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UNITED STATES OF AMERICA

Auditor General

AUDIT REPORT

CARE - OPERATIONAL PROGRAM GRANT

USAID/COSTA RICA

Audit Report Number 1-515-79-5

Issue Date February 15, 1979

Area Auditor General Latin American
Agency for International Development

PD-AAR 795

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I INTRODUCTION

Under Operational Program Grant (OPG) No. 515-0127 dated September 29, 1976 AID granted to Cooperative for American Relief Everywhere, Inc. (CARE/Costa Rica) $185,680 for 12 months funding of a nutritional food project. The grant has a dual purpose to:

A. Establish, equip and staff a manufacturing facility to produce inexpensive, nutritious blended foods and protein supplements.

B. Demonstrate the economic feasibility of producing soybeans in Costa Rica for use as a raw material for the production of nutritious blended foods and protein supplements for low income groups.

CARE's grant proposal requested three years funding from AID totaling $342,700. CARE agreed to provide $217,000 of its funds, and the Government of Costa Rica (GOCR) agreed to provide a total of $1,265,000 over the life of the project. The total project budget is $1,824,700 for the three-year period ending September 30, 1979.

The grant agreement states that additional AID funds will be granted to CARE/CR subject to (1) availability of AID appropriated funds, and (2) demonstrated program progress based on annual project evaluations. Subsequent grant funding of $66,000 each year was made available as of September 1977 and 1978 for a total AID grant of $317,680. As of October 1, 1978 AID has funded $25,020 less than CARE's grant request, and CARE has paid or budgeted $43,570 more than the $217,000 agreed to in the grant proposal.

II BACKGROUND AND SCOPE

A. Background

CARE has provided services as a voluntary agency in Costa Rica for over ten years. Its activities include distribution of P.L. 480, Title II foods for school feeding and maternal/child health programs. Other CARE programs in Costa Rica include construction of nutritional distribution centers, potable water systems, and the testing of soybean varieties suitable for cultivation in the Guanacaste area of northwest Costa Rica. Close working relationships have been developed with the GOCR Ministries of Health, Agriculture, and the Institute for Social Assistance.

USAID/Costa Rica has three loans and seven grants in the Food and Nutrition sector totaling almost $31 million, plus over $6 million of P.L. 480, Title II food donations, all applicable to the 1970-79 time period. AID has proposed since 1974 the phase out of the P.L. 480 food program in Costa Rica. Such a phase out would materially decrease the scope and size of CARE's in-country program.

During 1975, CARE's New York headquarters obtained five Brady food extruders valued at $10,000 each. Two of these units were assigned to CARE offices located in Costa Rica and Guatemala. In order to maintain a viable program in Costa Rica. CARE decided that it must expand its operations into soybean production and food processing. This OPG provided financial assistance to CARE and the GOCR, and was consonant with the food and nutrition goals of USAID/CR.

The goals of the grant are ambitious; and if achieved, would make a real contribution to the GOCR nutrition program. The laudatory objectives of the OPG also provide benefits to the small farmer.

B. Scope of Audit

We reviewed the administrative and financial records pertaining to the OPG as maintained by USAID/Costa Rica and by CARE/Costa Rica. The audit covered USAID/CR reimbursable grant expenditures totaling $231,856 incurred from September 29, 1976 through September 30, 1978. Field work was performed during September and October 1978 on a selective basis and included such tests as were considered necessary. CARE's direct funds contributed to the project totaled $199,790 including costs of its soybean inventory. The GOCR contribution was negligible during the two-year period. An audit of direct CARE and GOCR costs were not included within the scope of this audit. The results of this audit were reviewed with USAID/CR and CARE/CR and their comments were incorporated as deemed necessary.

III SUMMARY

The Operational Program Grant, after 24 months, is behind schedule in achieving proposed project goals. There are two separate projects within the grant: (1) establishing a food production plant, and (2) determining the feasibility of growing soybeans in Costa Rica. Within the remaining year of the grant, it may be possible to make the food processing plant operational, but not prove the feasibility of soybean production in Costa Rica.

We reviewed USAID/CR reimbursed grant costs totaling $231,856 and questioned the allowability of $23,758 (see Exhibit A for details) for the grant officer to review and either reprogram or recover. This amount includes $1,216 of costs claimed in excess of incurred costs and $5,694 of shipping costs claimed on ineligible carriers. The remaining $16,848 is the rollover balance of the soybean seed loan fund which is not being utilized for purposes specified in the grant during FY 1979 (page 3).

The grant is not achieving its goal partially because the two projects have not been separately defined in terms of purpose, personnel, budget and short term goals. We have recommended that the grant be segregated into two separate projects and that third year goals be defined in terms of personnel and financial budgets (page 6).

The grant required that an annual evaluation be performed before additional funds could be provided. These evaluations were not made as planned in September of 1977 and 1978. Although the required evaluations were not made, additional funds were made available to the project. Since there are two separate projects within the grant, we have recommended that separate evaluations be performed by project (page 6).

Only one of the projects is viable within the remaining year of the grant. We have recommended that the Mission place financial emphasis on making the food plant operational, and obtain a qualified sub-contractor to operate the facility (page 8).

The FY 1979 grant budget was prepared based on the assumption that the food plant would be completed, and that soybeans would be planted in August 1978. Neither assumption was valid as of October 1978. We believe that the FY 1979 budget should be reprogrammed to finance only obtainable goals in the final year of the grant (page 9).

IV STATEMENT OF FINDINGS AND RECOMMENDATIONS

A. Grant Financial Status

After the completion of two years of the three-year grant period, CARE/Costa Rica had submitted reimbursable cost claims totaling $231,856. There is an unexpended pipeline of $19,814 against FY 1977 obligated funds for the completion of the soybean food processing plant and for CARE's second year overhead costs. AID has funded the final grant year with a FY 1978 obligation of $66,000. Exhibit A shows the financial status of the grant as of September 30, 1978 detailed by annual budget, costs claimed, and auditor's costs questioned totaling $23,758. The $23,758 is composed of $16,848 of unprogrammed rollover seed loan funds, $5,694 of foreign carrier freight costs awaiting waiver review, and $1,216 of costs billed in excess of incurred costs.

CARE's direct contributions to the project are detailed by budget and costs incurred totaling $199,790 on Exhibit B. The GOCR was to provide $1,265,000 over the life of the grant, but only limited expenditures have been made due to limited soybean production, and the uncompleted food processing plant.

The grant officer should review the $23,758 of costs questioned by audit and determine if the costs are allowable, allocatable or reasonable in CARE's performance of the grant. Unallowable costs should be reprogrammed into planned project activities for the final year, or repaid to the Mission per Grant terms stipulated in Attachment B, Section C (3) of the agreement.

Recommendation No. 1

USAID/Costa Rica determine allowability of $23,758 of grant costs questioned by audit, and reprogram or recover costs determined unallowable.

B. Grant Administration

1. CARE Responsibilities

AID and CARE recognized at the inception of the grant that CARE did not have the technical capabilities to implement the grant. The grant agreement consequently identified twelve other entities on which CARE was to depend for achieving grant purposes. These supporting entities are enumerated on Exhibit C along with services to be provided and sources of funding.

CARE had the specific grant responsibility to assign a full time project manager. This person was required to be a U.S. national CARE representative (later waived) to assure proper implementation of the project. The project manager was responsible for coordinating activities among the supporting entities, and for procurement connected with the project. CARE's additional responsibilities were to (1) provide quarterly project progress reports, (2) conform with the grant standard provisions relating to procurement, travel, accounting, and equipment control, (3) appoint the team leader to head up the annual project evaluation team, and (4) enter into an agreement with the GOCR to provide the services and funds proposed in OPG 515-0127. This agreement was signed on December 10, 1976 and USAID/Costa Rica found it acceptable to meet the grant terms.

2. USAID Responsibilities

USAID/CR's responsibilities were: (1) to verify delivery of grant inputs as being adequate and timely, (2) to serve on the annual project evaluation team, and (3) to approve second and third year grant funding based on annual project evaluations. Other responsibilities implied in the grant were to (1) monitor CARE's grant administration, and (2) to provide grant funds as allotted.

3. Administrative Problems

At the inception of the grant it was recognized that two separate projects were planned to be funded by the grant. AID/W's Development Assistance Evaluation Committee approval so states and requires that any shortfall in soybean production to meet plant production requirements be made up by the GOCR from other than AID sources. The primary administrative problem was that the two projects were never segregated for administrative purposes.

The grant implementing organizational structure of 13 entities required a capable project manager to coordinate and manage the two projects. Two supporting entities are primarily concerned with the food production plant. Nine entities are involved in soybean production, and only one in addition to CARE is involved in both projects. CARE was unable to provide a U.S. national project manager as planned in the grant proposal. USAID/CR waived the grant requirement and a local was recruited to become project manager. We believe that CARE's use of a non-U.S. project manager weakened the administrative management of the grant. The CARE/CR Director and Assistant Director were required to assume much of the project direction. The project managers procurement function was taken over by CARE's New York office.

During the 24 month operational period of the grant, CARE did not file quarterly progress reports as required for the first seven quarters. Grant project managers were changed three times and the Assistant Director for CARE/CR was terminated. USAID/CR pressure to get the grant moving culminated in the replacement of the CARE/CR Director in July 1978. The new Director is CARE's most experienced food processing employee who has directed the CARE/USAID Sri Lanka food project. Two lengthy project status reports have now been prepared by the new CARE/CR Director during August and November 1978 and CARE trimester internal reports were made available to the auditor for the two prior years. CARE/CR's cooperation in reviewing problem areas, providing access to requested data, and completeness of accounting records materially assisted the progress of the audit.

USAID/CR records document that the Mission applied constant pressure on CARE/CR to get the program moving. Procurement assistance was provided through waivers of certain requirements. Engineering assistance was made available on plant construction. Training was provided for the project manager and Assistant CARE/CR Director. Based on improved cooperation from CARE; the mission approved funding for the third year without the required grant evaluation.

C. Grant Performance Status

The OPG combines two distinct projects into one grant to establish, equip and staff a food manufacturing plant, and to demonstrate the feasibility of producing soybeans for use as a raw material in the food plant. After two years limited progress has been made in achieving the goals of the two projects. We believe that part of the problem is that the two projects have not been separately defined in terms of purposes, personnel, budget and short term goals. USAID and CARE have contributed over $430,000 but the only way project costs can be determined for the two projects is by allocation of personnel and support costs. Our analysis indicates that 75 percent of total costs are identifiable to the production plant and 25 percent to soybean production. Third year budgets provide a reverse ratio of 39 percent plant and 61 percent soybean production of the total of $150,000 jointly programmed. The third year budget was prepared on the basis that the food plant would be completed and that soybeans would be planted in August 1978; neither of which occured. Amendment No. 5 to the grant stated that it might be necessary to reprogram final years funding after the audit and evaluation of the grant.

Recommendation No. 2

> USAID/CR with CARE/CR segregate the grant into two separate projects, and establish third year goals by project defined in terms of personnel and financial budgets.

1. Project Evaluation

One continuing problem is the lack of any project evaluation since inception although the grant required annual evaluations. AID second and third year grant funding was contingent on adequate program progress as established by evaluation. In August 1977 the Mission determined that insufficient program progress had been achieved to warrant an evaluation. A new date of December 1977 was planned. CARE was under extreme Mission pressure by the entirely new USAID/CR staff during early 1978 to perform the evaluation. They opted for a September 1978 evaluation when it was presumed that the new plant would be operational. The planned September evaluation has now been moved to February 1979 due to unavailability of Colorado State University, U.S. Department of Agriculture, and other proposed team members. We believe that the continued lack of project evaluations is detrimental to the projects. A soybean production evaluation in 1977 could have supplied redirection to a weak first year's performance. The planned team for the total evaluation of the two projects is composed of food plant specialists with little agriculture expertise included. We believe that two separate evaluations are called for to identify project achievements and problems.

Recommendation No. 3

> USAID/CR with CARE (1) plan the early convening of an evaluation team to review the soybean growing project component, and (2) hold the early 1979 production plan evaluation as scheduled whether or not all proposed team members are available.

2. Food Processing Plant

The Food Processing Plant has cost $325,000 to date, $19,000 is planned from 1978 pipeline funds, and $58,000 is jointly programmed for FY 1979 for a total of $402,000. The land contributed, equipment donated, and indirect costs of contributing entities result in a food plant costing over $500,000. The grant goal was to have the plant in production by the end of the first year. This goal was not possible when a suitable building to house the plant was unavailable. Project officials decided to build a plant on GOCR land and construction was started on August 1, 1977, ten months after the inception of the grant. Colorado State University (CSU) acting as technical advisor provided two dimensional plant layout plans but not a building design because they did not want to get involved with foreign country building codes and requirements. Conveyor elevations and angles were designed. Building modifications and equipment changes were materially completed by September 1978.

Colorado State University was also the advisor on all equipment needed for the plant. The equipment list of 28 pages of items, provided for two products to be manufactured using the Brady extrusion cooking process. Subsequently the U.S. Department of Agriculture made available an agitated sand roaster, a cooler, and a hammermill valued at $30,000 to allow for a second method to manufacture full fat soy flour. Equipment requirements, design, and plant layout changed with the addition of this equipment. One design problem never solved was that the two manufacturing methods could not be carried on simultaneously. CARE's new Director estimates that $7,000 to $10,000 of hoppers and conveyors will solve this problem. The procurement cycle required 20 months from inception of the grant.

The plant is in the final stages of completion. A trial production run was made during October 1978 before GOCR officials and local food producers. The five day test run resulted in the production of 1,100 pounds of corn soy milk and 1,400 pounds of full fat soy flour. It is planned that one of the interested food producers will be awarded a GOCR contract about two years hence to manage and operate the plant after CSU debugs the plant and CARE develops the production process. One of the food processors reportedly interested in the management contract is Sociedad Industrial Pronutre, Ltda. This local company bought and installed its own Brady Extruder after the inception of the CARE OPG. It has processed P.L. 480 non-fat dry milk, 12 percent soy fortified whole flour, and green peas with local soybeans into pea soup under GOCR contract for local nutrition programs.

We questioned whether the AID funded OPG was really necessary as private industry has now provided a food production capability sought by the GOCR. CARE's CR Director stated that the private industry producer has a minimal capability compared to the OPG plant and that his charges are excessive without competition. Whether the OPG plant can be made operational as a low cost producer is yet to be determined.

The food plant projects eventual success depends on the selection and training of a qualified contractor to operate the plant. A proposed contract format has been developed with estimated GOCR funding of up to $600,000 per year. The original project plan called for a capacity of 2 million pounds of corn soy milk and 600,000 pounds of full fat soy flour. The actual installed capacity based on three shifts per day (5,000 hrs/yr) is now estimated to be 5 million pounds of finished product. The current plan is to have the GOCR contract with CARE for two years, with a food processor under subcontract to CARE, who will eventually become the food plant contractor. We believe that getting the plant operational and the GOCR fully committed is the primary current problem in the project.

Recommendation No. 4

USAID/CR with CARE, utilize food plant evaluation results to reprogram FY 1979 funds to place maximum emphasis on getting the food plant operational, and obtain a qualified subcontractor to operate the facility.

3. Equipment Control

One grant provision only partially addressed is the establishment of equipment control records. CARE recognizes this problem and physically inventoried all equipment in May 1978. As soon as the equipment is permanently located CARE intends to number and establish a control system by AID, CARE or USDA source. AID equipment is not currently marked with the handclasp insignia normally required on AID donated equipment. The USAID/CR and CARE plan to satisfy this grant requirement, so no audit recommendation is necessary.

4. Soybean Production

A total of $106,000 has been spent on soybean production, $16,848 is available in the revolving seed loan fund, and $92,000 is jointly programmed for FY 79 for a total of $215,000. Of the $92,000 programmed, CARE had purchased $22,000 of soybean seeds from U.S. sources for planting during August/September 1978. Samples of the seeds were sent to the Grain and Seed Research Center in Costa Rica at the time of import. The laboratory report indicated that the seeds were abnormally small which could adversely affect plant vigor and yield, and showed visual signs of containing a high percentage of common mosiac virus. Farmer enlistments in the growing program were stopped while samples of the seeds were sent to the U.S. for USDA and University of Illinois testing. These tests indicated that the seeds are good. Due to the time required for testing the seeds in the U.S., the planting season in the Guanacaste area (where cultivation was planned) was missed. The seeds are now being held in cold storage for the next August 1979 planting season. The FY 1979 budget was prepared based on an August 1978 planting which is now no longer valid. As a result CARE is planning to close the Guanacaste agronomist facility. The above example shows the lack of technical expertise which has plagued the soybean growing project.

Program accomplishments for two years show 30 farmers enrolled in the 1976 August/September planting season, 27 for the same period in 1977, and 3 in a January 1978 new area growth test. Soybean production statistics show:

Estimated per grant proposal	- -	2 tons per hectare
Current projection rate	- -	1 ton per hectare 1/
Actual production rate	- -	1/2 ton per hectare 2/

1/ Results in locally produced soybeans available at 125 percent of current world price. This is in line with GOCR subsidized farm support policy for other agricultural products.

2/ Based on 77,250 pounds produced on 79 hectares equal to 250 percent of current world prices. The yields obtained so far have not convinced the local farmers of the economic feasibility of growing soybeans.

Costa Rica is not self sufficient in soybean germination seeds, the importation is costly, and the quality is often below required standards. One large shipment from Honduras was completely rejected in 1977 when 48.5 percent of the seeds were non-productive or dead. This shipment was not financed by CARE or AID except for shipping costs.

After two years of grant funding, the OPG has not demonstrated the economic feasibility of producing soybeans in Costa Rica. When the primary growing season of August 1978 was missed, it eliminated all but a small proposed seed multiplication program in January 1979. The August 1979 growing season will be too late to generate results before the OPG expires on September 30, 1979. The FY 1979 OPG budget is $150,000 of which $90,000 is for personnel and support costs (see Exhibits A and B). We believe that this amount is excessive to the actual needs of the program. There is also $16,848 in the revolving soybean seed loan fund currently unprogrammed. In our audit recommendation No. 3 we call for an evaluation team to review the soybean growing project. We believe that a project evaluation and a definition of obtainable goals will show that AID's $66,000 would be better applied to the food production plant, reprogrammed to FY 1980 for soybean production, or eliminated from the grant. CARE should be required to justify the viability of the soybean growing projects before committed FY 1979 funds are spent.

Recommendation No. 5

USAID/CR determine obtainable goals in soybean production and reduce the FY 1979 budget accordingly.

USAID/CARE-Costa Rica
OPG 515-0127
GRANT FINANCIAL STATUS-USAID PORTION

	GRANT BUDGET	COSTS CLAIMED	COSTS QUESTIONED
OCTOBER 1976 to SEPTEMBER 1977	1/		
Plant Equipment	$ 75,000	$ 74,725	($ 518 a/
Plant Construction	48,141	49,894	(5,694 b/
Personnel	19,225	18,841	
Seeds and Fertilizer	22,200	21,847	16,848 c/
Vehicles, travel, Misc.	7,685	7,201	
Sub-Total	172,251	172,508	23,060
CARE-N.Y. overhead - 7.63% 2/	13,429	13,162	698 d/
Total First Year	$185,680	$185,670	$ 23,758
OCTOBER 1977 to SEPTEMBER 1978	3/		
Plant Equipment	$ 15,714	$ 1,632	
Soybean Equipment	423	423	
Soybean Production Manuals	1,940	1,940	
Soybean Technical Studies	2,342	2,342	
Personnel	27,101	26,437	
Vehicles, Travel, Misc.	13,400	13,412	
Sub-Total	60,920	$ 46,186	
CARE-N.Y. overhead - 8.34% 4/	5,080		
Pipeline balance $19,814			
Total Second Year	$ 66,000		
OCTOBER 1978 to SEPTEMBER 1979	5/		
Plant Equipment	$ 0		
Soybean Equipment	2,000		
Soybean Technical Studies	3,500		
Personnel	36,065		
Vehicles, Travel, Misc.	19,355		
Sub-Total	60,920		
CARE-N.Y. overhead - 8.34% 4/	5,080		
Total Third Year	$ 66,000		
Total Grant - Three Years	$317,680		
Costs Incurred 10/76 - 9/78		$231,856	

ESTIMATED SEGREGATED COSTS BY PROJECT

	Amount	Percent
Food Plant	$176,251	76.0
Soybean Growing	55,605	24.0
Totals	$231,856	100.0

Footnotes

1/ First year budget as revised per Amendment No. 2 dated 7/28/77

2/ 7.63% actual overhead rate determined by DCAA audit of CARE in 1977 for period ending 6/30/76, becomes provisional rate for future billings.

3/ Second year budget as revised per Amendment No. 6 dated 9/23/78.

4/ 8.34% actual overhead rate determined by DCAA audit of CARE in 1978 for period ending 6/30/77 requires retroactive adjustment of 7.63% rate to 8.34% for grant costs incurred between October 1976 and June 30, 1977, and becomes provisional rate for future billings. Adjustment computed in Note d of costs questioned.

5/ Third year budget as per Amendment No. 5 dated 8/22/78.

Explanation of costs questioned

a/ Equipment $518 - Resulted from CARE's New York office procurement and incomplete costs available in Costa Rica to process final billing against first year's funds obligated:

		Actual	Billed	Difference
Equipment Costs		$ 65,106	$ 64,735	$ 371 under
Ocean Freight	$8,180			
Export Packing	921	9,101	9,990	889 over
Totals		$ 74,207	$ 74,725	$ 518 over

b/ Ocean Freight $5,694 - The grant states that ocean shipping financed under the Grant shall be made on U.S. flag vessels when available, or waivers requested. During 1977/78 $5,694 of shipping charges on the Mamenica Line (Nicaragua) were incurred and reimbursed. These costs are currently ineligible for reimbursement under the original terms of the grant. The program authorization for the period beginning October 1, 1978 specifically states that any eligible source country (Code 941) except Central American Common Market countries can be used. The ineligible costs were incurred prior to 10/1/78. CARE submitted a waiver request to USAID/Costa Rica dated November 3, 1978 based on shipping information made available from CARE, New York and Muller Shipping Corp. If a waiver is granted retroactively the shipping costs paid would be allowable; otherwise, the costs are not reimbursable from grant funds.

c/ Seeds and Fertilizer $16,848 - The grant provided a budget of $25,000 in the first year for the purchase of soybean seeds and fertilizer. The grant documents makes no further reference as to the usage and disposition of remaining seeds, fertilizer or roll over funds. On March 18, 1977 after exchanges of correspondence the usage of the fund was agreed to as follows:

Footnotes (Cont'd.)

"The $25,000 fund for the purchase of seed and fertilizer is a fixed amount allocation valid for the life of the project. At no time will this budget item exceed $25,000. If on the third and final year of the project, and after the last crop has been harvested it is determined that a portion of these $25,000 is not going to be utilized for its intended purpose, the USAID upon written request from CARE may approve the use of the remaining funds to cover other items under this OPG". The criteria for operation of the seed and fertilizer fund plan became: The necessary inputs are to be purchased, supplied to the grower at cost on credit, and when the crop is harvested, to recover the cost of the inputs (less any losses for sales below costs or due to complete crop failures) and deposited to the revolving fund. A total of $21,847 was charged to the grant for input purchases. At September 30, 1978, the fund has a bank balance of $15,292 and an inventory of $1,556 for a total of $16,848. There are no outstanding loans. The loss of $4,999 is made up of: (1) Price difference in seeds when sold as grain due to low germination $2,552, (2) loan losses due to non-germination and land inundation $1,580, and (3) all other, $867, primarily warehouse losses and farmer subsidies allowed on inputs supplied. The fund assets are under CARE's control and subject to the letter agreement of March 18, 1977.

d/ Overhead $698 - CARE's New York overhead has been computed at the provisional rate of 7.63% for a total of $13,162. Based on the retroactive audited rate of 8.34% CARE is entitled to $14,387 or a total of $1,225 additional for total reimbursable costs for the first year. Based on costs questioned totaling $23,060, if disallowed, would result in grant costs acceptable of $149,448 at 8.34% or reimbursable overhead of $12,464 or $698 overpaid. If a waiver is granted for $5,694 of unallowable freight costs, the overbilled overhead would amount to $223.

USAID/CARE - COSTA RICA
OPG 515-0127
CARE DIRECT CONTRIBUTIONS

	GRANT BUDGET 1/	REVISED BUDGET 2/	COSTS CONTRIBUTED 3/
OCTOBER 1976 to SEPTEMBER 1978			
Food Plant - Equip./Const.	$ 86,200		$118,990
Seed, Fertilizer and Production	19,000		8,635
Personnel	42,800		35,287
and			
Vehicles, Travel, Misc.			15,651
Total two years	$148,000	$177,080	$178,563
OCTOBER 1978 to SEPTEMBER 1979			
Food Plant - Equip./Const.		25,780	
Seed, Fertilizer and Production	47,600	22,710	21,227 4/
Personnel	21,400	35,000	
and			
Vehicles, Travel, Misc.			
Total Third Year	$ 69,000	$ 83,490	$ 21,227
Total Three Years	$217,000	$260,570	$199.790 5/

1/ Based on CARE's OPG proposal, and agreement of December 10, 1976 between CARE and GOCR.

2/ Based on CARE's Planning Implementation and Evaluation Report No. 700309 for FY 1979.

3/ Detailed cost data by month and account provided by CARE's Costa Rica office. Not subject to USAID audit.

4/ $1,483 paid in September 1978 against FY 1979 budget.

5/ Estimated Segregated Costs by Project:

	Amount	Percent
Food Plant	$148,990	74.6
Soybean Growing	50.800	25.4
Totals	$199.790	100.0

USAID/CARE - COSTA RICA
OPG 515-0127
OTHER ENTITIES CONNECTED WITH GRANT

No.	Name	Services to be Provided	Funded by
Specifically named in Grant			
1	Colorado State University (CSU)	- Plant design, operations, quality control procedures, technical backstopping and training.	Existing Agreement CSU/AID
2	Government of Costa Rica (GOCR)	- Raw materials (corn, soy) purchased and delivered to plant, pay plant management, and utilize food produced.	CARE/GOCR Agreement dated 12/10/7(
3	GOCR Ministry of Agriculture (MAG)	- Select participating soybean farmers with IMAS. Assign full time agronomist who will be responsible for overall technical supervision of the project.	Same as #2 above
4	GOCR Social Assistance Institute (IMAS)	- Select participating soybean farmers with MAG. Assign four field supervisors to assist MAG agronomist. Warehousing for harvested soybeans	Same as #2 above
5	GOCR National Bank	- Maintain soybean loan input data. Collect sale proceeds and pay off loan input fund. Relend inputs in following year.	Cancelled, Handled by CARE
6	GOCR National Production Council (CNP)	- Establish the purchase price of soybeans. Purchase and transport beans to IMAS warehouses. Payments to be made to GOCR National bank.	Same as # 2 above
7	Participating Farmers	- Grow soybeans under MAG and IMAS supervision and attend whatever training sessions are held.	Grant Seed/Fertilizer Fund

No.	Name	Services to be Provided	Funded by
Specifically named in Grant (Cont'd.)			
8	Seed and Grain Research Center of the University of Costa Rica (CIGRAS)	- The director will act as the consultant for all matters related to agronomic practices in the field.	Grant Funded
9	GOCR Ministry of Health (MOH)	- Finance CNP's purchase of soybeans. Warehousing for harvested soybeans (duplicates IMAS responsibility). Transportation to and from processing plant.	Same as #2 above
Not Specifically named in Grant			
10	U.S. Department of Agriculture (USDA)	- Food processing information, blending formulas and technical backstopping. U.S. government furnished food processing equipment.	USDA Nutrition RSSA
11	American Soybean Institute of Mexico	- Expertise and experience in soybean production and nutrition.	International Sources
12	Institute of Nutrition of Central America and Panama	- Expertise and experience in soybean production and nutrition.	International Sources

LISTING OF RECOMMENDATIONS

Recommendation No. 1

USAID/CR determine allowability of $23,758 of grant costs questioned by audit, and reprogram or recover costs determined unallowable.

Recommendation No. 2

USAID/CR with CARE/CR segregate the grant into two separate projects, and establish third year goals by project defined in terms of personnel and financial budgets.

Recommendation No. 3

USAID/CR with CARE (1) plan the early convening of an evaluation team to review the soybean growing project component, and (2) hold the early 1979 production plan evaluation as scheduled whether or not all proposed team members are available.

Recommendation No. 4

USAID/CR with CARE, utilize food plant evaluation results to reprogram FY 1979 funds to place maximum emphasis on getting the food plant operational, and obtain a qualified subcontractor to operate the facility.

REPORT RECIPIENTS

	Copies
Assistant Administrator - Bureau for Latin America and the Caribbean (LAC), AID/W	1
Deputy Administrator - Bureau for Latin America and the Caribbean (LAC), AID/W	1
Mission Director, USAID/Costa Rica	5
Country Officer, ARA-LA/CEN, AID/W	1
Director, LAC/OPNS, AID/W	1
Director, OPA, AID/W	1
DS/DIU, Room 105, SA-18, AID/W	4
AG, AID/W	1
AG/EMS/C&R, AID/W	12
AG/PPP, AID/W	1
Inspector-In-Charge, IIS/Panama	1