $48,911 representing unpaid salaries. Preliminary figures, for fiscal year ended May 31, 1980, shows a further deterioration. Council officials informed us that the State University of New York (Farmingdale) would provide financial support if the AID grant was extended.

Before extending the grant, the AID Contracting Officer should ensure that the Council is in a position to obtain necessary working capital.

4. Accounting System

Based upon our current review, we determined that the Council's accounting system is now adequate for recording, accumulating and segregating costs under government contracts. The books of account segregate direct costs by contract and project, with overhead accounts maintained separately.

5. Cost Proposal

The details of our evaluation are presented in Exhibit A. A summary follows:

Council Proposal:

Total Direct Costs	$331,761
Overhead	-0-
Total Costs	$331,761

Costs Accepted by Auditor:

Total Direct Costs	$331,761
Overhead	59,827
Total Costs	$391,588

The evaluation did not include a review of the technical aspects of the proposal, i.e., staffing levels, period of performance, number of man-days required, nor their effect on the cost estimates.

6. Pan American Development Foundation (PADF)

The Council requested assistance from PADF in the management of the Black Belly Sheep Program because of a desire to be associated with a PVO having experience in administrating AID funded programs. PADF has agreed to work with the Council in moving the Barbados project toward economic self-sufficiency in order that it may continue as a viable program after the completion of the AID grant.

Specifically, the PADF will continue work already in process in providing technical assistance and oversight to the Council's people both in Washington and in the field. A program officer from PADF will go to the Council's office in Barbados to resume implementation of the program as soon as funding from AID is forthcoming.

THE CARIBBEANA COUNCIL

Proposed Extension of Grant No. AID-538-0021 (Barbados)

Summary of Proposed Costs and Accepted Costs

	Contractor's Proposal	Adjustments (a)	Costs Accepted
Personnel Costs			
Assistant Technical Advisor (vacant)	$ 26,000	$ -	$ 26,000
Project Manager (Grimes)	14,000	-	14,000
Secretaries (2 locals)	14,000	-	14,000
Consultant Fees	18,000	-0-	18,000
Fringe Benefits	8,843	-0-	14,800
Travel and Transportation	14,800	-0-	14,800
Materials and Supplies	38,010	-0-	38,010
Livestock	5,000	-0-	5,000
Equipment	127,550	-0-	127,550
Subcontract Costs		-0-	
Pan American Development Foundation	10,764	-0-	10,764
State University of New York (Farmingdale)	54,794	-0-	54,794
Subtotal	$ 331,761	$ -0-	$ 331,761
Overhead	- b/	59,827 c/	59,827
Total	$ 331,761	$ 59,827	$ 391,588

Explanatory Notes:

(a) The evaluation did not include a review of the technical aspects of the proposal, i.e., staffing levels, period of performance, number of man-days required, nor their effect on the cost estimate.

(b) The USAID Office of Contract Management established a 64 percent provisional overhead rate. However, Council officials believe this rate is overstated and should be negotiated downward. Therefore, they did not propose an overhead line pending establishment of a new provisional rate.

(c) Indirect expenses are added based on our projected overhead rate of 50 percent applied to total direct costs. The amount is computed as follows:

Total direct costs (excluding equipment, local salaries, livestock and Equipment)	$119,653
Provisional overhead rate	50.0%
Total	$ 59,827

THE CARIBBEANA COUNCIL

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