

PDAAR-137

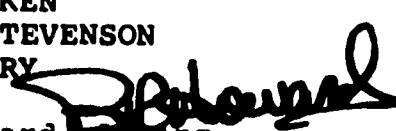
12n-39512

**MEMORANDUM REPORT ON**  
**Financial Audit of**  
**WORLD EDUCATION, INCORPORATED**  
**Audit Report No. 85-17**  
**June 17, 1985**

AGENCY FOR INTERNATIONAL DEVELOPMENT  
WASHINGTON, D.C. 20523

June 17, 1985

MEMORANDUM FOR CM/COD/PDC, JEAN HACKEN  
CM/COD/OTR, MARCUS STEVENSON  
CM/SD/OSC, JAMES DEERY

FROM: RIG/A/W, B. Reginald Howard,  Acting

SUBJECT: Memorandum Audit Report No. 85-17  
Financial Review on World Education, Inc.

World Education, Incorporated (WEI) is a private nonprofit organization whose goal is to strengthen institutions that work directly with adults and young people who have been by-passed by the formal school system. Since its founding in 1951, WEI has provided technical assistance in some 50 countries.

WEI was originally designed to support the work of Welthy Honsinger Fisher at Literacy House in India. WEI has worked in other parts of Asia since 1969, in Latin America since 1971, and in Africa and the United States since 1972.

WEI is currently operating with a full-time U.S. staff of 25 persons, 7 in the Boston home office and 18 overseas. Consultants are employed on an as-needed basis for individual assignments.

Objective, Scope and Methodology

The audit was performed by the Office of the Regional Inspector General for Audit, Washington (RIG/A/W) and covered the period July 1, 1982 through June 30, 1984. We reviewed pertinent accounting records maintained by WEI to determine: (a) the propriety of expenditures incurred; (b) actual overhead rates for the accounting periods under review; and (c) the adequacy of WEI's accounting system.

The review was made in accordance with the Controller General's Standards for Audit of Governmental Organizations, Programs, Activities and Functions and included such tests as we considered necessary in the circumstances. Contractor performance and effectiveness in carrying out the terms and conditions imposed by the contracts was not reviewed or evaluated during our audit.

## Findings, Conclusions and Recommendations

### Grant/Contract Costs

During the period July 1, 1982 to June 30, 1984, World Education claimed reimbursements for services of \$1,275,661. As a result of our review, we found that AID is due a refund of \$165,080. Amounts claimed and the refund due AID are summarized below and shown in detail on Exhibits A through J:

<u>Grant/Contract No.</u>	<u>Costs Claimed</u>	<u>Amount Due AID</u>	<u>Exhibit</u>
AID/DSPE-C-0090 (St. Lucia)	\$ 11,947	\$ 4,333	* A
AID-367-0122 (Nepal)	275,087	-	B
AID-615-0226 (Kenya)	132,783	-	C
AID-497-0225-G-00- 1014 (Indonesia)	159,337	36,832	* D
AID/PDC-0173-G-SS- 1036-00	275,392	123,672	* E
AID/PDC-1406-I-00- 1061-00 W.O's 5&6	67,603	-	* F
AID/DPE-5821-G-SS- 2014 (Nepal)	106,346	-	* G
AID-493-0296-G-SS- 2049-00 (Thailand)	177,317	-	H
AID/PDC-0230-G-SS- 2142-00	13,257	243	* I
AID/OTR-00-78-00-C- 00-2312 (Kenya)	<u>56,592</u>	<u>-</u>	J
	<u>\$1,275,661</u>	<u>\$165,080</u>	

The amount due AID represents reimbursements in excess of acceptable costs. This was primarily caused by the Office of Contract Management (SER/CM) allowing costs in excess of the contract/grant ceiling during settlement of the previous audit report (A/R 84-17). At the time of this settlement, WEI had drawdown \$404,911 from the Federal Reserve Letter of Credit for services provided under Grant No. AID/PDC-0173-G-SS-1036. The grant ceiling was only \$405,000 but SER/CM approved payment of \$515,383. In other words, WEI received as interest free loan in the amount of \$110,383 (\$515,383 - \$405,000).

\* Represents a final audit.

Recommendation No. 1

The Office of Contract Management (SER/CM) should take appropriate action to ensure settlement of the \$128,248 due AID on contract/grant numbers AID/DSPE-C-0090, AID/PDC-0173-G-SS-1036 and AID/PDC-0230-G-SS-2142-00.

Recommendation No. 2

The Office of the Controller, USAID/Indonesia should take appropriate action to settle the \$36,832 due AID on Grant No. AID-497-0225-G-00-1014.

Recommendation No. 3

The Office of Contract Management (SER/CM) should ensure that in the future action will be taken to determine if funds are available on contracts/grants before additional cost are allowed.

Review of Overhead Rates

Overhead rates proposed and recommended for acceptance for Fiscal Years 1983 and 1984 are summarized below and shown in detail on Exhibit K.

<u>Year</u>	<u>Proposed Rate</u>	<u>Recommended Rate</u>
1983	53.8%	35.95%
1984	48.7%	40.84%

Recommendation No. 4

The Office of Contract Management (SER/CM) should take appropriate action to finalize overhead rates.

Accounting System and Financial Capability

WEI's accounting system has improved since the prior audit which reported their system was inadequate. We were able to reconcile each grant/contract to WEI's general ledgers which are maintained by project.

During the prior audit review, WEI had serious financial difficulties and was considering bankruptcy. WEI took extraordinary measures, such as, hiring a new management team and moving the office from New York to Boston. Based on our review of WEI's records, it is evident WEI is overcoming some of its financial difficulties.

## EXHIBIT A

WORLD EDUCATION, INC. (WEI)  
 Contract No. AID/DSPE-C-0090 (St. Lucia)

Summary of Costs Claimed and Accepted  
For the Period July 1, 1982 through January 31, 1984

	<u>Prior Costs Accepted</u>	<u>7/1/82 1/31/84</u>	<u>Costs Questioned</u>	<u>Total Costs Accepted</u>
Personnel Cost/Benefit	\$ 1,531	\$ 496	\$ -	\$ 2,027
Consultant Fees	1,506	4,369	-	5,875
Travel & Per Diem	3,524	2,533	-	6,057
Other Direct Costs	1,017	993	-	2,010
Overhead	<u>4,892</u>	<u>3,556</u>	<u>275 1/</u>	<u>8,173</u>
Subtotal	\$12,470	\$11,947	\$ 275	\$24,142
Cost Overrun	<u>-</u>	<u>-</u>	<u>4,058</u>	<u>(4,058)</u>
Total	<u>\$12,470</u>	<u>\$11,947</u>	<u>\$4,333 2/</u>	<u>\$20,084</u>

Explanatory Notes

1/ Represents adjustment of provisional overhead to actual for the Fiscal Years ended June 30, 1983 and 1984, as shown below:

Overhead Claimed			\$ 3,556
Overhead Accepted:			
Total Direct Cost (7/1/82-6/30/83)	\$2,998		
Recommended Overhead Rate (Exhibit K)	<u>x35.95%</u>	\$ 1,078	
Total Direct Costs (7/1/83-1/31/84)	\$5,393		
Recommended Overhead Rate (Exhibit K)	<u>x40.84%</u>	<u>2,203</u>	<u>3,281</u>
Amount Due AID			<u>\$ 275</u>

2/ Represents cost overrun and the amount reimbursed in excess of the contract ceiling.

EXHIBIT B

WORLD EDUCATION, INC. (WEI)  
Contract No. AID-367-0144 (Nepal)

Summary of Costs Claimed and Accepted  
For the Period July 1, 1982 through June 30, 1984

	<u>Prior Costs Accepted</u>	<u>7/1/82 1/31/84</u>	<u>Total Costs Accepted</u>
Personnel Costs/Benefits	\$ 27,167	\$ 84,645	\$111,812
Consultant Fees 13	13	-	13
Travel and Per Diem	2,544	14,210	16,754
Other Direct Costs	8,033	14,924	22,957
Overhead	26,581	36,367 <sup>1/</sup>	62,948
Subgrant Costs	<u>23,000</u>	<u>124,941</u>	<u>147,941</u>
<b>TOTAL</b>	<b><u>\$ 87,338</u></b>	<b><u>\$275,087</u></b>	<b><u>\$362,425</u></b>
Reimbursements to June 30, 1984			<b><u>\$368,338</u></b> <sup>2/</sup>

Explanatory Notes

<sup>1/</sup> In addition, WEI's provisional overhead for Fiscal Years ended June 30, 1983 and 1984, should be adjusted as follows:

Overhead Claimed	\$36,367
Overhead Accepted:	
Total Direct Costs (7/1/82-6/30/83) \$ 38,071	
Recommended Overhead Rate (Exhibit K) <u>x35.95%</u>	\$ 13,687
Total Direct Costs (7/1/83-6/30/84) \$ 75,708	
Recommended Overhead Rate (Exhibit K) <u>x40.84%</u>	<u>30,919</u>
	<u>44,606</u>
Amount Due WEI	<b><u>\$ (8,239)</u></b>

<sup>2/</sup> Amount represents FRLC drawdown of \$337,750 and a \$30,588 adjustment used as an offset in settling Audit Report No. 84-17.

EXHIBIT C

WORLD EDUCATION, INC. (WEI)  
 Contract No. AID-615-0226 (Kenya)

Summary of Costs Claimed and Accepted  
 For the Period August 24, 1982 through June 30, 1984

	<u>Costs Claimed and Accepted</u>
Personnel Costs/Benefits	\$ 18,112
Consultants	15,063
Travel and Per Diem	17,562
Other Direct Costs	3,184
Overhead	19,411 <u>1/</u>
Subgrants	<u>59,451</u>
TOTAL	<u>\$132,783</u>
Reimbursements	<u>\$132,783</u>

Explanatory Note

1/ Not included is adjustment of provisional overhead to actual for the Fiscal Years ended June 30, 1983 and 1984, should be adjusted as follows:

Overhead Claimed			\$19,411
Overhead Accepted:			
Total Direct Costs (8/24/82-6/30/83)	\$19,359		
Recommended Overhead Rate (Exhibit K)	<u>x35.95%</u>	\$6,960	
Total Direct Costs (7/1/83-6/30/84)	\$34,562		
Recommended Overhead Rate (Exhibit K)	<u>x40.84%</u>	<u>14,115</u>	<u>21,075</u>
Amount Due WEI			<u>\$ (1,664)</u>



## EXHIBIT D

WORLD EDUCATION, INC. (WEI)  
Contract No. AID-497-0225-G-00-1014 (Indonesia)

Summary of Costs Claimed and Accepted  
For the Period July 1, 1982 through December 31, 1983

	<u>Prior Costs Accepted</u>	<u>7/1/82 12/31/83</u>	<u>Costs Questioned</u>	<u>Total Costs Accepted</u>
Personnel Costs/Benefits	\$ 30,935	\$ 26,956	\$ -	\$ 57,891
Consultant Fees	18,887	3,477	-	22,364
Travel and Per Diem	22,993	5,927	-	28,920
Other Direct Costs	7,706	4,709	-	12,415
Overhead	54,302	14,831 <sup>1/</sup>	209	68,924
Subgrant Costs	<u>10,000</u>	<u>103,437</u>	<u>-</u>	<u>113,437</u>
<b>TOTAL</b>	<b><u>\$144,823</u></b>	<b><u>\$159,337</u></b>	<b><u>\$ 209</u></b>	<b><u>\$303,951</u></b>
Reimbursements				<b><u>\$340,783</u></b> <sup>2/</sup>
Net Refund Due AID				<b><u>\$ 36,832</u></b>

Explanatory Notes

<sup>1/</sup> Represents adjustment of provisional overhead to actual for the Fiscal Years ended June 30, 1983 and 1984, as shown below:

Overhead Claimed \$ 14,831

Overhead Accepted:

Total Direct Costs (7/1/82-6/30/83) \$ 43,996  
Recommended Overhead Rate (Exhibit K) x35.95% \$ 15,817

Total Direct Costs (7/1/83-12/31/83) \$ (2,927)  
Recommended Overhead Rate (Exhibit K) x40.84% (1,195) 14,622

Amount Due AID \$ 209

<sup>2/</sup> Amount represents a PRLC drawdown of \$304,160 and a \$36,623 adjustment used as an offset in settling Audit Report No. 84-17.

8

WORLD EDUCATION, INC. (WEI)  
 Grant No. AID/PDC-0173-G-SS-1036-00 (Global)

Summary of Costs Claimed and Accepted  
For the Period July 1, 1982 through March 31, 1984

	<u>Prior Costs Accepted</u>	<u>7/1/82 3/31/83</u>	<u>Overhead Questioned</u>	<u>Non-AID Contribution</u>	<u>Total Costs Accepted</u>
Personnel Costs/Benefits	\$ 92,717	\$ 83,039			
Consultant Fees	-	-			
Travel and Per Diem	34,903	24,129			
Other Direct Costs	23,170	17,530			
Overhead	92,841	74,466			
Subgrants Costs	<u>95,008</u>	<u>76,228</u>			
<b>TOTAL</b>	<u>\$338,639</u>	<u>\$275,392</u>	<u>\$29,387 1/</u>	<u>\$192,933 2/</u>	<u>\$391,711</u>
Reimbursements Received					<u>515,383 3/</u>
Amount Due AID					<u>\$123,672</u>

9

WORLD EDUCATION, INC. (WEI)  
Grant No. AID/PDC-0173-G-SS-1036-00 (Global)

Summary of Costs Claimed and Accepted  
For the Period July 1, 1982 through March 31, 1983

Explanatory Notes

- 1/ Represents adjustment of provisional overhead to actual for Fiscal Years Ended June 30, 1983 and 1984, as shown below:

Overhead Claimed				\$ 74,466
Overhead Accepted:				
Total Direct Costs (7/1/82-6/30/83)	\$119,575			
Recommended Overhead Rate (Exhibit K)	<u>x35.95%</u>	\$ 42,987		
Total Direct Costs (7/1/83-3/31/84)	\$ 5,123			
Recommended Overhead Rate (Exhibit K)	<u>x40.84%</u>	<u>2,092</u>	<u>45,079</u>	
Amount Due AID				<u>\$ 29,387</u>

- 2/ Represents 33 percent of prior cost accepted and costs incurred in the current audit period less overhead costs questioned.
- 3/ Amount represents a FRLC drawdown of \$404,911 and an \$110,472 adjustment used as an offset in settling Audit Report No. 84-17.

## EXHIBIT F

WORLD EDUCATION, INC. (WEI)  
Contract No. AID/PDC-1406-1-00-1061

Summary of Costs Claimed and Accepted  
For the Period January 4, 1983 through November 15, 1983

<u>Work Order No.</u>	<u>Country</u>	<u>Period</u>	<u>Fixed Daily Rate</u>	<u>Other Direct Costs</u>	<u>Total Costs Accepted</u>
5	Lesotho	1/4/83-7/15/83	\$27,405	\$ 7,595	\$35,000
6	Zimbabwe	9/27/83-11/15/83	<u>21,014</u>	<u>11,589</u>	<u>32,603</u>
Total Costs			<u>\$48,419</u>	<u>\$19,184</u>	<u>\$67,603</u>

WORLD EDUCATION, INC. (WEI)  
Grant No. AID/DPE-5821-G-SS-2014-00 (Nepal)

Summary of Costs Claimed and Accepted  
For the Period September 27, 1982 through March 31, 1984

	<u>Costs Claimed and Accepted</u>
Personnel Costs/Benefits	\$ 4,951
Travel	1,562
Other Direct Costs	8,216
Overhead	5,617 <sup>1/</sup>
Subgrants	<u>86,000</u>
<b>TOTAL</b>	<b><u>\$106,346</u></b>

Explanatory Note

<sup>1/</sup> In addition, WEI's provisional overhead for Fiscal Years ended June 30, 1983 and 1984 should be adjusted as follows:

Overhead Claimed		\$5,617
Overhead Accepted:		
Total Direct Costs (9/27/82-6/30/83)	\$ 543	
Recommended Overhead Rate (Exhibit K)	<u>x35.95%</u>	\$ 195
Total Direct Costs (7/1/83-6/30/84)	\$ 14,186	
Recommended Overhead Rate (Exhibit K)	<u>x40.84%</u>	<u>5,794</u> <u>5,989</u>
Amount Due WEI		<b><u>\$(372)</u></b>

WORLD EDUCATION, INC. (WEI)  
 Grant No. AID-493-0296-G-SS-2049-00 (Thailand)

Summary of Costs Claimed and Accepted  
For the Period August 1, 1982 through June 30, 1984

	<u>Costs Claimed and Accepted</u>
Personnel Costs/Benefits	\$ 72,868
Travel	21,191
Other Direct Costs	11,716
Overhead	36,523 <u>1/</u>
Subgrants	<u>35,019</u>
TOTAL	<u>\$177,317</u>
Reimbursements	<u>\$176,000</u>

Explanatory Note

1/ In addition, WEI's provisional overhead for Fiscal Years ended June 30, 1983 and 1984 should be adjusted as follows:

Overhead Claimed	\$ 36,523
Overhead Accepted:	
Total Direct Costs (7/1/82-6/30/83)	\$ 31,295
Recommended Overhead Rate (Exhibit K)	<u>x35.95%</u> \$ 11,251
Total Direct Costs (7/1/83-6/30/84)	\$ 74,480
Recommended Overhead Rate (Exhibit K)	<u>x40.84%</u> <u>30,418</u> <u>41,669</u>
Amount Due WEI	<u>\$ (5,146)</u>

## EXHIBIT I

WORLD EDUCATION, INC. (WEI)  
Grant No. AID/PDC-0230-G-SS-2142-00

Summary of Costs Claimed and Accepted  
For the Period July 1, 1982 through June 30, 1984

	<u>Costs Claimed and Accepted</u>
Personnel Costs/Benefits	\$ 4,674
Travel	560
Other Direct Costs	352
Overhead	1,996 <sup>1/</sup>
Subgrants	<u>5,675</u>
TOTAL	<u>\$13,257</u>
Reimbursements	<u>\$13,500</u>
Net Refund Due AID	<u>\$ 243</u>

Explanatory Note

<sup>1/</sup> In addition, WEI's overhead for Fiscal Years ended June 30, 1983 and 1984 should be adjusted as follows:

Overhead Claimed		\$1,996
Overhead Accepted:		
Total Direct Costs (7/1/82-6/30/83)	\$ 3,849	
Recommended Overhead Rate (Exhibit K)	<u>x35.95%</u>	\$1,384
Total Direct Costs (7/1/83-6/30/84)	\$ 1,737	
Recommended Overhead Rate (Exhibit K)	<u>x40.84%</u>	<u>709</u>
		<u>2,093</u>
Amount Due WEI		<u>\$ (97)</u>

## EXHIBIT J

WORLD EDUCATION, INC. (WEI)  
 Contract No. AID/OTR-00-78-C-00-2312 (Kenya)

Summary of Costs Claimed and Accepted  
For the Period September 30, 1982 through June 30, 1984

	<u>Costs Claimed and Accepted</u>
Personnel Costs/Benefits	\$ 7,827
Consultants	3,559
Travel Per Diem	6,614
Other Direct Costs	1,872
Subgrants	30,000
Overhead	<u>6,720</u> 1/
TOTAL	<u>\$ 56,592</u>
Reimbursements	<u>\$ 57,085</u>

Explanatory Notes

1/ In addition, WEI's overhead for Fiscal Years ended June 30, 1983 and 1984, should be adjusted as follows:

Overhead Claimed	\$6,720
Overhead Accepted:	
Total Direct Costs (9/30/82-6/30/83)	\$ 4,495
Recommended Overhead Rate (Exhibit K)	<u>x35.95%</u> \$ 1,616
Total Direct Costs (7/1/83-6/30/84)	\$ 15,377
Recommended Overhead Rate (Exhibit K)	<u>x40.84%</u> <u>6,280</u> <u>7,896</u>
Amount Due WEI	<u>\$ (1,176)</u>



## WORLD EDUCATION, INC.

Computation of Overhead Rates

<u>Overhead Pool</u>	FY Ended June 30, 1983			FY Ended June 30, 1984		
	<u>Proposed</u>	<u>Questioned</u>	<u>Accepted</u>	<u>Proposed</u>	<u>Questioned</u>	<u>Accepted</u>
Salaries & Benefits	\$ 48,854	\$ -	\$ 48,854	\$ 50,518	\$ -	\$ 50,518
Consultant Fees	41,375	-	41,375	58,701	-	58,701
Travel & Per Diem	5,876	-	5,876	16,314	-	16,314
Rent	19,395	-	19,395	24,930	-	24,930
Other Direct Costs	<u>124,952</u>	<u>79,704</u> 1/	<u>45,248</u>	<u>100,714</u>	<u>40,765</u> 2/	<u>59,949</u>
TOTAL (A)	<u>\$240,452</u>	<u>\$ 79,704</u>	<u>\$160,748</u>	<u>\$251,177</u>	<u>\$ 40,765</u>	<u>\$210,412</u>
<u>Overhead Base:</u>						
Total Direct Costs (B)	<u>\$447,141</u>	-	<u>\$447,141</u>	<u>\$515,231</u>	-	<u>\$515,231</u>
Overhead Rate (A)/(B)	<u>53.8%</u>		<u>35.95%</u>	<u>48.7%</u>		<u>40.84%</u>

Explanatory Notes

1/ Represents unallowable costs of prior period grant write-offs, fee paid to receive contributions, depreciation and leasehold improvements.

2/ Represents unallowable costs of prior period grant write-offs.

WORLD EDUCATION, INCORPORATED

List of Report Receipts

Assistant to the Administrator for Management, AA/M	1
Associate Assistant to the Administrator for Management Services M/AAA/SER	1
Audit Liaison Office M/AAA/SER	1
Office of Financial Management M/FM/ASD	2
Senior Assistant Administrator, Bureau for Science & Technology SS/S&T	1
Assistant Administrator, Bureau for External Affairs, AA/XA	1
Office of Press Relations, XA/PR	2
Center of Development Information and Evaluation, PPC/CDIE	3
Audit Liaison Office, S&T/PO	1
Assistant Administrator, Bureau for Food for Peace and Voluntary Assistance, AA/FVA	1
Office of Private and Voluntary Cooperation AA/FVA	1
Audit Liaison Office AA/FVA	1
USAID/Nepal	1
USAID/Kenya	1
Audit Liaison Office, ASIA/EMS	1
Audit Liaison Office, AFR/CONT	5
Audit Liaison Office, LAC/DP	1
Office of the General Counsel, GC	1
Office of Legislative Affairs, LEG	1

11

WORLD EDUCATION, INCORPORATED

List of Report Receipts

Office of the Inspector General, IG	2
Office of Contract Management, M/SER/CM	5
Controller, USAID/Indonesia	1
Mission Director, USAID/Indonesia	1
RIG/A/Nairobi	1
RIG/A/Manila	1
RIG/A/Cairo	1
RIG/A/Karachi	1
RIG/A/Tegucigalpa	1
RIG/A/Dakar	1
IG/PPP	1
IG/II	1
IG/EMS/C&R	16