

AGENCY FOR INTERNATIONAL DEVELOPMENT  
Washington, D. C. 20523

OFFICE OF AUDIT

AUDIT REPORT

THE PATHFINDER FUND

|                        |   |  |
|------------------------|---|--|
| CONTRACT/GRANT NUMBER: | AID/csd-1573 (Global)   | AID/csd-1870 (Global)                      |
| CONTRACT CEILING       | : \$1,483,000   | \$11,055,000                               |
| EXPIRATION DATE        | : June 29, 1973   | July 31, 1973                              |
| PROJECT NUMBER         | : 932-17-580-478  | 932-11-580-807                             |
| PROJECT TITLE          | : Research on Family Planning<br>Family Planning Evaluation<br>Center | Stimulation of Family<br>Planning Services |
| AUDIT PERIOD           | : July 1, 1972-June 30, 1973  | July 1, 1972-June 30, 1973                 |
| TYPE OF AUDIT          | : Final   | Interim                                    |

AUDIT REPORT NO. 75-115

DATE: August 30, 1974

# Memorandum

|  |            |       |               |                    |  |
|--|------------|-------|---------------|--------------------|--|
| DATE   | 8/30       | FILED | 478-801       | NO.                |  |
| SUBJECT  |            |       |               |                    |  |
| Pathfinder Fund - contract and grant audit report<br>75-115 Info: SP/JAK/file, AF/HSC, WSL, MF |            |       |               |                    |  |
| TO:  | POP for Dr | TO:   | Kieffer's sig | TO:                |  |
|  |            |       | 77SD          |                    |  |
| DATE   | 9/10       | DATE  | 9/11/74       | DATE               |  |
| ANSWERED   |            |       |               | NO REPLY NECESSARY |  |

TO : ~~SER/CM/COD, Mr. Robert~~

FROM : AG/AUD, Max Medley, Di

SUBJECT: The Pathfinder Fund, C  
Audit Report No. 75-11

*FIVE*

Enclosed are ~~four~~ *five* copies of the subject report which contains five (5) recommendations for action by your office and one (1) for your joint action with the Project Officer in PHA/POP.

DOE:9/25

Please advise this office, within thirty (30) days of receipt of the report, of the action taken on the recommendations.

Enclosures: a/s

cc: CM/COD/PHA, Mr. Gerald P. Gold

*Reply to recommendations #17  
sent to Kieffer for sig 10-3-74.  
CM/COD - send - sent copy of  
audit to Goldfinger for comments,  
then we plan to respond to AG  
after they receive comments from  
quarter. -LH  
10/1/74*

PHA/PCP  
Office of Director

SEP 11 1974

ALL PM  
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Buy U.S. Savings Bonds Regularly on the Payroll Savings Plan

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REPORT ON REVIEW  
OF  
MANAGEMENT AND PERFORMANCE  
BY AID/W OF  
THE PATHFINDER FUND  
Grant No. AID/csd-1870  
Contract No. AID/csd-1573

INTRODUCTION

The Pathfinder Fund is an intermediary through which A.I.D. supports the expansion of family planning activities and projects in the population area. We reviewed Pathfinder's overall operation to determine if it is effectively administering and accounting for A.I.D. resources.

SUMMARY

We audited the costs claimed by the Pathfinder Fund (Contractor/Grantee) under Grant No. AID/csd-1870 (interim audit) and Contract No. AID/csd-1573 (final audit). We reviewed records and files for the period from July 1, 1972 through June 30, 1973, at the Contractor/Grantee's office in Chestnut Hill, Massachusetts.

Costs claimed by Pathfinder during the period reviewed totalled \$2,556,700.31. We recommend disallowance of costs totalling \$104,357.21, and suspension of other costs amounting to \$2,234,351.72 subject to further action by the Contract/Grant Officer. The balance of \$217,991.38 is considered proper under the terms of the grant (see Exhibit A).

Of the costs claimed during the prior audit periods, those totalling \$99,841.32 and \$25,758.14 are recommended for disallowance and suspension, respectively (see Exhibit A).

In addition we noted several problem areas:

- Subgrant agreements either did not provide or provisions were inadequate for maintenance of accounting records, return of unused funds, penalties and termination for unsatisfactory or non-performance, and rights to the U.S. Government for audit.
- Audits of subgrantees were untimely and incomplete.

- Pathfinder had not maintained property control records nor had it reported accountable property to A.I.D.
- Overhead costs charged to the contract/grant have been based on estimated rather than actual costs for direct payments made by A.I.D.
- In addition to paying maximum allowable per diem to its travelers, Pathfinder reimburses them for the actual costs of laundry and meals.
- Little progress has been made by Pathfinder towards the development of an adequate evaluation system.
- Project goals and purposes have not been stated in writing for all subgrants.
- Pathfinder's practice, based on precedent, of charging home office overhead on an A.I.D. local currency grant to A.I.D.'s U.S. dollar grant to Pathfinder has not been formalized by contract amendment.

#### STATEMENT OF FINDINGS AND RECOMMENDATIONS

##### Contract/Grant Reimbursements

A.I.D. reimbursed Pathfinder \$2,936,700.31 during the period July 1, 1972 through June 30, 1973. As a result of audit, costs of \$104,357.21 and \$2,234,351.72 are recommended for disallowance and suspension, respectively. Further, of the costs claimed during prior audit periods, \$99,841.32 are recommended for disallowance and \$25,758.14 for suspension (see Exhibit A).

##### RECOMMENDATION NO. 1

*The Contract/Grant Officer, CM/COU/PHA, and the Project Officer, IAD/POP, should:*

- (a) disallow the questioned costs and obtain a refund of \$204,109.53*
- (b) resolve the acceptance of \$2,260,109.86 in claimed costs*

## Subgrants - Agreement Provisions, Accounting, and Auditing

### Agreement Provisions

Of approximately 60 project files reviewed, there were no subgrant agreements on file for seven projects. More important, subgrant agreements did not include essential provisions:

- to ensure the return of unused advance funds upon completion or termination of the project
- to allow termination of a subgrant due to unsatisfactory performance
- to give A.I.D. or Comptroller General of the United States the right to audit
- to require subgrantees maintain and retain adequate accounting records (five subgrant agreements)
- to penalize subgrantees in the event of non-performance

### Accounting

The Grantee had no established system to identify and flag delinquent subgrantee financial reports on advance payments made to them. As a result, the Grantee had not received financial reports on 42 advances totalling \$189,557.11.

### Auditing

There were no IPA audit reports on file for 32 of 57 subgrants tested. Pathfinder's general policy is to audit subgrants in excess of \$5,000. However, 22 of the 32 subgrants without IPA reports were in excess of \$5,000.

Program Operations Directors (PODs) at Pathfinder are responsible for implementing subgrant audit policy but no indication of a coordinated control mechanism was found. As a result, Pathfinder is considering a 100 percent review of its subgrants in order to identify those in need of audit.

IPA audit reports received by Pathfinder and Pathfinder's audit instructions to IPA's do not cover a determination as to the propriety and necessity of expenditures and the adequacy of administrative management.

All subgrant costs claimed by Pathfinder during the current audit period are suspended pending appropriate action to correct the deficiencies listed above (see Exhibits B and C).

RECOMMENDATION NO. 2

*The Contract/Grant Officer, CM/COD/PHA, should assure Pathfinder:*

- (a) enters into written agreements with each subgrantee which will protect the interest of A.I.D., Pathfinder and the subgrantee*
- (b) obtains financial reports for the 42 advances and institutes a system to identify and flag delinquent financial reports due from subgrantees*
- (c) has audits made of A.I.D. financed subgrants, and establishes controls to assure future audits of subgrants are made as required*
- (d) issues revised guidelines to IPA's which conform to the requirements of the A.I.D. grant*

Disposition of Accountable Property

We identified equipment costs of \$36,511.35 charged directly to the contract and grant by billings from the two subcontractors and listings provided by Pathfinder. In the absence of property control records, we could not verify the completeness of the direct charges.

Under the terms of the agreements title to the equipment vests in A.I.D. and A.I.D. is to issue disposition instructions when work is completed. Since Pathfinder had not reported accountable property to A.I.D. nor obtained equipment listings from the two subcontractors, this provision of the expired agreements had not been implemented.

Pathfinder indicated the required equipment listings would be submitted to A.I.D. to obtain disposition instructions.

RECOMMENDATION NO. 3

*The Contract/Grant Officer, CM/COD/PHA, should direct Pathfinder to:*

- (a) Review the costs charged to Contract No. AID/cad-1573 and Grant No. AID/cad-1870 in order to identify all accountable items of equipment purchased.*

- (b) Report all the accountable property to A.I.D. in order that appropriate disposition action may be taken.

### Payments for Travel

In addition to reimbursing travellers the maximum per diem rates allowed by the U.S. Government, Pathfinder reimbursed its travellers for the actual costs of laundry plus business meals. A.I.D. had previously considered business meals to be a form of entertainment since the A.I.D. Project Officer disapproved this type of cost as a budget line item. The procedure followed by Pathfinder is not logical as it mixes actual costs and a per diem allowance.

#### RECOMMENDATION NO. 4

The Contract/Grant Officer, CM/COD/PHA, should:

- (a) Direct Pathfinder to either (1) establish its own travel reimbursement procedures based on per diem or actual costs or (2) if it chooses to follow the Standardized Government Travel Regulations, apply them without modification.
- (b) Instruct Pathfinder that business meals are not reimbursable regardless of the option chosen.
- (c) Inform Pathfinder that should option (a)(1) be selected, the procedures/rates should be approved by CM/COD/PHA prior to implementation.

### Financial Reporting

Pathfinder submitted, on a monthly basis, "No-Pay" Standard Form 103b (Public Voucher for Purchases and Services Other than Personal) to A.I.D. Controller accounting for actual costs incurred during the reporting period. Those vouchers included not only costs incurred but also payments made by A.I.D. for commodities, related transportation costs and travel in excess currency countries. Often, these additional charges were on an estimated rather than an actual basis. The results were twofold, (1) the payments made directly by A.I.D. were duplicated on the A.I.D. Controller's books and (2) where those costs were estimates, the second entry was inflated.

Actual costs for A.I.D. payments are required for calculation of the annual overhead rate applicable to the Pathfinder contract, determination of the overhead allowable on the monthly financial reports, and computation of the final settlement upon contract/grant termination.

RECOMMENDATION NO. 5

*The Contract/Grant Officer, CM/COD/PHA, should direct Pathfinder to segregate, preferably as an exhibit or footnote, A.I.D. direct payments in monthly financial reports to A.I.D. and include only actual costs for such payments.*

Overhead on Local Currency Grant

Grant No. AID/nesa-392 which expired on June 30, 1972, provided that the Pathfinder home office overhead costs applicable to USAID (local currency) Grant No. AID/386-1651 would be chargeable thereto. Follow-on Grant No. AID/csd-1870 which was subsequently succeeded by current Grant No. AID/CM/pha-G-73-15 did not provide for the continued application of overhead allocable to USAID Grant No. AID/386-1651. However, Pathfinder continued the practice of charging this expense to the follow-on and current successor grants.

RECOMMENDATION NO. 6

*Grant Officer, CM/COD/PHA, should Grant No. AID/CM/pha-G-73-15 to provide that the Pathfinder home office overhead costs applicable to USAID Grant No. AID/386-1651 be charged thereto.*

Evaluation

Statement of Goals

The Pathfinder Director of Operation and Administration stated that certain projects have goals which have not been reduced to writing. It was claimed that these goals were not necessarily known by the Project Director in the field although they were known to the Pathfinder staff. As a result, one of the criteria necessary to evaluate a project or program was not documented.

## RECOMMENDATION NO. 7

*The Project Officer, PHA/POP, should direct Pathfinder to state the goals of every project in writing.*

### Evaluation Reviews

The Operations Appraisal Staff of the Auditor General's Office (AG/OAS), in its report issued October 27, 1972, entitled "A Review of the Relationship Between the Pathfinder Fund and the Agency for International Development under Grant No. AID/csd-1870," stated that evaluations are inadequate, because they:

- are too subjective
- do not follow a systematic approach
- reporting criteria as to content, coverage and format has not been developed

A subsequent report, dated January 8, 1973, by an evaluation team engaged by Pathfinder stated that:

- the development of specific evaluation plans for each project were needed
- a philosophy and methodology for evaluation should be developed
- subsequent field training in this methodology should be instituted in order to improve compatibility between field reports and data needed for the evaluation process.

### Policies and Procedures

Pathfinder does not have written policy or procedures concerning the in-house evaluation of projects, nor is there a set of criteria for evaluating the degree of success of a project or program. Further, the technical expertise needed to evaluate family planning projects is lacking.

However, we were advised that the AID/Washington Evaluation Officer for the Bureau for Population and Humanitarian Assistance is currently working with Pathfinder on evaluation matters; therefore no recommendation is made.

## BACKGROUND AND SCOPE

### Background

#### Contract No. AID/csd-1573 (June 30, 1967 - June 29, 1973)

The contract was to establish a family planning evaluation center within the Pathfinder Fund to provide:

- (a) Research to develop means of fertility control primarily through a series of discrete studies.
- (b) Development of training and informational materials for family planning workers summarizing latest research findings for the LDC worker and prepared in the local language of such work as.
- (c) Operational research to improve utilization of family planning services in less developed countries and to speed introduction of new methods and techniques into such family planning programs.
- (d) Up to five short term fellowships to further the purposes of the program at a cost of approximately \$2,000 each.

#### Grant No. AID/csd-1870 (January 13, 1968 - July 31, 1973)

The grant objective is to extend family planning information and services by helping interested individuals, organizations and institutions, which are not receiving assistance from other sources, establish centers for this purpose. The assistance is aimed at enabling these centers, to become sufficiently established to acquire continuing support from local private sources or from large private and international organizations or governments. Assistance is provided to enable these groups or individuals to stimulate greater public interest and participation in family planning.

The second objective of this grant is to provide interim support for family planning information and services, upon request, to selected facilities of a quasi-government or even government nature in countries where the government is unable at present to mount official family planning program or to provide such assistance directly. The purpose is to help support family planning services already in operation or planned and to encourage the development of government policies and programs by building up centers of experience and demonstrating public receptivity to the extension of family planning services.

Through June 30, 1973, Pathfinder had made 196 subgrants for projects in 46 countries plus 23 multi-country subgrants.

In order to continue effective use of the broad experience and demonstrated competency of Pathfinder in the field of population/family planning, A.I.D. awarded follow-on Grant No. AID/CM/pha-G-73-15 which is effective for the period June 30, 1973 through June 29, 1974, and provides \$4,675,000 plus 4,570,200 monthly cycles of oral contraceptives having an estimated cost to A.I.D. of not to exceed \$700,000.

### Scope

We made a final audit of costs reimbursed Pathfinder under Contract No. AID/csd-1573 and an interim audit of cost reimbursements under Grant No. AID/csd-1870. Both audits covered the period July 1, 1972 through June 30, 1973, and included a review of pertinent records and procedures at The Pathfinder Fund home office in Chestnut Hill, Massachusetts.

Our review was made in accordance with generally accepted auditing standards and included such tests of the accounting records and related supporting documentation as were considered necessary in the circumstances. The review took into consideration the (a) propriety of the costs claimed under the contract and grant, (b) adequacy of contractor/grantee's financial and administrative performance, (c) adequacy of A.I.D.'s administration of the grant and, (d) accountability for subgrant funds by individuals and/or organizations overseas.

THE PATHFINDER FUND  
 SUMMARY OF TOTAL CONTRACT/GRANT COSTS AND AUDIT ADJUSTMENTS  
 July 1, 1972 through June 30, 1973

| <u>Contract/Grant No.</u> | <u>Costs Claimed</u>  | <u>Audit Adjustments</u> |                       |                       | <u>Costs Accepted</u>           |
|---------------------------|-----------------------|--------------------------|-----------------------|-----------------------|---------------------------------|
|                           |                       | <u>Disallowed</u>        | <u>Suspended</u>      | <u>Total</u>          |                                 |
| <u>Current Period:</u>    |                       |                          |                       |                       |                                 |
| 1/AID/csd-1573            | \$ 20,194.26          | \$ -0-                   | \$ 20,194.26          | \$ 20,194.26          | \$ -0- <sup>3/</sup>            |
| 2/AID/csd-1870            | <u>2,536,506.05</u>   | <u>104,357.21</u>        | <u>2,214,157.46</u>   | <u>2,318,514.67</u>   | <u>217,991.38</u> <sup>4/</sup> |
| Subtotal                  | <u>\$2,556,700.31</u> | <u>\$104,357.21</u>      | <u>\$2,234,351.72</u> | <u>\$2,338,708.93</u> | <u>\$217,991.38</u>             |
| <u>Prior Periods:</u>     |                       |                          |                       |                       |                                 |
| 1/AID/csd-1573            |                       | \$ 95,364.80             | \$ 25,758.14          | \$ 121,122.94         | \$ -0- <sup>3/</sup>            |
| 2/AID/csd-1870            |                       | <u>4,476.52</u>          | <u>-0-</u>            | <u>4,476.52</u>       | <u>-0-</u> <sup>3/</sup>        |
| Subtotal                  |                       | <u>99,841.32</u>         | <u>25,758.14</u>      | <u>125,599.46</u>     | <u>-0-</u>                      |
| GRAND TOTAL               |                       | <u>\$204,198.53</u>      | <u>\$2,260,109.86</u> | <u>\$2,464,308.39</u> | <u>\$217,991.38</u>             |

EXPLANATORY NOTES:

1/ Represents a contract.

2/ Represents a grant.

3/ See Exhibit B.

4/ See Exhibit C.

THE PATHFINDER FUND  
Contract No. AID/csd-1573 (Global)  
SUMMARY OF CONTRACT COSTS AND AUDIT ADJUSTMENTS  
July 1, 1972 through June 30, 1973

| Cost Category        | Per A.I.D. Report No. 74-154 | Costs Accepted June 30, 1972 |                         |                       | Revised Totals        | Current Audit Period |                         |                | Costs Accepted June 29, 1973 |
|----------------------|------------------------------|------------------------------|-------------------------|-----------------------|-----------------------|----------------------|-------------------------|----------------|------------------------------|
|                      |                              | Disallowed                   | Suspended               | Total                 |                       | Costs Claimed        | Costs Suspended         | Costs Accepted |                              |
| Salaries             | \$ 472,339.88                | \$ -                         | \$ -                    | \$ -                  | \$ 472,339.88         | \$ -                 | \$ -                    | \$ -           | 472,339.88                   |
| Fringe Benefits      | 16,772.51                    | -                            | -                       | -                     | 16,772.51             | -                    | -                       | -              | 16,772.51                    |
| Consultant Services  | 29,006.04                    | -                            | -                       | -                     | 29,006.04             | -                    | -                       | -              | 29,006.04                    |
| Travel and Transp.   | 52,586.76                    | -                            | -                       | -                     | 52,586.76             | -                    | -                       | -              | 52,586.76                    |
| Office Expenses      | 120,755.25                   | -                            | -                       | -                     | 120,755.25            | -                    | -                       | -              | 120,755.25                   |
| Publications         | 24,027.25                    | -                            | -                       | -                     | 24,027.25             | -                    | -                       | -              | 24,027.25                    |
| Other Direct Costs   | 318,390.72                   | 61,973.69                    | 21,392.12 <sup>a/</sup> | 318,390.72            | 318,390.72            | 17,101.61            | 17,581.63 <sup>a/</sup> | -              | 318,390.72                   |
| Medical Supplies     | 139,951.70                   | -                            | -                       | -                     | 139,951.70            | -                    | -                       | -              | 139,951.70                   |
| Fellowships          | 9,700.00                     | -                            | -                       | -                     | 9,700.00              | -                    | -                       | -              | 9,700.00                     |
| Administrative Costs | 61,973.69                    | 17,101.63                    | 17,581.63 <sup>a/</sup> | 61,973.69             | 61,973.69             | 2,612.63             | 2,612.63 <sup>a/</sup>  | -              | 61,973.69                    |
| <b>Total</b>         | <b>\$1,245,293.81</b>        | <b>\$61,973.69</b>           | <b>\$21,392.12</b>      | <b>\$1,245,293.81</b> | <b>\$1,245,293.81</b> | <b>\$19,315.26</b>   | <b>\$19,194.26</b>      | <b>\$ -</b>    | <b>\$1,245,293.81</b>        |

ADDITIONAL NOTES:

<sup>a/</sup> Represents costs claimed by New York Medical College (NYMC) under subcontracts with Pathfinder, determined to be unallowable as a result of audit conducted by the Department of Health, Education and Welfare (HEW).

| Subcontract Numbers | Amount Disallowed         |
|---------------------|---------------------------|
| 48-800-1            | \$22,125.56 <sup>a/</sup> |
| 48-800-2            | 39,635.00 <sup>a/</sup>   |
| 48-804-1            | 21,712.00 <sup>a/</sup>   |
| <b>Total</b>        | <b>\$83,472.56</b>        |

<sup>a/</sup> Represents adjustments, as follows:

(1) Cost disallowances in A.I.D. Audit Report No. 74-154 based upon audits by HEW.

\$17,242.00

THE PATHFINDER FUND  
Contract No. AID/csd-1573 (Global)  
SUMMARY OF CONTRACT COSTS AND AUDIT ADJUSTMENTS  
July 1, 1972 through June 30, 1973

EXPLANATORY NOTES: (Continued)

- (2) Amount disallowed in A.I.D. Audit Report No. 74-154 which was never paid to the subcontractor or reimbursed by A.I.D. (709.00)  
(3) Adjustment of overhead based upon audited overhead rates, determined as follows: 5,592.56

| Calendar Year   | Direct Salaries    |                   |                    | Audited Overhead Rates | Allowable Overhead    |
|---|--------------------|-------------------|--------------------|------------------------|-----------------------|
|   | Claimed            | Disallowed        | Accepted           |                        |                       |
| 1969  | \$11,181.55        | \$2,813.00        | \$ 8,368.55        | 51.00%                 | \$4,267.96            |
| 1970  | 28,396.16          | 5,668.00          | 22,708.16          | 20.90%                 | 4,746.00              |
| Total   | <u>\$39,577.71</u> | <u>\$8,501.00</u> | <u>\$31,076.71</u> |                        | (A) <u>\$9,013.96</u> |
| Reimbursed Overhead (\$18,601.52 less HEW Disallowance of \$3,995.00) |                    |                   |                    |                        | (B) <u>14,606.52</u>  |
| Unallowable Overhead (B) - (A)  |                    |                   |                    |                        | <u>\$5,592.56</u>     |

Total

\$22,125.56

- b/ Represents cost disallowances in A.I.D. Audit Report No. 74-154 based upon audits by HEW  
c/ Represents adjustments, as follows:

- (1) Cost disallowances in A.I.D. Audit Report No. 74-154 based upon audits by HEW. \$24,075.00  
(2) HEW disallowances reinstated as allowable costs. (2,363.00)

Total

\$21,712.00

THE PATHFINDER FUND  
Contract No. AID/csd-1573 (Global)  
SUMMARY OF CONTRACT COSTS AND AUDIT ADJUSTMENTS  
July 1, 1972 through June 30, 1973

EXPLANATORY NOTES: (Continued)

2/ Represents costs claimed by New York Medical College (NYMC), under subcontracts with Pathfinder, which have been suspended pending further audit effort by HEW:

| <u>Subcontract<br/>Numbers</u> | <u>Amount<br/>Disallowed</u> |
|--------------------------------|------------------------------|
| 48-800-2                       | \$ 5,226.73 <sup>a/</sup>    |
| 48-804-1                       | 2,663.63 <sup>a/</sup>       |
| 48-804-2:                      |                              |
| Direct Costs                   | 10,079.18 <sup>b/</sup>      |
| Overhead                       | 4,369.58 <sup>a/</sup>       |
| <br>Total                      | <br><u>\$22,339.12</u>       |

a/ Work on this subcontract took place during the period September 24, 1970 through May 31, 1972. While HEW has established audited overhead rates through Calendar Year 1970, they have not as yet established audited overhead rates for Calendar Years 1971 through 1973, inclusive. Pending establishment of audited rates for these three periods, we have suspended all overhead costs claimed by NYMC.

b/ These costs have been suspended pending an audit by HEW.

3/ Represents Pathfinder's overhead applicable to the direct costs disallowed in Note 1/ above, as follows:

|  | <u>Subcontract Nos.</u> |                    |                    | <u>Total</u>       |
|--|-------------------------|--------------------|--------------------|--------------------|
|  | <u>48-800-1</u>         | <u>48-800-2</u>    | <u>48-804-1</u>    |                    |
| Disallowed Direct Costs (A)                                      | <u>\$22,125.56</u>      | <u>\$39,638.00</u> | <u>\$21,712.00</u> | <u>\$83,475.56</u> |
| Average Audited Overhead Rate (B)<br>(during subcontract period) | 17.38%                  | 16.12%             | 16.12%             |                    |
| Unallowable Overhead (A)x(B)                                     | <u>\$ 1,999.62</u>      | <u>\$ 6,389.65</u> | <u>\$ 3,499.97</u> | <u>\$11,889.24</u> |

THE PATHFINDER FUND  
Contract No. AID/csd-1573 (Global)  
SUMMARY OF CONTRACT COSTS AND AUDIT ADJUSTMENTS  
July 1, 1972 through June 30, 1973

EXPLANATORY NOTES: (Continued)

4/ Represents Pathfinder overhead applicable to the direct costs suspended in Note 2/ above, as follows:

|   | Subcontract Nos. |            |             | Total       |
|---|------------------|------------|-------------|-------------|
|   | 48-800-2         | 48-804-1   | 48-804-2    |             |
| Suspended Direct Costs (A)                                      | \$5,226.73       | \$2,663.63 | \$14,448.76 | \$22,339.12 |
| Average Audited Overhead Rate(B)<br>(during subcontract period) | 16.12%           | 16.12%     | 14.86%      |             |
| Unallowable Overhead (A)x(B)                                    | \$ 812.55        | \$ 429.38  | \$ 2,147.09 | \$ 3,419.02 |

5/ Represents adjustments, as follows:

|   |             |
|---|-------------|
| (a) Costs claimed for Subcontract No. 48-804-2 with New York Medical College (NYMC) which are suspended pending an audit by the cognizant audit agency - HEW.   | \$14,753.34 |
| (b) Costs claimed for Subgrant No. 2025 (Colombia and Costa Rica: Vasectomy Users Satisfaction Study) which have been suspended pending appropriate action by Pathfinder to correct the deficiencies noted during our review regarding financial reports and audits of subgrants (see Finding in the audit report narrative). | 2,828.29    |
| Total   | \$17,581.63 |

6/ Represents Pathfinder overhead applicable to the direct costs suspended in Note 5/ above ( $\$17,581.63 \times 14.86\% = \$2,612.63$ ).

THE PATHFINDER FUND  
Grant No. AID/csd-1870 (Global)  
Summary of Grant Costs and Audit Adjustments  
July 1, 1972 through June 30, 1973

| Cost Category        | Costs Accepted June 30, 1972 |                        |                       | Current Audit Period (July 1, 1972 - June 30, 1973) |                         |                             |                       | Costs Accepted      | Costs Accepted 6/30/72 |
|----------------------|------------------------------|------------------------|-----------------------|---|-------------------------|-----------------------------|-----------------------|---------------------|------------------------|
|                      | Per Audit Report No. 73-233  | Costs Disallowed       | Revised Totals        | Costs Claimed                                       | Disallowed              | Audit Adjustments Suspended | Total                 |                     |                        |
| Contraceptives       | \$1,692,009.91               | \$ -                   | \$1,692,009.91        | \$ -  | \$ -                    | \$ -                        | \$ -                  | \$ -                | \$1,692,009.91         |
| Subgrants            | 1,684,961.84                 | -                      | 1,684,961.84          | 1,920,359.00  | 47,855.52 <sup>2/</sup> | 1,872,503.48 <sup>2/</sup>  | 1,920,359.00          | -                   | 1,684,961.84           |
| Other Direct Costs   | 275,595.06                   | 3,897.37 <sup>1/</sup> | 271,697.69            | 285,026.41  | 56,150.20 <sup>3/</sup> | 55,197.60 <sup>6/</sup>     | 111,347.80            | 173,678.61          | 445,286.00             |
| Administrative Costs | 597,602.98                   | 579.15 <sup>1/</sup>   | 597,023.83            | 331,120.64  | 351.49 <sup>4/</sup>    | 286,456.38 <sup>7/</sup>    | 286,807.87            | 44,312.77           | 641,336.61             |
| <b>Total</b>         | <u>\$4,250,079.79</u>        | <u>\$4,476.52</u>      | <u>\$4,245,603.27</u> | <u>\$2,556,506.05</u>                               | <u>\$104,357.21</u>     | <u>\$2,214,157.46</u>       | <u>\$2,318,514.67</u> | <u>\$217,991.38</u> | <u>\$4,463,594.65</u>  |

Explanatory Notes:

- 1/ Pathfinder in its letter dated October 16, 1972, advised A.I.D. that an audit of their field office in the Philippines covering the Fiscal Year ended June 30, 1972, disclosed that one of their employees had improperly used funds provided by Pathfinder/Boston. Further, as a result A.I.D. was entitled to a refund of \$3,897.37 in other direct costs. The Office of Audit (AO/AUD) in its Audit Report No. 73-206, dated December 11, 1972, confirmed that this sum was due A.I.D. but no action was ever taken to settle the matter. As a result, we have disallowed the \$3,897.37 in this report plus the applicable overhead based upon the audited overhead rate for the FY ending June 30, 1972 of 14.86 percent (\$3,897.37 x 14.86% = \$579.15).
- 2/ Represents a payment for commodities made by A.I.D. on behalf of Pathfinder. Pathfinder erroneously claimed this amount as their own costs, therefore it has been disallowed.
- 3/ The Program Operations Directors (POD) at Pathfinder/Boston, as well as Pathfinder's overseas representatives, perform work on both A.I.D. projects and Pathfinder's own projects. Article I.B., Amendment No. 10 to Grant No. AID/csd-1870 (signed June 30, 1971) states that "The Grantee shall be reimbursed for the reasonable, allocable and allowable costs of services provided in (these) positions for purposes of carrying out the objectives of this grant". Therefore, on the basis of this, A.I.D. should be charged with only its fair share of the costs associated with these employees. We found that A.I.D. was actually bearing 100 percent of these costs through June 30, 1973; however, on July 1, 1973 Pathfinder revised its accounting system so that all such costs were charged to overhead.

THE PATHFINDER FUND  
Grant No. AID/csd-1870 (Global)  
Summary of Grant Costs and Audit Adjustment  
July 1, 1972 through June 30, 1973

Explanatory Notes:

3/ (cont.)

Utilizing total direct costs as the allocation base, we determined that \$56,150.20 charged to A.I.D. in the FY ending June 30, 1973 as program support costs was unallowable since it was applicable to Pathfinder's own programs. Computation of adjustment, is as follows:

|  |                            |
|--|----------------------------|
| Direct Costs Charged to Pathfinder's Own Programs<br>(FYE June 30, 1973)                     | (A) \$ <u>480,967.32</u>   |
| Total Direct Costs (FYE June 30, 1973)   | (B) \$ <u>2,441,790.69</u> |
| Direct Costs of Pathfinder's Own Programs as a Percentage<br>of Total Direct Costs (A) ÷ (B) | (C) <u>19.7%</u>           |
| Total Program Support Costs Charged to A.I.D.<br>(FYE June 30, 1973)                         | (D) \$ <u>224,026.41</u>   |
| Portion of the Program Support Costs Applicable to<br>Pathfinder's Own Programs (C) x (D)    | \$ <u>56,150.20</u>        |

Mr. Gaines Turner, Director of Operations and Administration, did not agree with the disallowance. He stated that A.I.D. has known all along that the P.O.D.s and overseas representatives did not work full time on A.I.D. projects but that 100 percent of the costs associated with them were charged to and approved by A.I.D. He also commented that back in 1970, he informed A.I.D. that Pathfinder wanted to charge their program support costs to overhead, but that A.I.D. wouldn't approve it. He added that this disallowance violates a firm understanding which Pathfinder has had with A.I.D. through June 30, 1973. We discussed Mr. Turner's position with the A.I.D. officials with whom the understanding was reportedly reached. They only recall that those positions working 100% on A.I.D. projects were to be charged directly to A.I.D.

THE PATHFINDER FUND  
Grant No. AID/csd-1870 (Global)  
Summary of Grant Costs and Audit Adjustment  
July 1, 1972 through June 30, 1973

Explanatory Notes:

4/ Represents adjustment as follows:

- |  |                   |
|--|-------------------|
| a. Provisional overhead claimed on the disallowed costs in Note 3, above<br>(\$56,150.20 x 14.86%)                   | \$8,343.92        |
| b. Adjustment of overhead claimed on the allowable direct costs based upon<br>the audited overhead rate, as follows: | <u>(7,992.43)</u> |

Grant No. AID/csd-1870:

|  |                         |
|--|-------------------------|
| A.I.D. payments  | \$ 47,859.52            |
| Allowable Direct Costs   | 173,678.61              |
| <u>Grant No. AID/386-1869</u>  | <u>22,852.74</u>        |
| Total Direct Costs   | (A) <u>\$244,410.87</u> |
| Audited Overhead Rate (16.13%)<br>(in excess of provisional<br>overhead rate 14.86%) | (B) <u>3.27%</u>        |

|   |                    |
|---|--------------------|
| Additional Amount Due Pathfinder<br>(A) x (B) | <u>\$ 7,992.43</u> |
|---|--------------------|

|       |                  |
|-------|------------------|
| Total | <u>\$ 351.49</u> |
|-------|------------------|

THE PATHFINDER FUND  
Grant No. AID/csd-187C (Global)  
Summary of Grant Costs and Audit Adjustment  
July 1, 1972 through June 30, 1973

Explanatory Notes:

- 5/ Represents all subgrant costs claimed for the Fiscal Year ended June 30, 1973, except that portion which has been disallowed. These costs have been suspended pending appropriate action by Pathfinder to correct the deficiencies noted during our review regarding financial reports and audits of subgrants (see Finding No. 2 in the audit report narrative).
- 6/ Pathfinder/Boston receives a monthly expenditure report from each regional and field representative stationed overseas which contains a summary, by cost category, of the expenses incurred. Supporting documentation, such as bills, invoices and receipts, is retained by the overseas representatives, and therefore the reported costs cannot be audited at the Pathfinder/Boston office. The cost of Pathfinder's two biggest overseas operations; namely, its Philippines and Indonesia field offices have been suspended pending an audit by the cognizant AAG of the costs reported by these two operations.
- 7/ Represents provisional overhead charges applicable to the direct costs which have been suspended as follows:

Direct Costs Suspended

|                                    |                           |
|------------------------------------|---------------------------|
| Subgrants                          | \$1,872,503.48            |
| Other Direct Costs                 | <u>11,197.60</u>          |
| Total                              | (A) <u>\$1,927,701.08</u> |
| Provisional Overhead Rate          | (B) <u>15.26%</u>         |
| Suspended Overhead Costs (A) x (B) | <u>\$ 286,456.38</u>      |

**THE PATHFINDER FUND**  
**Overhead Rate Computation**  
**Fiscal Year Ended June 30, 1973**

| <u>Indirect Expenses</u>              | <u>Costs Claimed<br/>And Accepted</u> |
|---------------------------------------|---------------------------------------|
| Salaries and Wages                    | \$ 297,744.46                         |
| Benefits                              | 35,424.95                             |
| Fees                                  | 16,335.12                             |
| General Administration                | 25,691.76                             |
| Travel and Living                     | 43,620.18                             |
| Commodities Other Than Contraceptives | 12,578.21                             |
| Purchased Services                    | 62,253.62                             |
| Education and Training                | <u>793.00</u>                         |
| <br>Total Indirect Expenses           | <br>(A) \$ <u>494,441.30</u>          |
| <br><u>Direct Expenses</u>            |                                       |
| Pathfinder's Own Programs             | \$ 480,967.32                         |
| Contract No. AID/csd-1573             | 17,581.63                             |
| Grant No. AID/csd-1870                | 2,205,385.41                          |
| Grant No. AID/386-1651                | <u>22,882.74</u>                      |
| <br>Total Direct Expenses             | <br>(B) <u>\$2,726,817.10</u>         |
| <br>Overhead Rate (A) ÷ (B)           | <br><u><u>18.13%</u></u>              |

THE PATHFINDER FUND  
Status of Contract and Grant Funds  
As of June 30, 1973

Contract No. AID/csd-1573

Grant No. AID/csd-1870

|                                     |                       |                        |
|-------------------------------------|-----------------------|------------------------|
| Total PIC/T's per SER/FM<br>Records | <u>\$1,483,000.00</u> | <u>\$11,055,000.00</u> |
| Contract/Grant Ceiling              | \$1,483,000.00        | \$11,055,000.00        |
| Amount Reimbursed:                  |                       |                        |
| Costs Audited -                     |                       |                        |
| Approved Prior Audits               | \$1,245,293.81        | \$4,245,603.27         |
| Approved Current Audit              | -                     | <u>217,991.38</u>      |
| Subtotal                            | <u>\$1,245,293.81</u> | <u>\$4,463,594.65</u>  |
| Audit Adjustments Applicable to:    |                       |                        |
| Prior Audit Periods                 | \$ 121,122.94         | \$ 4,476.52            |
| Current Audit Period                | <u>20,194.26</u>      | <u>2,318,514.67</u>    |
| Subtotal                            | <u>\$ 141,317.20</u>  | <u>\$2,322,991.19</u>  |
| Total Reimbursed                    | <u>\$1,386,611.01</u> | <u>\$6,786,585.84</u>  |
| A.I.D. Commodity Payments           | -                     | <u>47,855.52</u>       |
| Total Project Cost                  | <u>\$1,245,293.81</u> | <u>\$4,511,450.17</u>  |
| Contract/Grant Balance Remaining    | <u>\$ 237,706.19</u>  | <u>\$6,543,549.83</u>  |

**THE PATHFINDER FUND**  
**LIST OF AUDIT RECOMMENDATIONS**

| <b><u>NO.</u></b> | <b><u>RECOMMENDATION</u></b>  | <b><u>PAGE</u></b> |
|-------------------|---|--------------------|
| 1                 | <p>The Contract/Grant Officer, CM/COD/PHA, and the Project Officer, PHA/POP, should:</p> <p>(a) disallow the questioned costs and obtain a refund of \$204,198.53</p> <p>(b) resolve the acceptance of \$2,260,109.86 in claimed costs.</p>   | 2                  |
| 2                 | <p>The Contract/Grant Officer, CM/COD/PHA, should assure Pathfinder:</p> <p>(a) enters into written agreements with each subgrantee which will protect the interest of A.I.D., Pathfinder and the subgrantee</p> <p>(b) obtains financial reports for the 42 advances and institutes a system to identify and flag delinquent financial reports due from subgrantees</p> <p>(c) has audits made of A.I.D. financed subgrants, and establishes controls to assure future audits of subgrants are made as required</p> <p>(d) issues revised guidelines to IPA's which conform to the requirements of the A.I.D. grant.</p> | 4                  |
| 3                 | <p>The Contract/Grant Officer, CM/COD/PHA, should direct Pathfinder to:</p> <p>(a) Review the costs charged to Contract No. AID/csd-1573 and Grant No. AID/csd-1870 in order to identify all accountable items of equipment purchased.</p>  | 4                  |

THE PATHFINDER FUND

LIST OF AUDIT RECOMMENDATIONS

| <u>NO.</u> | <u>RECOMMENDATION</u>  | <u>PAGE</u> |
|------------|--|-------------|
|            | (b) Report all the accountable property to A.I.D. in order that appropriate disposition action may be taken.   |             |
| 4          | The Contract/Grant Officer, CM/COD/PHA, should:<br><br>(a) Direct Pathfinder to either (1) establish its own travel reimbursement procedures based on per diem or actual costs or (2) if it chooses to follow the Standardized Government Travel Regulations, apply them without modification.<br><br>(b) Instruct Pathfinder that business meals are not reimbursable regardless of the option chosen.<br><br>(c) Inform Pathfinder that should option (a)(1) be selected, the procedures/rates should be approved by CM/COD/PHA prior to implementation. | 5           |
| 5          | The Contract/Grant Officer, CM/COD/PHA, should direct Pathfinder to segregate, preferably as an exhibit or footnote, A.I.D. direct payments in monthly financial reports to A.I.D. and include only actual costs for such payments.  | 6           |
| 6          | Grant Officer, CM/COD/PHA, should amend Grant No. AID/CM/pha-G-73-15 to provide that the Pathfinder home office overhead costs applicable to USAID Grant No. AID/386-1651 be charged thereto.  | 6           |
| 7          | The Project Officer, PIM/POP, should direct Pathfinder to state the goals of every project in writing.   | 7           |

THE PATHFINDER FUND

DISTRIBUTION OF THE AUDIT REPORT

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