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AUDIT OF
THE REGIONAL INTERNATIONAL CROPS
RESEARCH INSTITUTE FOR THE SEMI-ARID
TROPICS IN ZIMBABWE
GRANT NO. 613-0224-G-00-3029
AUDIT REPORT NO. 3-613-87-15
JULY 15, 1987

UNITED STATES OF AMERICA

**AGENCY FOR INTERNATIONAL DEVELOPMENT
REGIONAL INSPECTOR GENERAL/AUDIT**

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July 15, 1987

MEMORANDUM FOR DIRECTOR, USAID/Zimbabwe, Allison B. Herrick

Richard C. Thabet

FROM: RIG/A/N, Richard C. Thabet

SUBJECT: Audit of the Regional International Crops Research
Institute for the Semi-Arid Tropics in Zimbabwe

This report presents the results of audit of the Regional International Crops Research Institute for the Semi-Arid Tropics in Zimbabwe. This financial and compliance audit covered the period from September 15, 1983 to March 31, 1987. The audit objectives were to determine whether: (a) the grantee was complying with applicable rules and regulations of USAID, particularly as they apply to staff salaries and allowances; and (b) costs claimed by the grantee were allowable and allocable under the terms of the grant. The fieldwork was done between February and June 10, 1987.

The grantee was generally complying with the applicable AID rules and regulations. Of the \$6.3 million examined, we found the majority of the costs to be proper grant expenditures. Salaries of the principal staff were within the ceilings established for U.S. Government contracts and grants. Post differential costs (10 per cent in Harare and 15 percent outside it) were correctly paid. The accounting system used by ICRISAT/Zimbabwe conformed with the one in ICRISAT/India and was considered adequate. Nevertheless, the review revealed the need for minor system changes including identifying collections made from principal staff members for utility expenses and for vehicles used for personal purposes.

This report questioned \$48,724 of costs charged to the project for two basic reasons: (a) the benefits paid to the principal staff did not comply with the allowances available to U.S. Government employees, and (b) some costs were not allocable to the project. In addition, there were other reasons for questioning costs. For instance, one staff member took home leave in the United States when his home was actually in India.

In addition to questioned costs, several policy matters needed to be resolved by USAID/Zimbabwe and ICRISAT. These included

the allowability of personnel benefits, ownership of property, and the allocation of costs among the project donors and ICRISAT headquarters. As a general condition, the audit found that the agreements between USAID/Zimbabwe and ICRISAT were either silent or ambiguous in defining the intent of the two parties in regard to these matters. The recommendations in this report are intended to induce USAID/Zimbabwe to clarify this intent by renegotiating certain parts of the agreements with ICRISAT.

This report contains six recommendations directed towards resolving the costs questioned and problems identified by the audit. Based on the corrective actions taken to date, recommendation number 5 is closed upon issuance of this report.

USAID/Zimbabwe reviewed this report prior to its issuance. It concurred with all recommendations. The Mission's response is shown in its entirety in Appendix 1 of this report.

Please provide written comments within 30 days of any additional information relating to actions planned or taken to implement the recommendations. We appreciate the cooperation and courtesy extended to our staff during this audit.

EXECUTIVE SUMMARY

The International Crops Research Institute for the Semi-Arid Tropics (ICRISAT) is an international institution supported by the thirty country Consultative Group on International Agricultural Research (CGIAR). Established in 1972, ICRISAT has its main headquarters near Hyderabad, India.

The Office of the Regional Inspector General for Audit, Nairobi (RIG/A/N) made a financial and compliance audit of Grant No. 613-0224-G-00-3029 to ICRISAT Zimbabwe. The audit objectives were to determine whether: (a) the grantee was complying with the applicable rules and regulations of USAID, particularly as they apply to staff salaries and allowances; and (b) costs claimed by the grantee were allowable and allocable under the terms of the grant. The fieldwork was done between February and June 10, 1987.

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In addition to questioned costs, several policy matters needed to be resolved by USAID/Zimbabwe and ICRISAT. These included the allowability of personnel benefits, ownership of property, and the allocation of costs among the project donors and ICRISAT headquarters. As a general condition, the audit found that the agreements between USAID/Zimbabwe and ICRISAT were either silent or ambiguous in defining the intent of the two parties in regard to these matters. The recommendations in this report are intended to induce USAID/Zimbabwe to clarify this intent by renegotiating certain parts of the agreements with ICRISAT.

*Office of The Inspector
General*

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AUDIT OF
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PART I - INTRODUCTION

A. Background

The International Crops Research Institute for the Semi-Arid Tropics (ICRISAT) is an international institution supported by the thirty country Consultative Group on International Agricultural Research (CGIAR). Established in 1972, ICRISAT has its main headquarters near Hyderabad, India.

In 1980, the Southern African Development Coordination Conference (SADCC)-- made up of nine member countries (Angola, Botswana, Lesotho, Malawi, Mozambique, Swaziland, Tanzania, Zambia, and Zimbabwe)-- urged ICRISAT to establish a regional center in Southern Africa. As a result, ICRISAT established an office (ICRISAT/Zimbabwe) in Bulawayo, Zimbabwe. The ICRISAT project was established in September 1983 in collaboration with the Management Entity for the Sorghum/Millet Collaborative Research Support Program (referred to as INTSORMIL), located at the University of Nebraska at Lincoln. In practice, INTSORMIL plays a minor role, assisting ICRISAT to place and monitor participant training candidates for this project.

The project is a long-term undertaking and is expected to last over 10 years. Accordingly, total project costs were budgeted at almost \$18 million for the first five years, with funds derived from three donors--the U.S. Government (\$14.8 million), Canada (\$1.9 million Canadian dollars), and the Federal Republic of Germany (U.S. \$650,000).

The U.S. Government contribution was funded by a USAID/Zimbabwe grant dated September 15, 1983 and totaled \$14.8 million. This grant was funded under Project Number 690-0224, entitled "Regional Sorghum and Pearl Millet Research and Training Program." The project objectives consist of a research, development, and training effort designed to improve agricultural--particularly food--production in the region. Costs financed under the USAID grant include salaries and benefits of professional and support staff, operational costs, evaluations, technology transfers, various construction activities and procurement of equipment.

As shown on Exhibit 1, costs claimed by ICRISAT through March 31, 1987 were approximately \$6.7 million.

The International Institute for Education (IIE), New York, provided payroll services for principal staff members. In addition, IIE provided procurement services and other services when specifically requested to do so.

B. Audit Objectives and Scope

The Office of the Regional Inspector General for Audit, Nairobi (RIG/A/N) made a financial and compliance audit of Grant No. 613-0224-G-00-3029 to ICRISAT. The audit objectives were to determine whether: (a) the grantee was complying with the applicable rules and regulations of USAID, particularly as they apply to staff salaries and allowances; and (b) costs claimed by the grantee were allowable and allocable under the terms of the grant. The fieldwork was done between February and June 10, 1987.

The audit covered \$6.3 million of expenditures claimed by ICRISAT/Zimbabwe from inception of the grant through March 31, 1987. It included local currency costs in Zimbabwe and the dollar costs accumulated in the financial records of ICRISAT headquarters in Hyderabad, India. We did not review the \$374,654 of U.S. training costs billed by INTSORMIL other than to verify that the overhead rate claimed was in compliance with the rate negotiated by the Department of Health and Human Services for the applicable period. We used the services of Coopers and Lybrand during the field work in Bulawayo, Zimbabwe to supplement our audit staff. We also relied on their annual financial audits covering the periods through 1986. We made selective tests of supporting documentation at IIE in New York City, the ICRISAT headquarters in Hyderabad, India, USAID/Zimbabwe, and ICRISAT office in Bulawayo, Zimbabwe. We interviewed appropriate officials in each of the different locations. Two different public accounting firms made audits of ICRISAT/India and ICRISAT/Zimbabwe. We relied on the reports and management letters of these companies in our assessment of internal controls. Our review was made in accordance with generally accepted government auditing standards.

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PART II - RESULTS OF AUDIT

The grantee was generally complying with the applicable AID rules and regulations. Of the \$6.3 million examined, we found the majority of the costs to be proper grant expenditures. Salaries of the principal staff were within the ceilings established for U.S. Government contracts and grants. Post differential costs (10 per cent in Harare and 15 percent outside it) were correctly paid. The accounting system used by ICRISAT/Zimbabwe conformed with the one in ICRISAT/India and was considered adequate. Nevertheless, the review revealed the need for minor system changes including identifying collections made from principal staff members for utility expenses and for vehicles used for personal purposes.

This report questioned \$48,724 of costs charged to the project for two basic reasons: (a) the benefits paid to the principal staff did not comply with the allowances available to U.S. Government employees, and (b) some costs were not allocable to the project. In addition, there were other reasons for questioning costs. For instance, one staff member took home leave in the United States when his home was actually in India.

In addition to questioned costs, several policy matters needed to be resolved by USAID/Zimbabwe and ICRISAT. These included the allowability of personnel benefits, ownership of property, and the allocation of costs among the project donors and ICRISAT headquarters. As a general condition, the audit found that the agreements between USAID/Zimbabwe and ICRISAT were either silent or ambiguous in defining the intent of the two parties in regard to these matters. The recommendations in this report are intended to induce USAID/Zimbabwe to clarify this intent by renegotiating certain parts of the agreements with ICRISAT.

A. Findings and Recommendations

1. Costs Were Questioned For Two Reasons

The grant agreement between USAID/Zimbabwe and ICRISAT is the sole basis for establishing the propriety of costs and should clearly state what costs were allowable and allocable. We questioned \$48,724 for two primary reasons: (a) the grant agreement was ambiguous as to whether AID or ICRISAT fringe benefits would prevail (\$26,952) and, (b) certain costs were not properly allocable to the project (\$21,772). Consequently, AID may be paying unnecessary costs. As a result, the allowability and allocability of these costs needed to be further evaluated by the parties.

Recommendation No. 1

We recommend that USAID/Zimbabwe take appropriate action to resolve or recover, as appropriate, questioned costs totalling \$48,724.

Discussion - At the time of our examination, ICRISAT had claimed a total of \$6,699,429 as shown on Exhibit 1. Of this amount, \$374,654 related to expenditures of INTSORMIL in Lincoln, Nebraska and were not covered by this review. The audit found \$6,276,051 to be proper grant costs. A total of \$48,724 were questioned. Exhibits 1 and 2 provide details of the questioned costs. These exhibits show the following categories of questioned costs:

- (a) Costs of professional staff benefits (\$34,972) were questioned mostly because the grant was ambiguous as to whether AID or ICRISAT personnel policies would prevail (see Finding No. 2);
- (b) Capital and construction costs (\$8,506) were questioned because they related to construction of personal workshops and ICRISAT had decided to pay them; and,
- (c) Overhead costs (\$5,246) were questioned based on application of the negotiated rate of 15 percent of professional staff costs to the \$34,972 of base costs questioned.

An evaluation of overhead costs was not within the scope of this review because ICRISAT receives funding from over thirty countries of the Consultative Group on International Agricultural Research. ICRISAT normally bills an overhead factor of 15 percent and it was consistently applied to other AID-funded projects in Africa.

Mission's Comments - USAID/Zimbabwe agreed with the recommendation and stated that ICRISAT had initiated an analysis of the questioned costs.

2. Personnel Policies Were Conflicting

There were differences between the personnel policies of AID and those of ICRISAT. The grant agreement was ambiguous as to whether the AID or ICRISAT personnel policies prevailed. As a result, costs--based on policies of ICRISAT--have been questioned by this audit. The intent of the parties needed to be clarified for the future so that future personnel benefits are paid under an agreed to set of rules.

Recommendation No. 2

We recommend that USAID/Zimbabwe provide specific instructions to the International Crops Research Institute For The Semi-Arid Tropics on which benefits are allowable.

Discussion - Paragraph 7 of the grant agreement refers to the grantee managing the project "in accordance with its established policies and procedures." However, Paragraph 14 limits the use of grant funds for personnel expenses and allowances to those "allowed by U.S. Government regulations." In response to a grantee query, AID issued Project Implementation Letter No. 1 dated October 19, 1983 which stated that AID salary and benefit ceilings must be applied to professional staff paid from USAID grant funds and that guidelines would be provided to ICRISAT.

However, costs billed by the grantee were based on ICRISAT personnel policies and those personnel costs questioned in this audit were not covered by AID guidelines (spouse travel, home leave other than to the employees home point, and car allowances). Further, the whole range of ICRISAT benefits needs to be reviewed by USAID/ Zimbabwe and ICRISAT and a determination made on what is allowable. For instance, there were differences in leave accumulation (ICRISAT has only one category while AID has a category for home leave and annual leave), home leave policy, world-wide travel while on home leave, car allowances (paid to professional staff in Africa at rate of \$150 per month) and others. It is important that specific guidelines be established in a formal manner, since this project is only one of several AID-funded ICRISAT projects in Africa. This need was discussed with the Director General of ICRISAT and the USAID/Zimbabwe Director in separate meetings. Both agreed with our conclusion.

Mission's Comments - USAID/Zimbabwe agreed with the above recommendation and told us that the parties will undertake a joint review and issue the required amendment.

3. Titling of Houses Needed Resolution

ICRISAT titled nine houses purchased in Bulawayo in its name. This happened because the agreement, which should have established the specific criteria in this respect, was silent on property ownership. As a result, there were no restrictions on disposition of the houses which were paid for by AID. As a matter of good business practice, AID should act to safeguard the disposition of these assets by clarifying its intent.

Recommendation No. 3

We recommend that USAID/Zimbabwe enter into a written agreement with ICRISAT on procedures to be followed in disposing of the Bulawayo houses at the end of the grant.

Discussion - Project funds have been used to purchase houses in Bulawayo for the professional staff. Four were purchased in 1984, three in 1985, and two in 1986. The Bulawayo houses are titled with ICRISAT. The original project proposal called for professional staff housing to be constructed at the research site and for title to reside in the GOZ, which owned the research site. In the original grant agreement, USAID agreed to ICRISAT's request to purchase housing for the professional staff. At the time agreement was awarded, the issue of title to the houses was not addressed.

As a result of this oversight, ICRISAT titled the houses in its name and there were no restrictions on these properties, i. e., ICRISAT can sell the properties at any time. There was no agreement on the disposition of the houses at the end of the project or at the conclusion of USAID grant. In other ICRISAT agreements with AID, the grant agreement provided for the disposition of assets in accordance with mutual agreement of the parties involved. We suggested that similar language be included in the grant agreement.

Mission's Comments - USAID/Zimbabwe agreed with the above recommendation.

4. Issue On Consultants Needed Resolution

Several consultants on sabbatical leave from ICRISAT served on the Zimbabwe project. Fixed salaries, honorarium, and per diem payments to these consultants were combined and it was not possible to determine what the payments were for. This happened because policies and procedures used by ICRISAT to record these types of costs did not require better accounting procedures. Consequently, it was not possible to apply the limitations set forth in AID regulations for payments of these types and insure that AID salary ceilings were not being exceeded.

Recommendation No. 4

We recommend that USAID/Zimbabwe enter into a written agreement with ICRISAT on a compensation policy for ICRISAT Headquarters employees who are on sabbatical leave and used as consultants on the project.

Discussion - When skills were needed to meet project objectives, consultants were used on various short term assignments to develop the training program. Three consultants were brought from ICRISAT headquarters for short periods. Various arrangements-- ranging from a fixed monthly rate to payment of an honorarium plus a per diem allowance-- were used to compensate them. However, the final arrangement for payment of these consultants was to establish an inflated per diem rate. This inflated rate consisted of two elements: (a) per diem costs, and (b) a factor to compensate for their services. This procedure of combining two distinct expenses under the single category of per diem cost should be changed. The financial records should show the amounts paid for per diem and the amounts paid for services. In line with our verbal recommendation, ICRISAT initiated action to change its procedures.

Since these consultants were also paid by ICRISAT/India, USAID/Zimbabwe and ICRISAT should review the entire compensation plan to assure that the consultants are paid reasonable wages which will not exceed the U.S. Government limits.

Mission's Comments - USAID/Zimbabwe agreed with the above recommendation and informed us that ICRISAT had agreed to separate charges for salaries and per diem. In addition, the compensation plan will be reviewed and the appropriate document issued to explain the revised policy.

5. Costs of Other Donors and Regional Operations Needed to Be Prorated Equitably

Accepted business practice and accounting practice dictate an equitable allocation of common costs among beneficiary programs. However, USAID/Zimbabwe and ICRISAT did not have guidelines which covered costs related to other donors and/or to regional operations. As a result, costs were not being allocated to beneficiaries in an equitable manner.

Recommendation No. 5

We recommend that USAID/Zimbabwe reach a mutual written understanding with ICRISAT on the specific types of costs which should be absorbed by the various project donors or ICRISAT headquarters.

Discussion - Other donors need to absorb certain costs. As noted in the background section, there were two other donors besides USAID. Of the eight professional staff employees assigned to ICRISAT/Bulawayo, the salary and allowance for the Cereals Agronomist were charged to the Canadian project. However, all the local support costs and travel expenses within the region were charged to the USAID. There were no guidelines stating which specific costs would be allocated to which donor or if USAID/Zimbabwe concurred in this procedure. Specific guidelines needed to be established to provide for cost allocation among donors. As a minimum, these guidelines should cover staff salaries and allowances, housing, and travel costs.

ICRISAT should absorb regional costs. Effective October 17, 1986 the project team leader was appointed as ICRISAT Executive Director for Southern Africa and the project administrative officer was appointed as Regional Administrative Officer. In recognition of these increased responsibilities, ICRISAT proposed that a percentage of the salaries and allowances be absorbed by ICRISAT headquarters (50 percent for Executive Director and 25 percent for Regional administrative officer) effective January 1987. This issue was noted in the USAID/Zimbabwe Project Implementation Report dated October 19, 1986, Part V.F. Billings to USAID through March 1987 had not incorporated these cost reductions, although ICRISAT advised AID by telex in May 87 that ICRISAT would issue a journal voucher to transfer the regional costs to core support effective January 1, 1987. The proposal for cost sharing from ICRISAT referred only to salaries and benefits. USAID/Zimbabwe needed to determine whether support and travel costs related to the new position should also be allocated.

Mission's Comments - USAID/Zimbabwe agreed with the recommendation. In its response, the Mission (a) informed us that ICRISAT would issue a journal voucher to transfer regional costs to core support; (b) that it would follow up to make sure this is done; and, (c) that it had agreed to pick-up support costs for professional staff funded by other donors and include this agreement in an amendatory document. On the basis of the Mission response, we are closing this recommendation upon issuance of this report.

6. USAID Approval Procedures Needed To Be Improved

In accordance with AID Handbook 3, USAID/Zimbabwe had certain responsibilities for project implementation. However, procedures to approve project activities were very informal. Unless USAID/Zimbabwe formalizes them, this situation could result in payment of unauthorized costs for expenses incurred in some activities.

Recommendation No. 6

We recommend that USAID/Zimbabwe establish a formal procedure with ICRISAT to indicate advance approval for capital additions, renovations, and for travel outside of the Southern African Development Coordination Conference region.

Discussion - AID Handbook 3 requires Missions to monitor the performance of the contractor or grantee. In general, we noted that there was a very informal method by which USAID/Zimbabwe gave its approval to certain actions by the grantee.

One example involved recent renovations to staff housing. For instance, certain renovation costs were not approved by USAID/Zimbabwe. Review of the renovation costs charged to the grant for these houses disclosed that some funds were used to construct a workshop at one of the houses. In May 1987, ICRISAT agreed to absorb that cost. ICRISAT has also paid directly for repairing swimming pools and tennis courts without charging the grant.

ICRISAT has proposed additions of second bathrooms and garages to these houses. Written approval of these modifications has not been requested by ICRISAT or given by AID.

Other significant examples included the numerous official trips to the United States and other locations outside of SADCC region. ICRISAT provided copies of all trip reports to USAID. Since USAID/Zimbabwe did not object, ICRISAT considered this to be after-the-fact approval. A more formal approval arrangement needed to be established, particularly for capital improvements and travel to areas outside the SADCC region. Otherwise, USAID/Zimbabwe could pay for unauthorized costs.

Mission's Comments - USAID/Zimbabwe agreed with the above recommendation and will issue a letter to ICRISAT/Bulawayo to establish prior approval procedures as stated in our recommendation.

B. Compliance and Internal Controls

Compliance

The audit identified possible areas of non-compliance with regulations or agreement provisions. The areas in question relate to personnel policies, property ownership, housing modifications, and allocation of common type of program costs. However, no firm position can be taken on these matters because the grant agreement did not clearly specify the required criteria.

Nothing else came to our attention that would indicate that untested items did not conform to applicable laws, regulations, and agreements.

Internal Controls

A review of reports issued by two accounting firms-- Coopers and Lybrand Inc. and A. F. Ferguson & Co-- pointed out certain past problems in internal controls of both ICRISAT/India and ICRISAT/Zimbabwe. These related to accounting for advances, assets, cash counts, fixed assets, and inventories. Evidence showed that efforts were made to implement the required corrections. On the basis of these reports, internal controls were generally adequate. During our audit, we noted the need for minor system changes to identify collections made from principal staff members for utility expenses and for vehicles used for personal purposes. ICRISAT took immediate action to implement our verbal recommendations.

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PART III - EXHIBITS AND APPENDICES

ICRISAT/ZIMBABWE
SUMMARY OF COSTS CLAIMED AND QUESTIONED
FROM INCEPTION THROUGH MARCH 1987 (IN US \$)

<u>LINE ITEM</u>	<u>INCURRED IN ZIMBABWE</u>	<u>INCURRED IN HYDERABAD</u>	<u>TOTAL</u>	<u>COSTS QUESTIONED</u>	<u>REFERENCE</u>
A. Professional Staff	\$ 145,390	\$ 900,074	\$1,045,464	\$34,972	Exhibit 2
B. Support Staff	502,202	15,749	517,951	-	
C. Operations	1,241,138	148,132	1,389,270	-	
D. Training	67,256	374,654	441,910	-	<u>1/</u>
E. Project Evaluation	-	13,931	13,931	-	
F. Asst. To National Res. Syst.	16,942	-	16,942	-	
G. Capital	2,863,309	176,346	3,039,655	8,506	<u>2/</u>
H. Overhead	<u>96,931</u>	<u>137,375</u>	<u>234,306</u>	<u>5,246</u>	<u>3/</u>
TOTAL COSTS	<u>\$4,933,168</u>	<u>\$1,766,261</u>	<u>\$6,699,429</u>	<u>\$48,724</u>	

1/ Training Costs of \$374,654 represent the cumulative charges from INTSORMIL, the University of Nebraska, for participant training costs. As stated in the scope of audit section, the direct costs have not been reviewed during this audit. The overhead rate of 24.7% is the negotiated Federal Government rate for the period 7/1/84 to 6/30/87.

2/ Costs questioned of \$8,506 represent renovation costs for a workshop at the home of a principal staff member that were to be billed to ICRISAT core funds rather than to USAID. The amount is determined as follows from account code 070-241-510:

<u>Date</u>	<u>Zimbabwe Dollars</u>	<u>Exchange Rate</u>	<u>U.S. Dollars</u>
June 1985	\$7,000	0.6422	\$4,495
August 1985	4,760	0.6142	2,924
August 1985	666	0.6142	409
October 1985	1,125	0.6024	<u>678</u>
			<u>\$8,506</u>

3/ Costs questioned of \$5,246 represent application of the negotiated overhead rate of 19% to the base costs questioned of \$34,972 (See Exhibit 2).

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ICRISAT/ZIMBABWE
COSTS CLAIMED - PROFESSIONAL STAFF (IN US \$)
FROM INCEPTION THROUGH MARCH 1987

<u>A/C NO.</u>	<u>DESCRIPTION</u>	<u>INCURRED IN ZIMBABWE</u>	<u>INCURRED IN HYDERABAD</u>	<u>TOTAL</u>	<u>COSTS QUESTIONED</u>	<u>REFERENCE</u>
021	Salaries	\$ 5,295	\$763,902	\$ 769,197	\$ -	<u>1/</u>
022	Medical	35	4,480	4,515	-	
023	Education	9,328	21,909	31,237	4,436	<u>2/</u>
024	Relocation	34,369	95,282	129,651	7,100	<u>3/</u>
025	Home Leave	54,255	73	54,328	7,232	<u>4/</u>
027	Spouse Travel	1,776	2,128	3,904	3,904	<u>5/</u>
028	Representation	3,985	12,300	16,285	12,300	<u>6/</u>
029	Occupancy	<u>36,347</u>	<u>-</u>	<u>36,347</u>	<u>-</u>	
	TOTAL	<u>\$145,390</u>	<u>\$900,074</u>	<u>\$1,045,464</u>	<u>34,972</u>	

1/ Normally payroll costs originate from IIE. In 1986, an exception was made for the former administrative officer. The costs for the accrued leave were paid in Bulawayo IIE should be advised so their payroll records can be adjusted accordingly.

2/ Costs questioned of \$4,436 represent educational travel of a dependent from Atlanta/Hyderabad/Bulawayo/Atlanta in 1984. The leg from Atlanta to Hyderabad is not considered to be allocable to this project. These costs were originally billed by IIE, New York. Pending determination by ICRISAT and IIE as to the amount of airfare applicable to this project, the total airfare cost of \$4,436 has been questioned.

3/ Costs questioned of \$7,100 represent the following three items:

- a. In May, 1984, a charge of \$5,274 was billed to the project for the initial assignment of the Project Leader and his family to Zimbabwe. The \$5,274 represents the round trip airfare from Hyderabad, India to Bulawayo, Zimbabwe. Only the one way airfare from India to Zimbabwe is considered allocable; therefore the return portion valued at \$2,637 is not considered eligible relocation costs.

- b. The project was charged \$3,240 for the round trip airfare from India to Zimbabwe for the Regional Administrative Officer in May 1986. The return fare of \$1,620 is not considered eligible as relocation costs.
- c. In December 1986, a staff member was assigned to Zimbabwe from India. Enroute to the new assignment, the staff member took home leave in Germany. Of the \$7,637 charged to this project, only the direct airfare of \$4,794 is considered allocable and the difference of \$2,843 is questioned.

4/ Cost questioned of \$7,232 represent the following:

- a. Home leave airfare in July 1984 of \$1,776 for a staff member assigned to this project for two months. Most of this cost should have been charged to the staff members former project where the leave was earned.
- b. Home leave airfare of \$5,456 in July 1986 for a visit to the U.S.A. of a staff member whose home address is in India. Only the amount in excess of the cost for travel to India is considered not allocable and this will have to be established by the grantee.

5/ Costs questioned of \$3,904 represent two trips by the spouses of staff members. The first trip, in July 1984, was at a cost of \$1,776 for the purpose of going with the staff member on his home leave, which was questioned for allocability in Footnote 4, above. The other trip occurred in September 1984 at a cost of \$2,128 under Travel Authorization INTL/271/84.

6/ Costs questioned of \$12,300 related to monthly car allowances paid to technicians residing in Zimbabwe. These types of costs are not paid by AID. The disallowed costs represent the annual charge for 1985 and 1986 of \$4,500 and \$7,800, respectively. This was based on a monthly rate of \$150 per month for the appropriate months in each of these years.

ACTION: AID-4 IN.O: ECON - 5

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OFFICIAL FILE

01-JUL-87

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CN: 45001
CHRG: AID
DIST: AID
ADD:

AIDAC

RIG/A/N: R. THABET

E.O. 12356: N/A

SUBJECT: AUDIT OF THE REGIONAL ICRISAT PROGRAM IN ZIMBABWE

1. THE DRAFT AUDIT REPORT HAS BEEN REVIEWED BY MISSION STAFF. DISCUSSIONS WERE HELD WITH ICRISAT STAFF BASED ON EARLIER, UNEDITED VERSION OF AUDIT REPORT. ICRISAT HAS BEGUN ITS ANALYSIS OF THE REPORT, PARTICULARLY OF THE DOLS 48,724 OF COSTS QUESTIONED.

2. FOLLOWING ARE SEVERAL EDITORIAL COMMENTS:

ON PAGE 2, LAST LINE - THE GERMAN CONTRIBUTION TO THE PROJECT IS US DOLS 650,000.

- PAGE 5, RESULTS OF AUDIT. APPEARS THIRD SENTENCE SHOULD END WITH GRANTS. THE REMAINDER OF THAT SENTENCE, QUOTE AND DID NOT END QUOTE SHOULD BE DELETED.

- PAGE 5, MIDDLE OF PARAGRAPH. USG DIFFERENTIAL RATE IS: 15 PERCENT OUTSIDE OF HARARE. (IT IS 10 PERCENT IN HARARE).

3. USAID'S INITIAL COMMENTS ON THE AUDIT RECOMMENDATIONS ARE AS FOLLOWS:

- NO. 1: AS STATED, ICRISAT IS UNDERTAKING ITS ANALYSIS OF THESE QUESTIONED COSTS.

- NO. 2: JOINT REVIEW WILL BE UNDERTAKEN AND PIL WILL BE ISSUED.

- NO. 3: PIL WILL BE ISSUED TO SPECIFY PROCEDURES FOR DISPOSING OF BULAWAYO HOUSES. SUGGEST THAT REFERENCES TO HOUSING MODIFICATIONS BE DROPPED FROM NO. 3 AS THEY ARE INCLUDED IN NO. 6.

- NO. 4: THE FIRST PART OF THIS PROBLEM, COMBINING PER DIEM COSTS AND THE COMPENSATION RATE INTO ONE ACCOUNT, HAS BEEN DISCUSSED WITH ICRISAT AND THEY HAVE AGREED TO SEPARATE CHARGES. USAID WILL DISCUSS COMPENSATION POLICY FOR ICRISAT EMPLOYEES ON SABBATICAL WITH ICRISAT. ONCE

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POLICY IS AGREED, USAID WILL ISSUE A PIL COVERING
ELEMENTS.

APPENDIX 1
Page 2 of 2

NO. 5: AS INDICATED, ICRISAT AGREED TO ISSUE
JOURNAL VOUCHER TO TRANSFER REGIONAL COSTS TO C
SUPPORT. USAID WILL FOLLOW UP TO MAKE SURE THE

THEREFORE, THE ISSUE ABOUT REGIONAL OPERATIONS
CLEARED. THE OTHER DONOR CONTRIBUTION AMOUNTS
10 PERCENT OF THE PROJECT'S COST. USAID DOES HAVE
BASIC BUDGET AGREEMENT WITH ICRISAT AND IT IS RATHER
WE GAIN INFORMATION ABOUT THE ACTUAL COSTS. THE
RECENT BUDGET FOR THE USAID GRANT WAS SUBMITTED
MARCH 11, 1987, AND INDICATES THOSE BUDGET LINE
THAT USAID WILL FUND. USAID AGREES TO PICK-UP
COSTS FOR PROFESSIONAL STAFF FUNDED BY OTHER DONORS
WILL INCLUDE THIS MATTER IN A PIL.

NO. 5: USAID WILL ISSUE A LETTER TO ICRISAT,
TO ESTABLISH PRIOR APPROVAL FOR CAPITAL ADDITION
RENOVATIONS AND TRAVEL OUTSIDE OF THE SADCC REGION.
WILL BE CHARGED TO THE USAID GRANT. RAWLINGS

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List of Report Recommendations

Page

Recommendation No. 1

We recommend that USAID/Zimbabwe take appropriate action to resolve or recover, as appropriate, questioned costs totalling \$48,724. 4

Recommendation No. 2

We recommend that USAID/Zimbabwe provide specific instructions to the International Crops Research Institute For The Semi-Arid Tropics on which benefits are allowable. 6

Recommendation No. 3

We recommend that USAID/Zimbabwe enter into a written agreement with ICRISAT on procedures to be followed in disposing of the Bulawayo houses at the end of the grant. 7

Recommendation No. 4

We recommend that USAID/Zimbabwe enter into a written agreement with ICRISAT on a compensation policy for ICRISAT Headquarters employees who are on sabbatical leave and used as consultants on the project. 8

Recommendation No. 5

We recommend that USAID/Zimbabwe reach a mutual written understanding with ICRISAT on the specific types of costs which should be absorbed by the various project donors or ICRISAT headquarters. 9

Recommendation No. 6

We recommend that USAID/Zimbabwe establish a formal procedure with ICRISAT to indicate advance approval for capital additions, renovations, and for travel outside of the Southern African Development Coordination Conference region. 11

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