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# Auditor General

COOPERATIVE LEAGUE OF THE U.S.A.

**Audit Report Number** 78-160

**Issue Date** September 8, 1978

Area Auditor General, Washington  
Agency for International Development  
Washington, DC 20523

AGENCY FOR INTERNATIONAL DEVELOPMENT

WASHINGTON, D. C. 20523

Office of the Auditor General  
Area Auditor General - Washington, D. C.

AUDIT REPORT

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TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTION AND SCOPE	1
SUMMARY	1
FINDINGS AND RECOMMENDATIONS	2
A. Contracts/Grants Financial Summary	2
B. Overhead Rates and Bases	3
C. Need for Development Program Grant (DPG)	4
D. Discrepancy in AID/W Financial Records	4
E. Reimbursement Procedures	5
F. Contracting Deficiencies	6
EXHIBITS	
A. Cooperative League of the U.S.A., Contract No. AID/csd-2901, Task Order No. 1	8
B. Cooperative League of the U.S.A., Contract No. AID/csd-2901, Task Order No. 10	9
C. Cooperative League of the U.S.A., Contract No. AID/csd-2901, Task Order No. 13	10
D. Cooperative League of the U.S.A., Contract No. AID/BOA-1136, Task Order No. 2	11
E. Cooperative League of the U.S.A., Grant No. AID/pha-G-1092 (DPG)	12
F. Cooperative League of the U.S.A., Grant No. AID/CM/pha-G-73-11	13
G. Cooperative League of the U.S.A., Grant No. AID/asia-G-1180	14
H. Cooperative League of the U.S.A., Contract No. AID/afr-C-1330 (Swaziland)	15
I. Cooperative League of the U.S.A., Overhead Rate Computation CY 1976	16

TABLE OF CONTENTS (continued)

	<u>Page</u>
EXHIBITS	
J. Cooperative League of the U.S.A., Overhead Rate Computation CY 1977	18
K. Cooperative League of the U.S.A., Status of Contract and Grant Funds As Of December 31, 1977	20
LIST OF REPORT RECIPIENTS	22

COOPERATIVE LEAGUE OF THE U.S.A.

AID/PHA-G-1092 (DPG), AID/CM/pha-G-73-11, AID/asia-G-1180  
AID/afr-C-1330, AID/BOA-1136 (T.O. #2)  
AID/csd-2901 (T.O. #1, 10, & 13)

INTRODUCTION AND SCOPE

The Cooperative League of the U.S.A. (CLUSA) is a non-profit organization established to disseminate information concerning the principles and methods of cooperatives. Over the years AID has engaged CLUSA's services for a number of its cooperative activities.

The Office of the Area Auditor General/Washington has performed an audit of the AID grants and contracts with CLUSA. The examination, which covered the period from January 1, 1976 through December 31, 1977, was performed at the contractor's office in Washington, D. C.

The purposes of the examination were to determine the propriety and applicability of expenditures incurred under the terms of the grants and contracts and to ascertain the degree of compliance with sound contracting practices and principles. The examination was performed in accordance with generally accepted auditing standards and practices. It involved selective tests of vendor's invoices, travel expense reports, payroll records, and such other supporting documentation and records as were considered necessary.

SUMMARY

The most significant of the findings disclosed during the audit, and presented in detail in the next section, are summarized below:

- Reimbursements in the amount of \$5,935 were determined to be ineligible (page 2).
- The absorption of overhead is not equitable because different overhead bases and rates are being used (page 3).
- The Development Program Grant (DPG) is not achieving its objective and should be terminated (page 4).

- The payment records maintained by AID were \$39,630.20 more than the expenditures claimed by CLUSA as of December 31, 1977 (page 5).
- AID unilaterally changed the terms and conditions of a contract without the concurrence of the contractor (page 5).
- AID improperly funded a task order to compensate CLUSA for cost overruns incurred under different task orders (page 6).
- AID has provided CLUSA with contradictory guidance on the treatment of unused leave under expired contracts (page 6).

### FINDINGS AND RECOMMENDATIONS

#### A. Contracts/Grants Financial Summary

Costs reimbursed during the period from January 1, 1976 to December 31, 1977, totalled \$1,538,870. Of this amount, costs totalling \$1,532,935 were determined to be eligible for reimbursement. The difference of \$5,935 was questioned. Details pertaining to the questioned costs, which are provided in Exhibits A through H, are summarized by grant/contract below:

<u>Grant/Contract Number</u>	<u>Costs Reimbursed</u>	<u>Questioned</u>	<u>Exhibit</u>
AID/csd-2901 (T.O. #1)	\$ 659,140	\$5,666	A
AID/csd-2901 (T.O. #10)	27,649	-	B
AID/csd-2901 (T.O. #13)	116,310	-	C
AID/BOA-1136 (T.O. #2)	98,176	-	D
AID/pha-G-1092 (DPG)	448,370	4,342	E
AID/CM/pha-G-73-11	15,922	549	F
AID/asia-G-1180	82,895	(4,622)	G
AID/afr-C-1330	90,408	-	H
	<u>\$1,538,870</u>	<u>\$5,935</u>	

The questioned costs include \$538 which represents a net loss on foreign exchange billed under Grant No. AID/CM/pha-G-73-11. This exchange loss resulted from CLUSA converting U. S. dollars to foreign currency and then reconverting the same funds to U. S. dollars.

The Federal Procurement Regulations do not indicate whether gains and losses on currency conversion should be treated as an eligible or ineligible cost. Consequently, in some cases, a loss has been considered an unallowable cost and in other cases an allowable cost. Therefore, to establish a consistent policy, AID should issue a policy determination regarding the treatment of gains and losses on currency conversions.

Recommendation No. 1

Contract Management (SER/CM) take the necessary action to: (a) ensure settlement of the \$5,935 due AID; and (b) obtain a General Counsel opinion on whether gains or losses on currency conversions are allowable or unallowable.

B. Overhead Rates and Bases

Our review of the AID grants and contracts disclosed that varying overhead rates and bases have been used. The overhead rates and bases relating to current grants and contracts are shown below:

<u>Grant/ Contract No.</u>	<u>Task Order No.</u>	<u>Overhead Rate</u>	<u>Base</u>
AID/CM/pha-G-73-11	-	No overhead clause*	
AID/pha-G-1092	-	40% Prov.	Total Direct Cost
AID/pha-BOA-1136	2	27% Max.	Total Costs
AID/asia-G-1180	-	32% Prov.	Direct Costs
AID/afr-C-1330	-	27% Max.	Direct Costs
AID/csd-2901	1	45% Prov.	Total Direct Cost
AID/csd-2901	10	29% Max.	Total Direct Cost
AID/csd-2901	13	27% Max.	Total Direct Cost

\*Overhead was considered cost sharing per agreement entered into April 24, 1973 between CLUSA and AID.

Good contracting and cost allocation procedures require that costs be allocated and absorbed in a consistent and equitable manner.

Recommendation No. 2

Contract Management (SER/CM) establish consistent provisional overhead rates and bases in all present and future contracts with CLUSA, unless a cost sharing arrangement has been entered into.

C. Need for Development Program Grant (DPG)

CLUSA has lacked an adequate planning and evaluation staff to support its global development programs. Therefore, on April 30, 1975, AID provided CLUSA with a Development Program Grant (AID/pha-G-1092) to create such a capability. The grant, totalling \$906,142, covers the three-year period from April 30, 1975 to June 30, 1978.

We found little evidence to indicate that the grant has achieved its objective. For example, as of March 31, 1978, CLUSA's development staff consisted of one man. The highest number of people on the staff at one time was five. That staffing position was reached in January 1976, and only lasted five months.

The staffing problem is largely due to the limited availability of qualified people possessing the skills needed. Thus, it appears unlikely, based on prior experience, that CLUSA will be able to recruit and retain adequate and competent people any time in the near future to establish the planning and evaluation staff capability envisioned.

A total of \$567,798 had been expended under the grant as of March 31, 1978. This expenditure reflects the substantial turnover of personnel heretofore. Effective utilization of the unexpended balance, totalling \$338,344, is accordingly questionable. We, therefore, recommend that the grant be terminated and the unexpended funds deobligated.

CLUSA obviously needs a planning and evaluation capability to strengthen the management of its global programs. But it is apparent that it will take some time to realize this objective. Consequently, in lieu of a grant with a specific time frame, we suggest that AID incorporate its funding of the activity under Task Order No. 1 of Contract No. AID/csd-2901. This task order funds the administrative and technical support costs of all CLUSA personnel associated with AID financed programs.

Recommendation No. 3

Contract Management (SER/CM), in conjunction with the Office of Private and Voluntary Cooperation (PDC/PVC), incorporate the funding of Grant No. AID/pha-G-1092 under Contract No. AID/csd-2901, Task Order No. 1

D. Discrepancy in AID/W Financial Records

As of December 31, 1977, the payment records maintained by AID/W/FM showed \$39,630.20 more than expenditures claimed by CLUSA. The

differences by grant/contract are summarized below:

<u>Grant/Contract Number</u>	<u>Per CLUSA</u>	<u>Per FM</u>	<u>Variance</u>
AID/csd-2901 (T.O. #1)	\$1,776,464.74	\$1,764,789.05	\$11,675.69
AID/csd-2901 (T.O. #10)	134,458.18	132,527.65	1,930.53
AID/csd-2901 (T.O. #13)	151,457.11	176,693.53	(25,236.42)
AID/pha-G-1092	567,798.37	595,798.37	(28,000.00)

A reconciliation of the differences indicated that CLUSA's records were correct. The differences resulted from the Office of Financial Management's posting errors, e.g., advances were posted as expenditures.

Recommendation No. 4

Office of Financial Management (FM) ensure that the payment records are adjusted to properly reflect the correct grant/contract expenditures.

E. Reimbursement Procedures

The overseas contracts, which CLUSA has with AID in Swaziland, specify that reimbursement vouchers should be forwarded to AID's Office of Financial Management (FM) for processing. Accordingly, to obtain reimbursement, CLUSA's overseas office sends the pertinent cost data to its headquarters in Washington, D. C. The CLUSA office in Washington then prepares the vouchers and forwards them to FM for reimbursement.

AID recently changed this reimbursement process. Under the new procedures, which are part of an AID-wide economy move, the USAIDs now process the reimbursement vouchers. Consequently, though CLUSA, Washington, continues to prepare the vouchers, it must now send the vouchers to the USAID in Swaziland. The USAID, after reviewing the vouchers, sends them to the Regional Disbursing Officer in Paris for payment.

CLUSA stated that its financial position has been adversely affected by the long delays caused by these new procedures. It has accordingly requested AID to increase its working capital advance from \$55,000 to \$100,000. However, as CLUSA's vouchers only average \$22,000, we do not feel that circumstances warrant an increase of the advance. We recommend that the request for the increase in the working capital advance be rejected.

A more important aspect is that AID did not amend the contract when instituting the new procedures. The contract continues to state

that all vouchers should be forwarded to AID. Therefore, in our opinion, the contract must be amended to reflect the new reimbursement procedures.

It should be noted that the new procedures apply to an unknown number of AID contracts. This unilateral action has placed a financial strain on contractors generally.

#### Recommendation No. 5

Office of Contract Management (SER/CM), in conjunction with Office of Financial Management (FM), (a) reject CLUSA's request for an increase in advance funding, and (b) amend all contracts where payment procedures have been transferred to the field or revert payment procedures back to Washington, D. C.

#### F. Contracting Deficiencies

Our review disclosed two instances of questionable contract management practices. Salient details on these instances are cited below.

1. Under Contract No. AID/csd-2901, Task Order Nos. 4 and 5, CLUSA incurred cost overruns because the overhead rates reflected in the respective task order budgets were inadequate. To fund these cost overruns, AID issued modification numbers 7 and 8 to Task Order No. 2. It is not permissible, however, to interchange funding among different task orders. The reason is that each task order is treated as a separate contract. Consequently, the respective task orders must be amended.

2. SER/CM has given CLUSA contradictory opinions regarding the proper treatment of unused vacation payments under expired contracts. Examples of these opinions are cited below:

"Without further justification, 'I cannot approve a lump-sum payment for unused vacation when an employee remains employed by CLUSA but changes task orders'."

"When any employee transfers from one task order to another under the subject BOA any unused vacation leave should remain credited to the individual toward the amount he can accumulate in accordance with CLUSA policies and procedures."

"We refer to your letter of June 28, 1976, requesting authorization to carry forward 15 days of Mr. Herman

Obregon's earned but unused vacation under subject task order. Since it appears that Mr. Obregon was precluded from taking this leave, approval is hereby given for lump-sum payment for this leave..."

Because of these different opinions, CLUSA is presently accruing vacation leave on expired contracts until AID issues a firm policy.

Recommendation No. 6

Contract Management (SER/CM) review the above finding and take action to (a) determine if cost overruns of one task order can legally be absorbed by another task order, and (b) issue a firm policy for the disposition of unused vacation pay charged to a contract.

EXHIBIT A

COOPERATIVE LEAGUE OF THE U.S.A.  
 Contract No. AID/csd-2901, Task Order No. 1  
Summary of Costs Reimbursed and Recommended for Acceptance  
Period January 1, 1976 through December 31, 1977

	Costs Previously Accepted	Current Period 1/1/76 - 12/31/77		Total Costs Recommended For Acceptance
		Costs Reimbursed	Costs Questioned	
Direct Salaries	\$ 471,330	\$ 293,718	\$	\$ 293,718
Fringe Benefits	49,238	32,250		32,250
Consultants	26,152	4,564		4,564
Travel and Allowances	57,787	37,665		37,665
Other Direct Costs	137,311	95,049		95,049
				<u>232,360</u>
Total Direct Costs	\$ 741,818	\$ 463,246	\$ ---	\$ 463,246
Overhead	375,506	195,894	5,666 1/	190,228
				<u>565,734</u>
Total Direct Costs & Overhead	<u>\$1,117,324</u>	<u>\$ 659,140</u>	<u>\$ 5,666</u>	<u>\$ 653,474</u>
				<u>\$1,770,798</u>

Explanatory Note:

1/ Represents adjustment of overhead as follows:

Overhead Reimbursed			\$195,894
Recommended Overhead:			
Direct Costs Reimbursed 1/1/76-12/31/76	\$230,198		
Less: Audit Adjustments	2,029 a/		
Adjusted Direct Costs Base	<u>\$228,169</u>		
Audited Overhead Rate (see Exhibit I)	x 43.17%	\$ 98,500	
Direct Costs Reimbursed 1/1/77-12/31/77	\$233,048		
Audited Overhead Rate (see Exhibit J)	39.36%	91,728	
Net Adjustment			<u>190,228</u>
			<u>\$ 5,666</u>

a/ Represents travel costs which were paid directly by AID which is chargeable to the contract but is not an overhead bearing cost.

EXHIBIT B

COOPERATIVE LEAGUE OF THE U.S.A.  
Contract No. AID/csd-2901, Task Order No. 10

Summary of Costs Reimbursed and Recommended For Acceptance  
Period January 1, 1976 through December 31, 1977

	<u>Costs Previously Accepted</u>	<u>Current Period Costs Reimbursed &amp; Recommended For Acceptance</u>	<u>Total Costs Recommended For Acceptance</u>
Direct Salaries	\$ 49,654	\$11,919	\$ 61,573
Fringe Benefits	5,796	2,173	7,969
Consultants	5,520	-	5,520
Travel & Transportation	4,495	2,951	7,445
Subsistence	11,278	3,848	15,126
Other Direct Costs	<u>6,056</u>	<u>542</u>	<u>6,598</u>
Total Direct Costs	\$ 82,799	\$21,433	\$104,232
Overhead	<u>24,011</u>	<u>6,216</u> <sup>1/</sup>	<u>30,227</u>
Total Direct Costs & Overhead	<u>\$106,810</u>	<u>\$27,649</u>	<u>\$134,459</u>

Explanatory Note:

<sup>1/</sup> Overhead was reimbursed at the maximum rate of 29 percent applied to total direct costs. The actual rate exceeds the maximum, therefore, the reimbursed overhead is acceptable.

EXHIBIT C

COOPERATIVE LEAGUE OF THE U.S.A.  
Contract No. AID/csd-2901, Task Order No. 13

Summary of Costs Reimbursed and Recommended For Acceptance  
Period January 1, 1976 through December 31, 1977

	<u>Costs Previously Accepted</u>	<u>Current Period Costs Reimbursed &amp; Recommended For Acceptance</u>	<u>Total Costs Recommended For Acceptance</u>
Direct Salaries	\$15,995	\$ 56,459	\$ 72,454
Fringe Benefits	2,525	16,349	18,874
Travel & Transportation	5,147	2,777	7,924
Allowances	3,468	15,013	18,481
Other Direct Costs	<u>493</u>	<u>984</u>	<u>1,477</u>
Total Direct Costs	\$27,628	\$ 91,582	\$119,210
Overhead	<u>7,459</u>	<u>24,728</u> <sup>1/</sup>	<u>32,187</u>
Total Direct Costs & Overhead	<u>\$35,087</u>	<u>\$116,310</u>	<u>\$151,397</u>

Explanatory Note:

<sup>1/</sup> Overhead was reimbursed at the maximum rate of 27 percent applied to total direct costs. The actual rate exceeds the maximum, therefore, the reimbursed overhead is acceptable.

EXHIBIT D

COOPERATIVE LEAGUE OF THE U.S.A.  
Contract No. AID/BOA-1136, Task Order No. 2

Summary of Costs Reimbursed and Recommended For Acceptance  
Period May 13, 1976 through December 31, 1977

	<u>Costs Reimbursed &amp; Recommended For Acceptance</u>
Direct Salaries	\$49,382
Fringe Benefits	14,797
Travel	1,684
Allowances	10,055
Other Direct Costs	<u>1,386</u>
Total Direct Costs	\$77,304
Overhead	<u>20,872</u> <sup>1/</sup>
Total Direct Costs & Overhead	<u>\$98,176</u>

Explanatory Note:

<sup>1/</sup> Overhead was reimbursed at the maximum rate of 27 percent applied to total direct costs. The actual rate exceeds the maximum, therefore, the reimbursed overhead is acceptable.

EXHIBIT E

COOPERATIVE LEAGUE OF THE U.S.A.  
Grant No. AID/pha-G-1092 (DPG)

Summary of Costs Reimbursed and Recommended For Acceptance  
Period January 1, 1976 through December 31, 1977

	Costs Previously Accepted	Current Period 1/1/76 - 12/31/77			Total Costs Recommended For Acceptance
		Costs Reimbursed	Costs Questioned	Recommended For Acceptance	
Direct Salaries	\$ 34,599	\$178,587	\$ -	\$178,587	\$213,186
Fringe Benefits	2,962	-	-	-	2,962
Consultants	14,212	9,415	-	9,415	23,627
Travel & Allowances	14,350	77,439	-	77,439	91,789
Other Direct Costs	<u>14,408</u>	<u>48,621</u>	<u>(15)1/</u>	<u>48,636</u>	<u>63,044</u>
Total Direct Costs	\$ 80,531	\$314,062	\$ (15)	\$314,077	\$394,608
Overhead	<u>38,897</u>	<u>134,308</u>	<u>4,357 2/</u>	<u>129,951</u>	<u>168,848</u>
Total Direct Costs & Overhead	<u>\$119,428</u>	<u>\$448,370</u>	<u>\$4,342</u>	<u>\$444,028</u>	<u>\$563,456</u>

Explanatory Notes:

1/ Represents allowable costs which were booked but never billed.

2/ Represents adjustment of overhead as follows:

Overhead Reimbursed

\$134,308

Overhead Allowed:

Direct Costs 1/1/76 - 12/31/76  
Add: Audit Adjustment  
Adjusted Direct Costs  
Audited Overhead Rate (See Exhibit I)

\$166,150	
15	
<u>\$166,165</u>	
x 43.17%	\$71,733

Direct Costs 1/1/77 - 12/31/77  
Audited Overhead Rate (See Exhibit J)  
Net Adjustment

\$147,912	
x 39.36%	<u>58,218</u>
	<u>129,951</u>
	<u>\$ 4,357</u>

EXHIBIT F

COOPERATIVE LEAGUE OF THE U.S.A.  
Grant No. AID/CM/pha-G-73-11

Summary of Costs Reimbursed and Recommended For Acceptance  
Period January 1, 1976 through May 31, 1976

	<u>Costs Previously Accepted</u>	<u>Current Period 1/1/76 - 5/31/76</u>			<u>Total Costs Recommended For Acceptance</u>
		<u>Costs Reimbursed</u>	<u>Costs Questioned</u>	<u>Recommended For Acceptance</u>	
Direct Salaries	\$24,182	\$ -	\$ -	\$ -	\$24,182
Fringe Benefits	5,115	-	-	-	5,115
Travel & Transportation	12,510	3,814	-	3,814	16,324
Other Direct Costs	<u>17,242</u>	<u>12,108</u>	<u>549 1/</u>	<u>11,559</u>	<u>28,801</u>
Total	<u>\$59,049</u>	<u>\$15,922</u>	<u>\$549</u>	<u>\$15,373</u>	<u>\$74,422</u>

Explanatory Note:

1/ Represents adjustment of other direct costs as follows:

- |  |               |
|--|---------------|
| a. Net loss on foreign exchange which resulted from CLUSA converting U.S. dollars to a foreign currency and later reconvertng the same funds to U.S. dollars | \$ 538        |
| b. CLUSA erroneously omitted applying a telephone credit against the project where the expense was originally booked.  | <u>11</u>     |
| Net Adjustment   | <u>\$ 549</u> |

EXHIBIT G

COOPERATIVE LEAGUE OF THE U.S.A.  
Grant No. AID/asia-G-1180

Summary of Costs Reimbursed and Recommended For Acceptance  
Period September 1, 1976 through December 31, 1977

	<u>Costs Reimbursed</u>	<u>Costs Questioned</u>	<u>Costs Recommended For Acceptance</u>
Direct Salaries & Fringe Benefits	\$39,800	\$ -	\$39,800
Travel & Allowances	16,471	-	16,471
Other Direct Costs	<u>6,528</u>	<u>-</u>	<u>6,528</u>
Total Direct Costs	\$62,799	\$ -	\$62,799
Overhead	<u>20,096</u>	<u>(4,622)1/</u>	<u>24,718</u>
Total Direct Costs & Overhead	<u>\$82,895</u>	<u>\$(4,622)</u>	<u>\$87,517</u>

Explanatory Note:

1/ Represents adjustment of overhead as follows:

Overhead Reimbursed			\$20,096
Overhead Allowed:			
Direct Costs 9/1/76 - 12/31/76	\$ -		
Audited Overhead Rate (See Exhibit I)	<u>x43.17%</u>	\$ -	
Direct Costs 1/1/77 - 12/31/77	\$62,799		
Audited Overhead Rate (See Exhibit J)	<u>x39.36%</u>	<u>24,718</u>	<u>24,718</u>
Net Adjustment			<u>\$(4,622)</u>

EXHIBIT H

COOPERATIVE LEAGUE OF THE U.S.A.  
Contract No. AID/afr-C-1330 (Swaziland)

Summary of Costs Reimbursed and Recommended For Acceptance  
Period August 19, 1977 through December 31, 1977

	<u>Cost Reimbursed &amp; Recommended For Acceptance</u>
Direct Salaries	\$27,151
Fringe Benefits	5,124
Travel	24,273
Allowances	2,305
Other Direct Costs	2,617
Equipment	<u>9,718</u>
Total Direct Costs	\$71,188
Overhead	<u>19,220</u> <sup>1/</sup>
Total Direct Costs & Overhead	<u>\$90,408</u>

Explanatory Note:

<sup>1/</sup> Overhead was reimbursed at the maximum rate of 27 percent applied to total direct costs. The actual rate exceeds the maximum, therefore, the reimbursed overhead is acceptable.

COOPERATIVE LEAGUE OF THE U.S.A.  
Overhead Rate Computation  
Calendar Year 1976

EXHIBIT I  
1 of 2

	<u>Contractor's Proposed Costs</u>	<u>Costs Questioned</u>	<u>Costs Recommended</u>
<u>Administrative Costs</u>			
Board and Executive Committee	\$ 4,330	\$ -	\$ 4,330
President's Office	116,065	-	116,065
Outreach Division	82,081	19 <u>1/</u>	82,062
Office of Secretary-Treasurer	166,034	-	166,034
Subtotal	<u>\$368,510</u>	<u>\$ 19</u>	<u>\$368,491</u>
Less: Credit per ICA Grant Agreement	795	-	795
Cooperative Management Development	1,525	-	1,525
Consumers Cooperative Managers Association	2,000	-	2,000
Association of Cooperative Educators	750	-	750
Insurance Finance Conference	1,200	-	1,200
Other Related Groups	300	-	300
Reclassification of Outreach Division	<u>12,287</u>	<u>28 2/</u>	<u>12,315</u>
Total Administrative Costs (A)	<u>\$349,653</u>	<u>\$ 47</u>	<u>\$349,606</u>
<u>Direct Costs</u>			
<u>Member Services</u>			
Education/Information Department	\$ 93,600	\$ -	\$ 93,600
Loss on Publications	(2,728)	-	(2,728)
Government Affairs Department	46,484	-	46,484
Field Service Department	31,706	-	31,706
Member and Public Relations	6,300	-	6,300
Special Programs	3,011	-	3,011
Consumer Cooperative Bank	52,150	-	52,150
Reclassification of Outreach Division	12,287	(28) <u>2/</u>	12,315
Secretary-Treasurer-Konsum	2,983	-	2,983
Coop. League Fund Program	47,132	-	47,132
Coop. Partners Fund	16,210	-	16,210
Special Funds	12,717	-	12,717
Foundations	<u>48,454</u>	-	<u>48,454</u>
	<u>\$370,306</u>	<u>\$(28)</u>	<u>\$370,334</u>
<u>Contracts</u>			
AID	\$490,235	\$169 <u>3/</u>	\$490,066
Other	<u>33,945</u>	-	<u>33,945</u>
	<u>\$524,180</u>	<u>\$169</u>	<u>\$524,011</u>
Contract Administration Pool	<u>\$ 18,499</u>	-	<u>\$ 18,499</u>
Total Direct Costs (B)	<u>\$912,985</u>	<u>\$141</u>	<u>\$912,844</u>

COOPERATIVE LEAGUE OF THE U.S.A.  
Overhead Rate Computation  
Calendar Year 1976

<u>Overhead Rate</u>	<u>Contractor's Proposed Costs</u>	<u>Costs Questioned</u>	<u>Costs Recommended</u>
Overhead Rate (A) - (B)	38.3%	-	38.29%
Contract Administrative Pool	<u>4.9 (a)</u>	-	<u>4.88 (b)</u>
	<u>43.2%</u>	-	<u>43.17%</u>

(a) Contract Administrative Pool (\$18,499) plus 38.3 percent overhead (\$7,085) divided by contract costs (\$524,180).

(b) Contract Administrative Pool (\$18,499) plus 38.29 percent overhead (\$7,085) divided by contract costs (\$524,011).

Explanatory Notes:

- 1/ Business luncheon with a U.S. Government employee is unallowable.
- 2/ Represents an addition error which Contractor erroneously made when they reclassified cost of Outreach Division from indirect to direct costs.
- 3/ Represents 1976 costs incurred but not billed to the funding agency. In 1977 cost was journalized and picked up as a 1977 cost, billed and included in the direct cost base on the 1977 overhead submission. Therefore, since it is included in both years, we are eliminating it from the 1976 base and accepting it in CLUSA's 1977 base.

COOPERATIVE LEAGUE OF THE U.S.A.  
Overhead Rate Computation  
Calendar Year 1977

	<u>Contractor's Proposed Costs</u>	<u>Costs Questioned</u>	<u>Costs Recommended for Acceptance</u>
<u>Administrative Costs</u>			
Board and Executive Committee	\$ 7,047	\$ -	\$ 7,047
Presidents Office	124,964	3,249 1/	121,715
Outreach Division	86,821	175 2/	86,646
Secretary-Treasurer	171,795	-	171,795
Subtotal	<u>\$390,627</u>	<u>\$ 3,424</u>	<u>\$387,203</u>
Less: Cooperative Management Development	1,895	-	1,895
Consumer Cooperative Managers Assn.	2,000	-	2,000
Assn. of Cooperative Educators	1,500	-	1,500
Reclassification of Outreach Div.	<u>9,215</u>	<u>-</u>	<u>9,215</u>
Total Administrative Costs (A)	<u><u>\$376,017</u></u>	<u><u>\$ 3,424</u></u>	<u><u>\$372,593</u></u>
<u>Direct Costs</u>			
Member Services			
Education/Information Dept.	\$108,510	\$	\$108,510
Loss on Publications	1,398		1,398
Government Affairs Dept.	48,441		48,441
Members and Public Relations Dept.	51,341		51,341
Special Programs	1,264		1,264
Consumer Cooperative Bank	61,915		61,915
Reclassification of Outreach Div.	9,215		9,215
Secretary-Treasurer-Konsum	1,871		1,871
Coop. League Fund Program	57,687		57,687
Coop. Partners Fund	13,831		13,831
Special Funds	3,300		3,300
Foundations	3,128		3,128
Reclassification of Indirect Costs		<u>(3,364) 3/</u>	<u>3,364</u>
	<u>\$361,901</u>	<u>\$ (3,364)</u>	<u>\$365,265</u>
Contracts			
AID	\$620,853	\$ --	\$620,853
Other	<u>34,945</u>	<u>--</u>	<u>34,945</u>
	<u>\$655,798</u>	<u>\$ --</u>	<u>\$655,798</u>
Contract Administration Pool	<u>\$ 16,705</u>	<u>\$ --</u>	<u>\$ 16,705</u>
Total Direct Costs (B)	<u><u>\$1,034,404</u></u>	<u><u>\$ (3,364)</u></u>	<u><u>\$1,037,768</u></u>

COOPERATIVE LEAGUE OF THE U.S.A.  
Overhead Rate Computation  
Calendar Year 1977

<u>Overhead Rate</u>	<u>Contractor's Proposed Costs</u>	<u>Costs Questioned</u>	<u>Costs Recommended for Acceptance</u>
Overhead Rate (A) + (B)	36.35%		35.90%
Contract Administration Pool	<u>3.47</u> a/		<u>3.46</u> b/
	<u>39.82%</u>		<u>39.36%</u>

a/ Contract Administration Pool (\$16,705) plus 36.35 percent overhead (\$6,072) divided by Contract costs (\$655,798).

b/ Contract Administrative Pool (\$16,705) plus 35.90 percent overhead (\$5,997) divided by contract costs (\$655,798).

Explanatory Notes:

1/ During 1977 CLUSA hosted a Russian delegation on a tour of United States Cooperatives. This is goodwill and qualifies as a CLUSA sponsored project, therefore, the cost is reclassified as a direct cost.

2/ Represents adjustments as follows:

a. Cost of preparing a 1975 amended personal income tax return for an employee is considered a personal expense and is unallowable for overhead rate determination.	\$ 60
b. Write-off of project related expenses are reclassified from indirect to direct costs.	115
Net Adjustment	<u>\$ 175</u>

3/ Represents reclassification of indirect cost as follows:

a. Cost of hosting a Russian delegation on a tour of United States Cooperatives (see note 1).	\$3,249
b. Write-off of project related expenses (see note 2.b.).	115
Net Adjustment	<u>\$3,364</u>

COOPERATIVE LEAGUE OF THE U.S.A.  
 Status of Contract and Grant Funds  
 As of December 31, 1977

EXHIBIT K  
 1 of 2

	Contract No. AID/csd-2901		
	T.O. #1	T.O. #10	T.O. #13
Ceiling Price	\$2,027,460	\$135,601	\$182,408
Amount Reimbursed:			
Costs Audited -			
Approved Prior Period	\$1,117,324	\$106,810	\$ 35,087
Approved Current Period	653,474	27,649	116,310
Subtotal	<u>\$1,770,798</u>	<u>\$134,459</u>	<u>\$151,397</u>
Costs Questioned	5,666	134,459	151,397
Unliquidated Advances	45,000	-	-
			7,000
Total Reimbursed	<u>\$1,821,464(a)</u>	<u>\$134,459</u>	<u>\$158,397(b)</u>
Balance Remaining	<u>\$ 256,662</u>	<u>\$ 1,142</u>	<u>\$ 31,011</u>

	Contract No. AID/BOA-1136		Contract No.
	T.O. #1	T.O. #2	AID/afr-C-1330
Ceiling Price	\$ 114,060	\$117,490	\$909,727
Amount Reimbursed:			
Costs Audited -			
Approved Prior Period	\$ (c)	\$ -	\$ -
Approved Current Period		98,176	90,408
Subtotal		<u>\$ 98,176</u>	<u>\$ 90,408</u>
Costs Questioned		98,176	90,408
Unliquidated Advances	8,800	10,000	55,000
Total Reimbursed	<u>\$ (c)</u>	<u>\$108,176(d)</u>	<u>\$145,408</u>
Balance Remaining	<u>\$ (c)</u>	<u>\$ 19,314</u>	<u>\$819,319</u>

Explanatory Notes:

- (a) Records maintained by the Office of Financial Management (FM/PAD) total \$1,809,789.
- (b) Records maintained by the Office of Financial Management (FM/PAD) total \$158,457.
- (c) These amounts cannot be determined. No costing or payment records maintained by Contractor.
- (d) The Office of Financial Management (FM/PAD) does not maintain payment records for this task order.

COOPERATIVE LEAGUE OF THE U.S.A.  
Status of Contract and Grant Funds  
As of December 31, 1977

	Grant Nos.	
	AID/CM/pha-G-73-11	AID/asia-1180
Ceiling Price	\$85,000	\$249,489
Amount Reimbursed:		
Costs Audited -		
Approved Prior Period	\$59,049	\$ -
Approved Current Period	15,373	87,517
Subtotal	<u>\$74,422</u>	<u>\$ 87,517</u>
Costs Questioned	549	(4,622)
Unliquidated Advances	<u>          </u>	<u>33,000</u>
Total Reimbursed	<u>\$74,971</u>	<u>\$115,895</u>
Balance Remaining	<u>\$10,578</u>	<u>\$161,972</u>

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	Grant No.
	AID/pha-G-1092
Ceiling Price	\$906,142
Amount Reimbursed:	
Costs Audited -	
Approved Prior Period	\$119,428
Approved Current Period	444,028
Subtotal	<u>\$563,456</u>
Costs Questioned	4,342
Unliquidated Advances	<u>28,000</u>
Total Reimbursed	<u>\$595,798</u>
Balance Remaining	<u>\$342,686</u>

LIST OF REPORT RECIPIENTS

Assistant Administrator/PDC	5
Assistant Administrator/AFR	5
Assistant Administrator/ASIA	5
Audit Liaison Officer/PDC	1
Audit Liaison Officer/AFR	1
Audit Liaison Officer/ASIA	1
Office of Financial Management, FM/PAD	8
Support Division, CM/SD/SUP	9
Office of Private and Voluntary Cooperation	5
Communications and Records Office, AG/EMS	12
AG/IIS	1
AG/PPP	1
Auditor General	1
General Counsel	1