

PD-AR-885-

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Grant Audit of
TECHNOSERVE, INC.

Audit Report No. 84-22

February 29, 1984

Grant Audit of
TECHNOSERVE, INC.

AID Grant Nos. OPG/5-519-0197 (El Salvador),
OPG-524-0198 (Nicaragua), AFR-G-615-0198 (Kenya),
OPG-515-0208 (Kenya), SOD/PDC-G-5211 (Global),
OPG-519-0286 (El Salvador), FAAD/G-641-77-10 (Ghana),
and FAAD/G-641-0072-1004 (Ghana)

Audit Report No. 84-

Introduction

The Office of the Regional Inspector General for Audit/Washington has performed an on-site audit of eight grants awarded to Technoserve for the period January 1, 1978 through December 31, 1982.

The purposes of the examination were to determine: (1) if the Grantee had taken steps to more systematically handle the way in which costs are charged to AID and all other funding sources; (2) whether Federal Reserve Letter of Credit (FRLC) drawdowns were appropriately used; and (3) the adequacy of the Grantee's overhead rate proposal for Calendar Year 1982.

The Office of the Regional Inspector General for Audit/Washington performed the review during January 1984.

FINDINGS AND RECOMMENDATIONS

Accounting Limitations

In past audits, the Defense Contract Audit Agency (DCAA) auditors were unable to determine the reasonableness and allocability of costs at the country program level of Technoserve's operations. Since the auditors were unable to determine the reasonableness and accountability of direct charges to specific grants, the application of the General and Administrative expenses to grants also could not be determined. (See AID Audit Report No 0-000-82-89).

In order to resolve the matter, we met with officials of Technoserve and AID's office of Contract Management. In this meeting, it was agreed that Technoserve would (1) use total incurred costs (rather than using direct salary costs) as the basis for allocating indirect costs to its programs, and (2) charge all direct program costs in a uniform manner.

We recently visited Technoserve's home office and verified that improvements have been implemented in line with our recommendations. Therefore, no further action is required.

Grant Costs

As tabulated on Exhibit A, the total costs claimed by the Grantee from January 1, 1978 through December 31, 1982 were \$5,193,608. During the audit, we concluded that the Grantee is entitled to \$14,960 of additional overhead expenses under two USAID/Ghana grants.

Recommendation No. 1

USAID/Ghana take appropriate action to ensure settlement of the \$14,960 additional reimbursement due the Grantee.

Indirect Cost Rates

Indirect costs rates through Calendar Year 1981 have been finalized. The proposed and recommended indirect cost rate for Calendar Year 1982 is set forth below.

Overhead Pool:

Management & General	\$370,078	
less nonallowables	<u>13,973</u>	\$ 356,105
Grant Solicitation	79,416	
less nonallowables	<u>692</u>	<u>78,724</u>
<u>Total</u>	(A)	<u>\$434,829</u>

Base:

Direct Program Costs	\$2,141,909
Fund raising	<u>27,771</u>
<u>Total</u>	(B) <u>\$2,169,680</u>

Overhead Rate (A) - (B) = 20.0%

Recommendation No. 2

The Office of Contract Management (M/SER/CM) should negotiate a final indirect cost rate of 20.0 percent for Calendar Year 1982.

TECHNOSERVE, INC.

Recapitulation of Grant Costs Incurred and Accepted
for the Period January 1, 1978 through December 31, 1982

<u>AID Grant Nos.</u>	<u>Costs Claimed</u>	<u>Audit Adjustments</u> <u>2/</u>	<u>Costs Accepted</u>
OPG/5-519-0197 (El Salvador)	\$ 800,000 <u>1/</u>	-	\$ 800,000
OPG-524-0198 (Nicaragua)	700,000 <u>1/</u>	-	700,000
AFR-G-615-0198 (Kenya)	700,000 <u>1/</u>	-	700,000
OPG-615-0208 (Kenya)	83,066 <u>1/</u>	-	83,066
SOD/PDC-G-0211 (Global)	2,126,000 <u>1/</u>	-	2,126,000 <u>3/</u>
OPG-519-0286 (El Salvador)	136,132 <u>1/</u>	-	136,132 <u>4/</u>
FAAD/G-641-77-10 (Ghana)	494,000	(6,000) <u>5/</u>	500,000
FAAD/G-641-0072-1004 (Ghana)	<u>154,410</u>	<u>(8,960) 5/</u>	<u>163,370</u>
Total	<u>\$5,193,608</u>	<u>\$ (14,960)</u>	<u>\$5,208,568</u>

Explanatory Notes:

- 1/ Includes overhead costs at negotiated and/or actual overhead rates.
2/ Excludes cost overruns applicable to the following grants.

<u>Grant No.</u>	<u>Amount</u>
OPG-524-0198	\$ 335
AFR-615-0198	252
FAAD/641-77-10	6,041

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Recapitulation of Grant Costs Incurred and Accepted
for the Period January 1, 1978 through December 31, 1982

Explanatory Notes (Continued):

3/ Accepted cost is tabulated as follows:

Costs Incurred (Non-governmental sources)	\$4,007,546	
MIPLAN Cost (Host government sources)	<u>244,454</u> (a)	
Total Costs		\$ 4,252,000
Less: Matching Requirement (50/50)		<u>2,126,000</u>
AID's Costs		<u>\$2,126,000</u>

(a) Up to 10 percent of the Grant budget may be used for purposes of making the match (Amendment No. 6).

4/ Grantee's reimbursements were less than the accepted costs. The net difference will be drawdown from the Federal Reserve Letter of Credit.

5/ Difference is the result of adjusting provisional overhead to actual for FY's 1979-1982.

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List of Report Recipients

Deputy Assistant to the Administrator for Management (DAA/M/SER)	1
Office of Financial Management (M/FM/ASD)	2
Office of Financial Management (M/FM/PAD)	5
Director, Office of Contract Management (M/SER/CM)	1
Office of Contract Management (M/SER/CM/SOD/OSC)	2
Office of Contract Management (M/SER/CM/COD/AN)	1
Office of Contract Management (M/SER/CM/SD)	3
Grant Officer, USAID/Ghana	2
Grant Officer, USAID/Kenya	1
Inspector General	1
DCAA, Bridgeport, Connecticut	1
AID/II	1
IG/PPP	1
IG/EMS/C&R	16