

UNITED STATES GOVERNMENT

Memorandum

TO : Ms. Priscilla M. Boughton, Director
USAID/New Delhi, India

FROM : E. H. Gustman *EH*
Regional Inspector General for Audit - Karachi

DATE: September 9, 1981

SUBJECT: Memorandum Audit Report No. 5-386-81-17
International Crops Research Institute for the
Semi-Arid Tropics, Hyderabad, India
Grant Agreement No. AID/DSAN-G-0080
(Calendar Year 1979) and No. AID/DSAN-G-0222
(Calendar Year 1980)

BACKGROUND

The International Crops Research Institute for the Semi-Arid Tropics (ICRISAT) is one of the 13 international research centers devoted to improving food production in less developed countries. ICRISAT was organized in July 1972 under the sponsorship and support of the Consultative Group on International Agricultural Research and their headquarters are located in Patancheru, Andhra Pradesh, India.

ICRISAT's objectives are to improve the yield, stability, and food quality of five crops basic to life in the semi-arid tropics, and to develop farming systems that will make maximum use of the human and animal resources and the limited rainfall of the region. The seasonally dry semi-arid tropics are spread over nearly 20 million square kilometers and cover all or parts of 49 nations on five continents. This includes much of India, parts of Southeast Asia and the Middle East, two wide belts of Africa, areas of South America, and much of Mexico and Central America. The region is populated by more than 600 million people, most of them living at subsistence levels and dependent for their food upon the limited production of small farms. The crops researched by ICRISAT are sorghum, pearl millet, pigeonpea, chickpea, and groundnut, the most important food legumes of the region.

The semi-arid tropics produce more than one-half of the world's sorghum, at least 95% of the pearl millet, 90% of the chickpea, 96% of the pigeonpea, and 67% of the groundnut. But yields of all of these

BEST AVAILABLE COPY

Cont'd. P-2



crops are low by developed country standards and in comparison with potential yields. ICRISAT's task is to help scientists and farmers achieve that potential.

Several countries and organizations, including AID, are financially supporting ICRISAT. As of December 31, 1980, AID had made eight grants totalling \$11,375,000 to ICRISAT for partly financing its annual budgets from CY 1973 to CY 1980 (See Exhibit A). In addition, AID has granted \$2,900,000 for CY 1981. The Office of Agriculture, Bureau for Technology and Science, AID/Washington (T&S/AGR) has primary responsibility for monitoring the grants. USAID/India's role is strictly one of assistance to T&S/AGR on an adhoc basis.

ICRISAT does not maintain separate records for the AID grants. Their records reflect expenditures incurred against all grants provided by various countries and organizations. However, by an elimination process, ICRISAT determines at the end of each year the expenditures that conform to the terms of the AID grant. These expenditures are then charged to the respective AID grants. The purpose of this examination was to determine the eligibility of expenditures charged to the AID grants for CY 1979 and CY 1980 and to determine if ICRISAT had complied with terms of the governing agreements. Our review also included an examination of the uses made of excess property financed under the two grants and a review of progress made towards accomplishment of grant objectives and the status of ICRISAT's building construction program. Our audit included an examination of pertinent documents, records and reports; a visit to the project site; and discussions with ICRISAT and USAID/India officials.

AUDIT FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

1. Cost Eligibility

ICRISAT claimed and received reimbursements totalling \$1,400,000 and \$2,078,427, excluding excess property, under the CY 1979 and CY 1980 grants respectively. The CY 1980 reimbursement exceeded the grant authorized by a very minor amount which ICRISAT is refunding to AID.⁴

Our selective review initially disclosed that, except for costs totalling \$29,244 and \$5,226 in the respective grant years, the expenditures charged to the AID grants were eligible. ICRISAT has since adjusted the ineligible costs against other eligible expenditures before the completion of our audit. The adjustments were proper and accepted by us under the provisions of Section 3A2(b) of Handbook 13 which provides that, under such general support grants, AID will not claim a refund if the allowable costs equal the grant obligations.

2. Excess Property

Our AID grant for CY 1980 provided \$21,576 for the procurement of excess U.S. Government property. No funds for this purpose were provided under the CY 1979 grant. We found that ICRISAT had received all the excess property and had established adequate records and inventory control procedures therefor. The items received were in use.

3. Compliance with Grant's Terms

ICRISAT's compliance with the provisions of AID grants was generally satisfactory except for the following areas which need clarification:

- (a) Article XIX of Attachment C to the grant agreement stipulates that appropriate acknowledgement of AID's support must be made in connection with the publication of any materials based on activities conducted under this grant. Acknowledgement should also state that the information and conclusions in the paper do not necessarily reflect the position of AID or the U.S. Government.

ICRISAT's publications do indicate that all responsibility for the published information rests with them, but they do not acknowledge AID's support, or that of the other donors, by name as was done in the earlier years. Instead, ICRISAT publications now included a general statement that they receive support from a variety of donors. We feel AID should clarify if such a general statement is acceptable compliance with Article XIX.

- (b) Article XII of Attachment C to the grant agreement requires ICRISAT to convert United States dollars to local currency through the United States Disbursing Officer, American Embassy (USDO) whenever practicable. Accordingly, ICRISAT converted \$1.2 million out of \$1.4 million in CY 1979, and \$1 million only of the \$2,078,427 reimbursed by AID against the CY 1980 grant. ICRISAT attributed the lower conversion of grant dollars during CY 1980 to the shifting of the USDO to Bangkok and the resultant delays in receiving rupee checks from there. Since funds were needed urgently, the dollars were converted through local banks.

Article XII also states that when circumstances, certified to by the grantee, do not permit conversion of dollars through the USDO, the grantee may convert them through local banks. The mere shifting of the USDO does not appear to be sufficient cause to use local banks for conversion of dollar funds. It should still be possible to use USDO facilities and still receive local currency promptly. For instance, this could be done by cable transfer of funds.

Recommendation No. 1

The Grant Officer, T&S/AGR, AID/W should determine if ICRISAT's compliance with Articles XIX and XII of Attachment C to the grant agreement is acceptable. If not, the Grant Officer should take appropriate corrective action.

4. Accomplishments

ICRISAT's reports show that progress is being made in their research and in the other objectives for which they were established. According to their reports, ICRISAT has become a world center for research on

the five crops; the first of their finished products (high yielding pearl millet and sorghum cultivars) and improved farming systems technology have now begun to reach the farmers; and they have established networks for exchanging technical information with scientists throughout the world.

ICRISAT's main building program (Phase I) was completed in 1979. The Phase 2 building construction program comprising of two laboratories, one office and one crop area, was started in August 1980. According to the contracts, these buildings were to be completed by mid December 1981. Actual construction progress is behind schedule but efforts are being made to accelerate the progress so that the buildings can be completed by August 1982.

DETAILS OF GRANT AMOUNTS AND REIMBURSEMENTS RECEIVED
BY ICRISAT AS OF DECEMBER 31, 1980

| Calendar Year | Grant Agreement Number | Date | Total Grant Amount | Allocated To | | Reimbursements Received | Excess Property Received | Fund Use Period |
|---------------|------------------------|----------|---------------------|-------------------|-----------------|-------------------------|--------------------------|---------------------------|
| | | | | Operating Budget | Excess Property | | | |
| | | | \$ | \$ | \$ | \$ | \$ | |
| 1973 | AID/CM/ta-G-73-25 | 2/28/73 | 745,000 | 517,659 | 227,341 | 517,659 | 227,341 | Jan. 1 thru Dec. 31, 1973 |
| 1974 | AID-ta-G-1073 | 3/14/74 | 1,000,000 | 885,900 | 114,100 | 885,900 | 114,100 | Jan. 1 thru Dec. 31, 1974 |
| 1975 | AID/ta-G-1178 | 12/27/74 | 2,060,000 | 1,947,400 | 112,600 | 1,947,400 | 112,600 | Jan. 1 thru Dec. 31, 1975 |
| 1976 | AID/ta-G-1254 | 12/22/75 | 1,900,000 | 1,861,900 | 38,100 | 1,861,900 | 38,100 | Jan. 1 thru Dec. 31, 1976 |
| 1977 | AID/ta-G-1421 | 5/ 2/77 | 950,000 | 879,132 | 70,868 | 879,132 | 70,868 | Jan. 1 thru Dec. 31, 1977 |
| 1978 | AID/ta-G-1499 | 1/27/78 | 1,220,000 | 1,205,432 | 14,568 | 1,205,432 | 14,568 | Jan. 1 thru Dec. 31, 1978 |
| 1979 | AID/DSAN-G-0080 | 12/28/78 | 1,400,000 | 1,400,000 | - | 1,400,000 | - | Jan. 1 thru Dec. 31, 1979 |
| 1980 | AID/DSAN-G-0222 | 2/22/80 | 2,100,000 | 2,078,424 | 21,576 | 2,078,427 | 21,576 | Jan. 1 thru Dec. 31, 1980 |
| | | | <u>\$11,375,000</u> | <u>10,775,847</u> | <u>599,153</u> | <u>10,775,850</u> | <u>599,153</u> | |

CATEGORY OF EXPENDITURES CHARGED TO AID GRANTS

| Category | CY 1979 Grant | | | CY 1980 Grant | | |
|---------------------------|---------------------|-------------------|----------------------|-------------------|-------------------|----------------------|
| | ICRISAT Totals | | Expenditures | ICRISAT Totals | | Expenditures |
| | Revised Budget | Expenditures | Charged to AID Grant | Revised Budget | Expenditures | Charged to AID Grant |
| Research | \$ 4,045,000 | \$ 3,638,560 | \$ 415,668 | \$ 4,765,000 | \$ 4,674,976 | \$ 505,715 |
| Research Support | 1,648,000 | 1,509,956 | 371,369 | 1,725,000 | 1,666,234 | 508,632 |
| International Cooperation | 769,000 | 543,232 | 70,493 | 865,000 | 857,721 | 62,495 |
| General Administration | 739,000 | 678,382 | 274,835 | 785,000 | 805,986 | 380,604 |
| General Operations | 1,531,000 | 2,267,253 | 267,635 | 2,097,000 | 2,347,179 | 620,978 |
| Contingencies | 168,000 | - | - | - | - | - |
| Capital Expenditures | 2,640,000 | 3,169,001 | - | 1,897,000 | 1,912,890 | - |
| Total | \$11,540,000 | 11,806,384 | 1,400,000 | 12,134,000 | 12,264,986 | 2,078,424 |

- Note: 1. Expenditures charged to the AID grants comprised of operating type costs such as salaries of International staff and National staff members, wages of National staff and utilities etc.
2. The deficit in Capital Budget has been met out of surplus in the operational budget, and earned income.

EXHIBIT COVERALL SOURCE AND APPLICATION OF FUNDS

| | <u>CY 1979</u> | | <u>CY 1980</u> | |
|-------------------------------------|---------------------------|-------------------------|---------------------------|-------------------------|
| | <u>Unrestric- ted</u> | <u>Restric- ted</u> | <u>Unrestric- ted</u> | <u>Restric- ted</u> |
| <u>SOURCES</u> | | | | |
| Capital and Operational Grants | 6,687 | 1,843 | 7,782 | 2,706 |
| Unexpended Balance From Prior Years | 2,490 | 30 | 2,424 | - |
| Adjustments | (6) | - | (14) | - |
| Earned Income Transferred | 3,187 | - | 529 | - |
| TOTAL SOURCES | <u>12,358</u> | <u>1,873</u> | <u>10,721</u> | <u>2,706</u> |
| <u>APPLICATION</u> | | | | |
| Fixed Assets | 3,169 | - | 1,913 | - |
| Research | 2,175 | 1,463 | 2,772 | 1,903 |
| Research Support | 1,291 | 219 | 1,194 | 473 |
| International Cooperation | 353 | 191 | 528 | 330 |
| General Administration | 679 | - | 806 | - |
| General Operating Costs | <u>2,267</u> | <u>-</u> | <u>2,347</u> | <u>-</u> |
| TOTAL APPLICATION | <u>9,934</u> | <u>1,873</u> | <u>9,560</u> | <u>2,706</u> |
| UNEXPENDED BALANCE | 2,424 | - | 1,161 | - |

LIST OF REPORT RECIPIENTS

USAID/India

Director 5

AID/W

Deputy Administrator (DA/AID) 1

Bureau For Asia

Assistant Administrator (AA/ASIA) 1

Office of Bangladesh and India Affairs (ASIA/BI) 1

Audit Liaison Officer 1

Bureau For Technology and Science

Office of Agriculture (T&S/AGR) 5

Office of Development Information and Utilization (T&S/DIU) 4

Bureau For Management and Budget

Office of Contract Management (MBB/CM/SD) 1

Office of Evaluation (MBB/E) 1

Office of Financial Management (MBB/FM/ASD) 1

Bureau For External Relations

Office of Legislative Affairs (EXRL/LEG) 1

IDCA Legislative and Public Affairs Office 1

Office of Inspector General:

Inspector General (IG) 1

Communications and Records Office (IG/EMS/C&R) 12

Policy, Plans and Programs (IG/PPP) 1

Regional Inspector General for Audit:

RIG/A/W 1

RIG/A/Nairobi 1

RIG/A/Manila 1

RIG/A/Cairo 1

RIG/A/Panama 1

OTHER

Regional Inspector General for Investigations and Inspections
(RIG/II/Karachi) 1

New Delhi Residency 3