



Auditor General

PLANNED PARENTHOOD FEDERATION OF AMERICA

GRANT NUMBER : AID/csd-3289 (Global)
GRANT CEILING : \$13,500,000
EXPIRATION DATE: August 31, 1975
PROJECT NUMBER : 932-11-580-955
PROJECT NAME : Family Planning Programs for Church World Services
and Charitable Organizations
AUDIT PERIOD : June 30, 1971 through December 31, 1974
TYPE OF AUDIT : Interim

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TABLE OF CONTENTS

	<u>PAGE</u>
INTRODUCTION	1
SUMMARY	1
FINDINGS AND RECOMMENDATIONS	4
Grant Costs	4
Travel Expense Reports	4
Unutilized Space	5
Review of Sub-grants	6
Consultants	6
Grant Terms	7
Inventories	8
Reporting	10
Accounting Controls	11
BACKGROUND AND SCOPE	12
GENERAL COMMENTS	13
EXHIBIT A - Summary of Costs Claimed and Audit Adjustments	14
EXHIBIT B - Adjustments to Inventories Reported on Stock Status Report	16
EXHIBIT C - List of Recommendations	18
DISTRIBUTION OF AUDIT REPORT	20

INTRODUCTION

Planned Parenthood Federation of America (PPFA) is an association of some 190 community planned parenthood organizations located throughout the United States. PPFA has conducted fund raising activities for the International Planned Parenthood Federation but they have conducted no overseas programs prior to the AID grant.

The overall purpose of Grant AID/csd-3289 is the improvement and expansion of family planning services in lesser developed countries throughout the world. PPFA established a separate department, the Family Planning International Assistance (FPIA) to carry out its work under this AID grant. PPFA was responsible for furnishing technical services, management leadership, and effective, proper use of commodities and all other resources provided for the program.

SUMMARY

We have summarized below those findings which we believe are significant and warrant positive action by cognizant AID management.

Of a total \$8,320,391 in costs claimed by PPFA for calendar years 1971 and 1974, we have questioned \$421,676 of indirect costs because of differences between provisional and audited overhead rates (page 4 and Exhibit A).

It is recommended:

- that proper cost settlement and recoveries be made, where appropriate, considering detailed exhibit information and using negotiated final overhead rates.

Unused airline tickets were found in files of 21 percent of processed Travel Expense Reports, (TER's) reviewed. Potential loss or mis-use of tickets and attendant refunds exists because PPFA is not implementing sound basic procedures to obtain refunds. Reimbursement of the cost of these unused tickets effectively accrues such losses to AID (page 4).

It is recommended:

- that corrective actions be completed and recoveries be made by AID.

Travel expenses reviewed could not be identified as applicable to the AID program due to a lack of information. PPFA corrective action is needed (page 5).

It is recommended:

- that appropriate corrective actions be completed and recoveries be made by AID.

PPFA continues to charge AID for unused space. Our previous audit reported this issue for management action. Provisions of the Federal Procurement Regulations, incorporated in the grant, need to be enforced by AID. Reimbursements for unused space should be recovered from PPFA; no further payments should be made by AID for unused space (page 6).

It is recommended:

--that appropriate action be taken to preclude further payments by AID for unused space and previous payments be recovered.

Grant requirements for audit of sub-grants have not been met by PPFA,--action is required by AID (page 6).

It is recommended:

--that prompt, effective action be taken to obtain required reports.

Consultants were reimbursed at higher rates than necessary because grant terms did not clearly specify AID policy requirements. Corrective action has been made through grant amendment (page 7).

Grant terms and conditions were not incorporated into a subagreement because the prime grant terminology is vague (page 8).

It is recommended:

--that the reasonableness of sub-agreement costs be determined and grant terms and conditions be clarified with respect to subagreements.

Inventory conditions are less than satisfactory:

a-based on shipments overseas during the year ended June 30, 1975, some inventories on-hand are excessive -- over a ten-year's supply of condoms, over a three-year's supply of oral pills and of loops; others are under needs -- less than a 7-day supply of Emko Foam and less than a six-month supply of at least six other products. Effective action is needed to re-program excess stocks and to maintain reasonable on-hand balances needed for this program (page 8).

b-a complete physical inventory has not been made since 1973 although this is an annual requirement under the subagreement between PPFA and Church World Services (CWS). Regular physical inventories must be made to assure the integrity of status reports and to maintain an effective control over unexplained increases and decreases (page 9).

c-AID management has not requested or been furnished with inventory data. Such data should be obtained routinely by AID management to assure that achievement of program objectives is not hampered by inventory problems. (page 10).

d-stock status reports showed numerous unexplained adjustments to PPFA inventories; close to \$48,000 in decreases and over \$59,000 of increases were reported as adjustments to inventories but neither PPFA nor the Bretheren Services Center (BSC) could furnish explanations. Shortages need to be accounted for and recovery made by AID, where applicable. Adjustments must be supported under future procedures (page 10 and Exhibit B).

e-storage conditions can be improved, especially with respect to condoms; high temperatures accelerate deterioration of these contraceptives. FPIA should require corrective action by the warehouse operators (page 10).

It is recommended:

- that records be maintained on storage conditions and commodity condition and shelf life be closely monitored.
- that the grant be amended to require the maintenance of reasonable stock levels through the establishment of re-order levels.
- that excess stocks be re-programmed promptly to locations needing them.
- periodic inventory data be furnished AID, physical inventories be made on a regular basis, and inventory adjustments be explained.
- shortages reported (Exhibit B) be either accounted for or recovery made by AID of their values.

Grant requirements for reporting status of commodity procurement and inventory to AID have not been enforced.

It is recommended:

- that corrective action be taken to assure AID management that stock levels are appropriate and under proper maintenance and control by PPFA (page 10).

Recommended corrections of internal controls related to accounting procedures have not yet been implemented although reported by an independent CPA firm over a year ago. As a result, AID has been billed for unnecessary administrative costs.

It is recommended:

- that the Grant Officer require prompt effective action by the Grantee in view of discrepancies found in our current audit (page 12).

FINDINGS AND RECOMMENDATIONS

Grant Costs

PPFA has claimed costs totaling \$8,320,391.31 for the period covered by our audit. We have questioned \$421,703.11 of these costs, as detailed in Exhibit A.

Indirect Cost Rates

Virtually all of the costs questioned (\$421,676) are directly related to audit adjustments of provisional indirect cost rates for CY 1971-74. Exhibit A shows the recommended indirect cost rates to be applied to each of these years, based on our audit.

Recommendation No. 1

The Contracting Officer, CM/COD/PHA, in coordination with CM/SD/OSC, should determine the acceptability of the Grantee's performance and ensure proper settlement of the costs through (a) the use of negotiated final overhead rates, and (b) information contained in Exhibit A, including recovery of improper reimbursements.

Travel Expense Reports

Our review of randomly selected travel documents showed that PPFA procedures are inefficient and costly to AID.

The TER's reviewed did not contain sufficient information to determine whether travel costs claimed were applicable to the AID program; nor whether claimed travel was necessary.

An examination of nineteen randomly selected TER's showed that one employee was paid on a per diem basis and also reimbursed \$27.36 for tax on hotel bills. Our examination also showed that unused airline tickets were filed with four of the paid TER's. This high percentage (21%) of unused airline tickets in the completed paid files indicates that refunds are not being obtained, and equally important, that unused tickets are subject to loss or misuse. Any losses of refunds or tickets due to inefficient PPFA procedures are actually losses to AID since PPFA has already claimed and received reimbursement for the cost of these tickets. There is no sound basis for AID to accept losses due to incompetent management by PPFA.

Recommendation No. 2

The Grant Officer, CM/COD/PHA, should require that PPFA review 100 percent of the TER's reimbursed by AID and refund the cost of unused airline tickets previously reimbursed by AID.

Recommendation No. 3

The Grant Officer, CM/COD/PHA, should advise PPFA that the internal administrative costs of locating unused tickets in the files is not an allowable expense for reimbursement under this grant.

Unutilized Space

Our previous audit report stated, "...the AID grant has been charged...for an amount of space which is greater than that which the project staff needs or utilizes." We found that the AID grant is still being charged for more space than the project staff need or utilize. Although PPFA has subleased 3,000 square feet of space for six months with a renewal option, our discussions with cognizant PPFA officials showed that the excessive space problem had not been solved.

The FPR, Paragraph No. 15-205-12 precludes payment for unused space except under specific conditions. Based on our audit these exceptions do not apply to PPFA.

Prior to March 1975 total occupancy costs were allocated by PPFA on a point basis and there was no record maintained as to the amount of unutilized space. Beginning in March 1975, occupancy costs were allocated on a square footage basis. Space usage and non-usage for the period March through June, 1975, is summarized:

<u>1975</u>	<u>Square Footage</u>		
	<u>Total</u> <u>1/</u>	<u>Utilized</u>	<u>Unutilized</u> <u>2/</u>
March	30,585.18	18,359.33	12,225.85
April	30,585.18	17,888.37	12,696.81
May	29,269.81	20,648.78	8,621.03
June	29,794.51	20,629.98	9,164.53

1/ The space rented for each of these months was the same; therefore, the total utilized and unutilized space for each month should be approximately the same. Different totals result primarily from conversions of common space to either utilized or unutilized space or vice versa; some discrepancies also contribute to differences.

2/ A pro rata part of the cost of unutilized space was charged to each space-using activity or project.

The Grant Officer stated that the negotiator had closely reviewed PPFA methods for charging space and usage during the last audit report settlement and found

them to be reasonable. CM/COD/PHA intends to review the situation again in view of this audit report.

We believe that a current review should fully consider the requirements and intent of the FPR.

Recommendation No. 4

The Grant Officer, CM/COD/PHA, should take appropriate action to (a) preclude any further payments by AID for unused space, and (b) recover previous AID payments covering unused space, in line with provisions of the Federal Procurement Regulations as incorporated in the grant.

Review of Sub-grants

We reviewed documentation and records for thirty-six sub-projects. Two of these were actually conferences supervised and managed by PPFA staff. Program funds were used for these conferences and these sub-projects were treated as sub-grants by PPFA.

Sub-grant records were reviewed for AID approval date, term of project, receipt of audit report, program report, and amount claimed.

The major problem area centered on final audits of the sub-grants. Audits were required for thirty-four sub-grants which had already terminated; only two of these thirty-four had actually been audited. Audit reports on these two did not meet grant requirements. An attempt was made to improve this situation and to give AID the right to audit subgrants, as recommended in our previous audit--PPFA made a proposal to the Grant Officer, CM/COD/PHA, for modification to the grant "Terms and Conditions" with applicability to PPFA sub-grantees. This proposal was forwarded to CM/COD/PHA, on February 11, 1975; however, at the time of the audit, PPFA had not received a response to their proposal.

CM/COD/PHA is in agreement with the facts and recommendations and will direct the Grantee to initiate the action recommended here.

Recommendation No. 5

The Grant Officer, CM/COD/PHA, should require PPFA to take prompt and effective action to obtain audit reports on sub-grants in line with grant terms.

Consultants

Consultants were reimbursed at higher rates than necessary because grant terms did not clearly specify normal AID policy.

Normal AID policy provides that payment should not exceed the highest annual salary earned during any of the three years immediately preceding employment of consultants; in any event AID policy limits payment of consultants to the annual salary rate of an FSR-1.

The grant included the FSR-1 annual salary limitation only; as a result, consultants were paid at rates higher than their experienced highest salaries during the immediately preceding three-years. No special justification was furnished to the Contracting Officer in support of these high salaries, as required in routine grant terms. The grant terms have been amended to require special justification in any future hiring of consultants at rates in excess of their experienced highest three-year period salaries. We therefore make no recommendation.

The Grant Officer pointed out that the test of the highest three-year salary is no longer mentioned in the AID Procurement Regulations or in the new contract and grant provisions; and the requirement for advance approval of consultants, accordingly, does not appear in the new grant with PPFA.

Grant Terms

With respect to subagreements, the grant provides:

"The Grantee may enter into an agreement with Church World Services to undertake certain activities specified in this Grant. Such activities, and funds to be provided in support of those activities, will be specifically set forth in the agreement between CWS and the Grantee, and the terms and conditions of this grant shall be made applicable to the agreement."

Several issues involving this terminology were brought out during our review, pointing up the need for more specific grant language. There is no elaboration on this elsewhere in the grant or any definition of the "certain activities" to be undertaken. The actual agreement between the Grantee and CWS called for services relating to warehousing operations, including receipt, storage, safeguarding, accounting for, and issuance of commodities. CWS, however, has no facilities and is not capable of performing these functions as required in this agreement with the Grantee. CWS entered into an informal agreement with BSC, an affiliate, to provide these services. PPFA did not incorporate the prime grant requirements into the subgrant with CWS, referred to in the prime grant. CWS, through the informal agreement with BSC, had no obligation to incorporate prime grant requirements; nor, did they comply with the prime grant terms in this respect. We found no evidence that the specific activities to be performed and their actual cost had been determined prior to approval of this subagreement. We could not locate any documentation to explain why the Grantee was not required to comply with cited grant provisions in executing the subagreement.

The Grant Officer noted that approval of subgrant agreements has been the responsibility of the Office of Population. Under the new grant, the Grant Officer will approve CWS subgrants and will perform a review to ensure that recommended actions are taken. Pending completion of future actions, we have retained the recommendation.

Recommendation No. 6

The Grant Officer, CM/COD/PHA, should take appropriate action to assure that prices specified in the PPFA-CWS agreement are reasonable and that this agreement is amended to incorporate those grant terms and conditions as agreed to by the grant signatories.

Inventories

The subagreement between the Grantee and CWS does not give U.S. Government representatives the right of inspection. Examination of the warehousing operation was pertinent and necessary to our audit because of the value of AID-purchased commodities and because of large unexplained adjustments to inventories on stock status reports reported by the BSC (Exhibit B). Working through the PPFA we were able to visit the warehousing facilities in New Windsor, Maryland.

Generally, the warehouse was found to be clean and orderly but we were told that at times the temperature in the warehouse reaches 100° F during the summer. Most condoms are stored in the top or hottest part of the warehouse. Temperatures in warehouses can vary significantly and when 73° F is exceeded, condoms are damaged and their shelf life shortened. We found such damage has occurred in Thailand under a different program. The potential for temperature damage, coupled with the supply of condoms on-hand, make it desirable that AID know more about storage conditions in this specific warehouse. Distributing bad commodities can defeat family planning objectives, thereby creating adverse publicity for AID and the U.S. Government.

Recommendation No. 7

The Grant Officer, CM/COD/PHA, should require that records be maintained on storage conditions and commodity condition and remaining life be closely monitored by the Grantee.

The inventory levels are not satisfactory. Based on past shipments overseas the PPFA inventory at the BSC contains over a ten-year supply of condoms, a 2.75-year supply of pills, over a three-year supply of loops, and less than a six-month supply of several other products. Procurement leadtime to replenish stocks for most of these products approximates six months; therefore, we believe some stock levels are too high while others are too low.

AA/PHA officials were not in agreement with the reported excess supplies of pills and condoms on-hand. AA/PHA officials estimated only a 1.4 year supply of pills on-hand, based on distributions of 2,633,000 cycles during the year ended June 30, 1975. They also estimated a usage of 100,000 gross of condoms in the Turkey project.

With respect to pills, this information does not agree with the inventory records furnished us by BSC during the audit and reported to FPIA by BSC. Specifically, BSC inventory reports and records showed:

	Quantity of Condoms (Gross)	Number of Cycles of Pills
On-hand, 7-1-74	7,604	2,454,600
Received, 7-1-74 thru 6-30-75	<u>198,880</u>	<u>2,745,600</u>
Available for Use	206,484	5,200,200
On-hand, 6-30-75	<u>(191,126)^{1/}</u>	<u>(3,813,000)^{2/}</u>
Difference--issued during period 7-1-74 thru 6-30-75	<u>15,358</u>	<u>1,387,200</u>

^{1/} 2.75 years, based on latest one-year use.

^{2/} 12.4 years, based on latest one-year use.

Based on issues of 1,387,200, BSC records show a 2.75 year supply of pills on hand.

It would appear that the figure of 2,633,000 issues quoted by AA/PHA is either in error or BSC inventory records are erroneous. The cited BSC inventory transaction figures do not agree with the issues of 2,633,000 quoted by AA/PHA.

With respect to the reported excess supply of condoms, representatives of AA/PHA informed us that the Turkey 01 project, approved after our audit field work, will use 100,000 gross. If the Turkey 01 project is implemented and actual usage equals the total 100,000 gross cited by AA/PHA, the condom inventory can be interpreted as less than a 12.4 year supply. On the other hand, this usage is based on issuing a quantity to Turkey in excess of six times world-wide issues during the past year.

In view of the preceding discussions, we have retained the following recommendations because attention by AID/W management is warranted.

Recommendation No. 8

The Grant Officer should negotiate a grant agreement which will require PPFA to maintain reasonable stock levels through the establishment of reorder quantity levels. Deviations from reasonable reorder quantities should be approved by the Grant Officer.

Recommendation No. 9

The Grant Officer should require PPFA to take immediate effective action to reprogram excess stocks from the Maryland warehouse to project locations where they are needed and can be used. (This is also important in view of potential deterioration.)

A complete physical inventory has not been taken by the Grantee, PPFA, the subgrantee, CWS, or the warehouse operator, BSC, since 1973. The subagreement with CWS provides that PPFA will take an annual inventory. AID has not requested or been furnished with information on warehouse inventories. Also, PPFA did not perform an adequate review of the stock status reports or insist on an explanation for inventory adjustments.

The inventory adjustments presented on Exhibit B were made by the BSC on stock status reports furnished to PPFA. At the time of the audit, neither PPFA or the BSC had determined the causes and attendant problems that necessitated these adjustments. They were unable to furnish us explanations for these adjustments. A good review of available information would have alerted PPFA to the fact that the BSC was having difficulties with FPIA stocks and/or stock status reports.

AA/PHA officials stated that Recommendation No. 10 "...follows a suggestion that FPIA's inventory levels are unsatisfactory..." concerning on-hand balances. They are not in agreement with this, after conducting a review. We believe that the AA/PHA position here is applicable to Recommendations No. 8 and 9 and our discussions there apply. Recommendation No. 10 is based on the lack of physical inventories and a significant number of "unexplained" adjustments, both conditions warranting AID/W management attention. We have, therefore, retained this recommendation.

Recommendation No. 10

The Program Officer, PHA/POP, should obtain periodic information on warehouse inventories and insure that regular physical inventories are taken and that future adjustments are adequately explained.

Recommendation No. 11

The Grant Officer, CM/COD/PHA, should insure that each individual shortage noted on Exhibit B is either accounted for or its value recovered from PPFA.

Reporting

Commodities have not been reported to AID by status of procurement and inventory as required in the grant. It seems logical that the required status of procurement and inventories commodity reports would have enabled

PHA/POP to determine that (1) BSC was having troubles with PPFA stock, and (2) stock levels were not appropriate.

Subsequent to our audit the Project Manager, PHA/POP, took positive corrective action. We therefore make no formal recommendation.

Accounting Controls

We noted that conditions previously reported by Pete, Marwick, Mitchell and Company (PMM) still exist and recommendations for corrective actions have not been implemented. A PMM letter of June 19, 1974, advised PPFA:

"As recommended in our previous letter (Government Contracts), expenditures should not be charged to the grant until a legal obligation to pay exists. The present procedure is to record 'encumbrances' based on purchase orders as expenditures of grant funds. However, in no event should the encumbrance system replace the accrual method of accounting in the accounting records. We recommend that the encumbrance method of accounting for the purchase of supplies be modified to that the encumbrance becomes a memo control in the accounting records rather than the actual expenditure transaction. If a budgetary control system for expenditures is being considered in the new data processing system, the system can be modified so that two columns are compared with the actual expenditures rather than one, i.e. actual versus encumbered and unencumbered; rather than actual versus budgeted."

We found discrepancies in eight of the nineteen monthly project ledgers which have been used to justify expenditure of AID funds. Corrected project ledgers for submission to AID were prepared during July 1975. Corrections could have been made much more promptly if PPFA had taken the action recommended by PMM. Comments made by PMM relating to their recommendation were:

"Present procedures do not provide for the periodic reconciliation of the financial data maintained by the FPIA group and the general ledger maintained by the financial management department. Internal control relative to the FPIA grant would be strengthened greatly if periodic reconciliations were required. Accordingly, we recommend that they be required."

One of the results related to the inadequate internal control has been billing AID twice for computer time to prepare and clerical time to check the eight project ledgers referred to above. It is normal to perform some elements of office work more than one time but we believe that unnecessary expenses could have been avoided through the use of better control procedures. Professional audit assistance and recommendation by PMM are costs of this grant. The costs of such professional advice, if not followed, are wasted and minimal accounting standards of AID are not met.

Recommendation No. 12

The Grant Officer, CM/COD/PHA, should require PPFA to make prompt, effective improvements in their accounting internal controls as recommended by PMM.

BACKGROUND AND SCOPE

The purpose of the AID grant is to improve and expand the delivery of family planning services in the less developed countries through existing networks of medical and welfare related facilities and staffs of organizations such as CWS, a division of the National Council of the Churches of Christ in the United States of America, and their already established planned parenthood programs. To achieve this goal, PPFA was to provide overall leadership, auxiliary technical and advisory services, training, contraceptives and related supplies and equipment, broad management and administrative guidance, appropriate program and financial controls, and reporting and evaluation systems for expansion and development of the planned parenthood program of the CWS and other charitable organizations.

AID support of the CWS program began several years prior to the PPFA grant through an arrangement with the Pathfinder Fund which was terminated because of Pathfinder's difficulties in obtaining end-use reports from CWS. AID had requested CWS to directly administer the program, but CWS refused because it did not have the necessary expertise and capability. AID then turned to PPFA to take on the program.

In order to carry out the work under the AID grant, PPFA established a new department entitled Family Planning International Assistance (FPIA). Part of the FPIA staff were transferred from other PPFA departments, but most were recruited outside PPFA. Except for administrative support, FPIA is a self-sufficient organization treated by PPFA as a separate and independent entity.

This audit was made in order to (1) notify management regarding significant problem areas that require corrective action, (2) ascertain if PPFA has complied with grant provisions and (3) determine allowability of reimbursed costs.

We examined the grant and other relevant records and documents as deemed necessary. Records relating to costs incurred were examined on a selected test basis. We performed work at AID/W, PPFA New York Headquarters, and BSC offices and warehouses at New Windsor, Maryland.

GENERAL COMMENTS

Prior Audit Reports

In early 1973, an audit by AG/AUD disclosed a number of deficiencies in the Grantee's operations, an overbilling of approximately \$1.5 million to AID and inadequate accounting records. The overbilling, resulting from billings to AID, including amounts for unexpended subgrant and sub-contract balances and open purchase orders, was refunded to AID. The Grantee reported progress toward resolving accounting and administrative deficiencies noted in our previous survey.

The 1974 audit by AG/AUD disclosed additional deficiencies in the Grantee's operations. Major results of that audit: (a) a total of \$65,767 was disallowed and recovered by AID; (b) the allocation of salary costs and computer time was changed from a fixed percentage basis to actual time worked; (c) a property control system was established; and (d) we were told that AID would have the right to audit subgrants in the future.

PLANNED PARENTHOOD FEDERATION OF AMERICA
 Grant No. AID/csd-3289 (Global)
 Summary of Costs Claimed and Audit Adjustments
 For the Period June 30, 1971 through December 31, 1974

	<u>Costs Claimed</u>	<u>Audit Adjustments</u>	<u>Costs Accepted</u>
Direct Salaries	\$1,280,110.59	\$ -	\$1,280,110.59
Fringe Benefits	115,819.82	-	115,819.82
Consultants	216,344.18	-	216,344.18 <u>1/</u>
Travel	231,243.47	27.36 <u>3/</u>	231,216.11 <u>2/</u>
Other Direct Costs	738,743.28	-	738,743.28 <u>4/</u>
Sub-Grants/Sub-Contracts.	<u>2,833,476.34</u>	<u>-</u>	<u>2,833,476.34</u> <u>5/</u>
Costs Subject to Indirect Cost	\$5,415,737.68	\$ 27.36	\$5,415,710.32
Commodities	1,529,056.26	-	1,529,056.26
Indirect Costs	<u>1,375,597.37</u>	<u>421,675.75</u> <u>6/</u>	<u>953,921.62</u>
Total	<u>\$8,320,391.31</u>	<u>\$421,703.11</u>	<u>\$7,898,688.20</u>

Explanatory Notes:

- 1/ Lack of grant language denoting how consulting rates would be determined resulted in rates being paid and reimbursed that were higher than normally allowed by AID. The grant language has been amended; therefore, we did not include a recommendation on this subject in the report.
- 2/ Acceptance of this amount should be provisional until the recommendation on "Travel Expense Reports" is resolved.
- 3/ Represents tax on hotel bills for Mr. H. Crow who was reimbursed for per diem on expense reports for the period June 19, 1973 through July 5, 1973. When per diem is paid neither hotel bills or tax on the hotel bill should be reimbursed.
- 4/ Acceptance of the rental costs which is included in this amount should be provisional until the recommendation on "Utilized Space" is resolved.

PLANNED PARENTHOOD FEDERATION OF AMERICA
Grant No. AID/csd-3289 (Global)
Summary of Costs Claimed and Audit Adjustments
For the Period June 30, 1971 through December 31, 1974

Explanatory Notes: (cont.)

5/ Acceptance of these costs would be provisional pending additional review by the Office of Audit. We did not finalize our review in this area because very few of the subagreements have been audited (see finding, "Review of Sub-Grants").

6/ Represents adjustment of provisional indirect costs, as follows:

Indirect Costs Claimed \$1,375,597.37

Indirect Costs Accepted:

Direct Costs-CY 1971	\$ 61,233.72		
Audited Rate	<u>X13.39%</u>	a/	\$ 8,199.20
Direct Costs-CY 1972	\$1,207,559.17		
Audited Rate	<u>X15.85%</u>	a/	191,398.13
Direct Costs-CY 1973	\$1,669,802.54		
Audit Adjustment	<u>27.36</u>		
Accepted Direct Costs	\$1,669,775.18		
Audited Rate	<u>X18.19%</u>	a/	303,732.11
Direct Costs-CY 1974	\$2,477,142.25		
Audited Rate	<u>X18.19%</u>	b/	<u>450,592.18</u> c/ <u>953,921.62</u>
Total Indirect Cost Adjustment			<u>\$421,675.75</u>

a/ Represents audited indirect cost rates that were computed on Audit Report No. 76-133.

b/ Represents audited indirect cost rate for CY 1973 that should be used as a new provisional rate.

c/ Represents provisional indirect cost that will be adjusted on a future audit.

EXHIBIT B
(Page 1 of 2)

PLANNED PARENTHOOD FEDERATION OF AMERICA
Adjustments to Inventories Reported on Stock Status Report

<u>Product</u>	<u>Unit</u>	<u>Unit Price</u>	<u>Quantity Plus or (Minus)</u>			<u>Total</u>	<u>Total Cost</u>
			<u>March, 1975</u>	<u>February, 1975</u>	<u>December, 1974</u>		
Ramses Contra. Jelly w/Applicator	Tubes	\$.60	(96)	-	(100)	(196)	\$ (117.60)
Diaphragms	Gross	4.07	(640)	(3,198)	-	(2,558)	(10,411.06)
EMKO Contra. Foam	Cartons	37.80	(56)	177 5/6	-	121 5/6	4,605.30
Lippe Loops	Each	.35	-	(10,001)	-	(10,001)	(3,500.35)
Norinyl	Cartons	104.94	(208)	-	-	(208)	(21,827.52)
Norinyl	Cartons	83.64	268	-	-	268	22,415.52
Dalkon Shield	Each	.46	-	2,752	(4,971)	(2,219)	(1,020.74)
Medical Kits #4	Each	107.07	(3)	-	-	(3)	(321.21)
Medical Kits #5	Each	75.17	-	(30)	-	(30)	(2,255.10)
Medical Kits #6	Each	186.99	-	(25)	-	(25)	(4,674.75)
Plastic Pelvic Models	Each	27.02	-	(4)	5	1	27.02
Projector, Slide w/Accessories Remote	Each	118.64	-	9	-	9	1,067.76
Projector, Slide w/Accessories Manual	Each	96.74	-	(6)	-	(6)	(580.44)
Projector, Filmstrip- Singer SM400RC	Each	89.13	-	(1)	-	(1)	(89.13)

EXHIBIT B
(Page 2 of 2)

PLANNED PARENTHOOD FEDERATION OF AMERICA
Adjustments to Inventories Reported on Stock Status Report

<u>Product</u>	<u>Unit</u>	<u>Unit Price</u>	<u>Quantity Plus or (Minus)</u>			<u>Total</u>	<u>Total Cost</u>
			<u>March, 1975</u>	<u>February, 1975</u>	<u>December, 1974</u>		
Projector, Sound 16MM Slider	Each	\$ 521.42	-	(2)	-	(2)	\$(1,042.84)
Tapes, Blank Cassett	Each	.40	(48)	-	-	(48)	(19.20)
Tape Recorders	Each	54.90	(2)	(16)	-	(18)	(988.20)
Deep Sterilizing Drum	Each	1,875.00	1	-	-	1	1,875.00
Aspirator Uterine	Each	450.00	-	(1)	-	(1)	(450.00)
Delfen Foam	Carton	26.16	-	-	1,117	1,117	29,220.72
Typewriter, Manual 15"	Each	189.50	-	(1)	-	(1)	(189.50)
Flashical Electro Camera and Flash	Each	158.75	-	(3)	-	(3)	(476.25)

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FAMILY PLANNING PROGRAMS FOR CHURCH WORLD SERVICES AND
CHARITABLE ORGANIZATIONS

LIST OF RECOMMENDATIONS

	<u>Page</u>
<u>Recommendation No. 1</u>	
The Contracting Officer, CM/COD/PHA, in coordination with CM/SD/OSC, should determine the acceptability of the Grantee's performance and ensure proper settlement of the costs through (a) the use of negotiated final overhead rates, and (b) information contained in Exhibit A, including recovery of improper reimbursements.	4
<u>Recommendation No. 2</u>	
The Grant Officer, CM/COD/PHA, should require that PPFA review 100 percent of the TER's reimbursed by AID and refund the cost of unused airline tickets previously reimbursed by AID.	4
<u>Recommendation No. 3</u>	
The Grant Officer, CM/COD/PHA, should advise PPFA that the internal administrative costs of locating unused tickets in the files is not an allowable expense for reimbursement under this grant.	5
<u>Recommendation No. 4</u>	
The Grant Officer, CM/COD/PHA, should take appropriate action to (a) preclude any further payments by AID for unused space, and (b) recover previous AID payments covering unused space, in line with provisions of the Federal Procurement Regulations as incorporated in the grant.	6
<u>Recommendation No. 5</u>	
The Grant Officer, CM/COD/PHA, should require PPFA to take prompt and effective action to obtain audit reports on subgrants in line with grant terms.	6

Recommendation No. 6

Page

The Grant Officer, CM/COD/PHA, should take appropriate action to assure that prices specified in the PPFA-CWS agreement are reasonable and that this agreement is amended to incorporate those grant terms and conditions as agreed to by the grant signatories.

8

Recommendation No. 7

The Grant Officer, CM/COD/PHA, should require that records be maintained on storage conditions and commodity condition and remaining life be closely monitored by the Grantee.

8

Recommendation No. 8

The Grant Officer should negotiate a grant agreement which will require PPFA to maintain reasonable stock levels through the establishment of reorder quantity levels. Deviations from reasonable reorder quantities should be approved by the Grant Officer.

9

Recommendation No. 9

The Grant Officer should require PPFA to take immediate effective action to reprogram excess stocks from the Maryland warehouse to project locations where they are needed and can be used. (This is also important in view of potential deterioration.)

10

Recommendation No. 10

The Program Officer, PHA/POP, should obtain periodic information on warehouse inventories and insure the regular physical inventories are taken and that future adjustments are adequately explained.

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Recommendation No. 11

The Grant Officer, CM/COD/PHA, should insure that each individual shortage noted on Exhibit B is either accounted for or its value recovered from PPFA.

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Recommendation No. 12

The Grant Officer, CM/COD/PHA, should require PPFA to make prompt, effective improvements in their accounting internal controls as recommended by PMM

11

PLANNED PARENTHOOD FEDERATION OF AMERICA

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