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# Auditor General

AN  
EXAMINATION OF  
THE ASIA FOUNDATION

**Audit Report Number** 79-48

**Issue Date** February 28, 1979

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

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## INTRODUCTION

The Asia Foundation (TAF) was formed in 1954 as a non-profit corporation under the laws of the State of California. Its Articles of Incorporation, as revised in 1971, list three basic purposes:

"To serve the mutual interests of the peoples of Asia and the United States by cooperating with Asians in their efforts to develop and modernize their own societies.

"To support Asian individuals and institutions, public and private, in searching for and applying innovative solutions to their own problems.

"To encourage cooperative, understanding, and mutual help among the peoples and countries of Asia, and to facilitate Asian-American exchange that can assist Asian development."

TAF is governed by a Board of Trustees consisting of 25 prominent civic, business and academic leaders. The Board establishes policy and guidance, approves plans and budgets, and maintains oversight of activities through its Executive Committee.

The program and administrative staff, under the leadership of the president, is responsible for developing, reviewing and monitoring program activities in 12 countries.\* The staff, consisting of 62 Americans, is located in San Francisco and 10 Asian countries. The San Francisco office employs 51 Americans who are involved in program and administrative support functions. Eleven Americans serve abroad, 10 as Country Representatives. These Representatives are assisted by 101 foreign nationals.

Since 1968, TAF has received funds from AID. As of September 30, 1978, a total of \$41.1 million had been provided by AID through the following sources:

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\* The 12 countries are:

Afghanistan	Japan	Philippines
Bangladesh	Korea	Singapore
Hong Kong	Malaysia	Taiwan
Indonesia	Pakistan	Thailand

General Support Grants	\$35,693,972
Operational Program Grants	1,996,348
Technical Assistance Grants	<u>3,432,962</u>
	<u>\$41,123,282</u>

Also since 1968, TAF has received funds from the Bureau of Educational and Cultural Affairs of the Department of State (whose functions are now assumed by the International Communications Agency (ICA)), and private donors. The total amount of funds provided by all donors in FY 1978 was \$4,954,284 as shown below:

AID	\$ 3,570,682
ICA	535,794
Japan-U. S. Friendship Commission	54,687
Private Donors	<u>793,121</u>
	<u>\$ 4,954,284</u>

AID is by far the largest donor to TAF.

The majority of these AID funds (\$3.2 million in FY 1978) are provided through General Support Grants. These General Support Grants are provided on an annual basis to fund the major part of TAF's annual budget. Under these grants AID, in effect, agrees to fund a non-identifiable share of TAF's annual budgets. By this we mean that AID's annual General Support Grant is not based upon agreed to funding of specific projects. These grants are awarded on the premise that TAF's program fosters the goals of the Foreign Assistance Act.

Operational Program Grants (OPGs), which are of much lesser dollar significance, were initiated by AID in 1976 to involve Private Voluntary Organizations (PVOs) in the development process.\* Under these grants the PVOs propose specific projects to AID which, when reviewed and approved, are funded by OPGs. In the past a limited amount of technical assistance funds have been used to fund specific projects. Procedurally, AID is now using OPGs to fund these activities. Of these three sources, the latter two, OPGs and formerly Technical

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\* TAF is classified by AID as a Private Voluntary Organization, though it is not considered such in the true sense; i.e., largely funded by private contributions.

Assistance Grants, are funded in addition to TAF's annual budget. In FY 1978 a total of \$1,311,043 was funded in this manner for support of TAF.

The AID General Support Grants, which are effected under the authority of Title IX of the Foreign Assistance Act of 1961, as amended, fund about 70-80 percent of TAF's annual budgets, the balance being funded by ICA and private donors.

TAF's annual budget is comprised of two basic elements. The first, the "program element" consists of small grants (averaging \$6,000) to hundreds of indigenous private voluntary groups, associations and institutions in Asia. In 1977, the last year for which figures are available, \$2.3 million was used for this portion of the budget. The other element "operating costs" (administrative and program operational) consists of those costs associated with planning and monitoring the program. In 1977, this portion of the budget accounted for \$1.9 million.

TAF annually requests from AID a specific amount of money. The proposal is then discussed with the Department of State. This practice of AID's to discuss the TAF request with the Department of State is an exception in the AID decision-making process on General Support Grants. Following these discussions a level of funding is established by AID. The actual General Support Grant subsequently negotiated is dependent upon appropriations authorized by the Congress.

The AID grant instrument is couched in only the most general of terms; that is, AID places no restrictions on the use of its grant (other than certain standard statutory and administrative ones such as shipment in foreign bottoms) nor does it specify discrete programs or projects to which its grant must be applied in whole or in part. Expenditures by TAF are not controlled or reviewed by AID except for periodic financial compliance type audits by the AID Auditor General. Roughly half of AID's General Support Grant funding is used for program activities; the remaining half is used for operating costs.

AID has never performed a formal evaluation of the TAF program. No Project Appraisal Reports are thus available. The only report (Canham Report), which could possibly be construed as an evaluation, was issued on October 7, 1976, by a panel of private citizens chaired by Mr. Erwin Canham. The purposes of that report, financed by AID and State, were twofold:

"...review the current policies, objectives, and principal activities of the Foundation and their relation-

"ship to the national interests of the U. S. in Asia and to the objectives and programs of A.I.D. and the Bureau of Educational and Cultural Affairs.

"...consider the future role of the Foundation, what relationship it should have toward the Federal Government, Congress, and the private sector and how it can achieve a sound financial base for its activities."

Among the recommendations of the report three were of particular significance:

"The Executive Branch should be prepared to commit, subject to the appropriation process, a specified level of basic grants for five years on which the Foundation can plan its program.

"The basic Government support to the Foundation should be provided from one source--from a line-item appropriation to A.I.D. under the Foreign Assistance Act.

"The amount of the Government's basic support for the Foundation should be increased to \$10 million over a period of 2 years.

These findings were based on the Panel's conclusions that TAF's program was important to the national interest and merited continued U. S. Government support.

The report does not, in our judgment, constitute a careful evaluation of the TAF program in terms of AID's mandated priorities. While it notes these priorities, its principal thrust is a justification of the Foundation and its work in terms of a broad and all inclusive assessment of United States foreign policy objectives in and vis-a-vis Asia. Upon reaching its basic conclusion that the Foundation and its program is indeed of fundamental value in this broadest sense, the report then shifts to a discussion of methods and levels of public financing of the Foundation. In other words the Canham report hewed closely to the panel's charter.

The purpose of our examination was to determine whether TAF's program addresses AID objectives; whether TAF's program is effectively and efficiently managed; and whether TAF expended AID funds properly.

## SUMMARY

The most significant findings developed during the audit, and presented in detail in the next section, are digested below:

- Much of the AID-financed General Support Grant program is not in line with the New Directions mandate of AID (page 6).
- There is little AID collaboration and review in TAF's development of the annual program (page 14).
- The recipients of TAF's program grants are mostly intermediaries in the government sector and thus not in keeping with AID's Non-Capital Project Paper which viewed TAF as a bridge to indigenous private and/or voluntary organizations (page 17).
- TAF is inadequately evaluating the effectiveness of its annual program (page 19).
- AID has been remiss in reviewing and monitoring the TAF program funded by AID General Support Grants (page 20).
- TAF should refund to AID \$157,799 which represents excess draw downs under the Federal Reserve Letters of Credit (page 23).
- AID's practice of enabling TAF to carry over funds from one fiscal year to the next without AID approval fosters poor management practices (page 24).
- There is some confusion concerning the treatment of operating costs and its consistent application to OPGs (page 26).

## FINDINGS AND RECOMMENDATIONS

### A. TAF PROGRAM--WHAT IS IT

Much of the AID-financed General Support Grant program is not in line with the New Directions mandate of AID. Activities are heavily focused on institutions where the direct or even indirect impact upon the poor majority is frequently not apparent. (This basic finding parallels an earlier similar criticism of the AID-supported TAF program by the GAO contained in their May 1976 report entitled "Channeling Foreign Aid Through Private and Voluntary Organizations.")\* Some activities are located in countries where there is no development rationale for the program; and activities are being implemented by organizations not of the type envisaged in the Non-Capital Project Paper of 1969, the basic concept and design document of the AID-TAF relationship.

TAF's management perceives its role as:

"...A risk-taker, an experimenter, a catalyst, willing to take chances on testing new ideas, introducing new concepts and investing in new organizations."\*\*

TAF, as such, is not an implementer. It is a giver of small grants to local Asian intermediaries. Thus, through the mechanism of a series of small grants, averaging about \$6,000, to Asian intermediaries, it funds projects to achieve specific purposes.

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\* "AID stated that the Asia Foundation's programs, while not directly dealing with the problems of the poorest majority of peoples in developing countries, do serve broad U. S. political interests. We do not question that the Asia Foundation programs may serve the broad political interests of the United States. However, we do not believe that programs and grants described above focused on functional sectors which assist the poorest majority of peoples in developing countries." (Report of the Comptroller General of the United States, ID-76-53, May 5, 1976, p. 15, para. 7.)

\*\* "The President's Review, 1977," The Asia Foundation, San Francisco, California, p. 10.

Hundreds of indigenous groups, associations and institutions in Asia have over the years of AID support been the beneficiary of these small grants. These grants have been used to implement a host of activities ranging from a goat husbandry project to a symposium on the preservation and presentation of Asian music and dance. The number of such grants in any one year may vary from 700 to 1,000.

Many of the grants, according to TAF, address matters which go to the heart of a society's power and social structure.\* They involve individual rights in relation to governmental authority; the distribution of wealth, education and political power; and the preservation of tradition and culture in the midst of change.

Given the view of TAF's mission as perceived by the Foundation brings us quickly to the question of whether TAF is a fully qualified candidate for AID support under the New Directions mandate. In essence this mandate requires AID to focus its development support on programs and projects designed to most directly and expeditiously improve the lot of the poor majority in an assisted country.

#### Does the AID-Funded TAF Program Comply With the Legislative New Directions Mandate

Using TAF's 1977 program as a basis for our review, and a selection of 32 percent of the total program in the 6 countries included in our review, we conclude that a majority of TAF's specific projects do not comport with the New Directions mandate.

TAF's overall program is characterized by cultural exchange activities, scholarships and various types of social and development projects. Many of these projects that fall outside AID's mandate are being funded by AID under the current General Support Agreement approach. For clarity, it should be understood that ICA and private donor funding of TAF, noted earlier, is almost always project specific with limitations and conditions governing the use of such funds. This report raises no question concerning that aspect of TAF's annual program funded by these donors, representing 20-30 percent of the total program.

The other 70-80 percent of TAF's program is financed by AID. A relatively small part of this AID funding is provided in the form of Operational Program Grants (OPGs) which are grants specifically designed for Private Voluntary Organizations (PVOs). These grants are

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\* Op.cit., p. 11.

used for financing specific PVO development activities in AID countries; i.e., where AID has programs.

AID's use of the OPG method of support for TAF dates only from 1976. Since then AID has awarded 14 such grants to TAF amounting to \$1,996,348 in total value.\* We examined 11 of the 14 and visited 5 during the course of our review. We found all 11 to be well within the guidelines of the New Directions mandate. One example, the Rural Infant Child Care Centers in Thailand, funded by AID in the amount of \$300,000, has as its purpose the establishment of three rural health centers addressing the problems of malnutrition.

The answer to the question, does the TAF program comport with AID's legislative mandate, clearly must be found in a review of the use by TAF of the principal amount of AID TAF support; i.e., the General Support Grant which has been averaging \$3.7 million per year. Under this form of AID funding, TAF makes hundreds of small grants to various organizations for the implementation of small projects. These grants are programmed in the context of specific fields of interest approved by the TAF Board of Trustees. These fields of interest approved for FY 1977 were:

- Publications, Libraries and Media
- Rural and Urban Community Affairs
- Education
- Law and Public Administration
- Food and Nutrition
- Population and Community Health
- Management, Manpower and Economic Development
- Regional Cooperation for Asian Development
- Exchange for Asian-American Understanding

To ascertain whether the projects carried out under these fields of interest were addressing the needs of the poor majority, we reviewed six country programs--four AID and two non-AID, the latter two being

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\* The OPGs were provided to the following locations:

<u>Country</u>	<u>No. of Projects</u>	<u>Value</u>
Indonesia	6	\$1,087,350
Philippines	2	199,733
Thailand	5	671,765
San Francisco Administered	1	37,500

countries where AID had no program.\* In those six countries, we looked at 182 grants valued at \$744,217, representing about 32 percent of the General Support Grant funds programmed in FY 1977.\*\*

The grants were classified by us into two categories: those providing some direct benefits to the poor; and those providing no apparent benefits to the poor. All projects falling within the latter category we further categorized by the nature of the project: institution building; studies and research; and conferences and other activities. This sub-grouping by the kinds of grants which make up the TAF portfolio supported by AID was discussed at length with a number of TAF personnel during the course of our review.

Indicative of institution building were those grants that had as their purpose the improvement of the organization's capabilities and/or effectiveness. An example was TAF's support of Condera-wasih University's publication of the Irian Journal, a publication dealing with articles on the anthropology of the most remote of Indonesia's provinces. Studies and research generally consisted of those grants addressing specific type problems. An example of these grants was the Comprehensive Education Plan for Kaohsiung City (Taiwan) performed by Kaohsiung Teachers College. Conferences and other activities were characterized by international conferences, workshops and symposiums, an example of which was the Symposium Workshop on the Role of Research in Crime Control held in Manila Philippines, from August 26-27, 1976.

Of the 182 grants (valued at \$744,217) reviewed by us, we categorized 62 valued at \$327,936 as falling within the New Directions mandate. That is, the impact of the assistance provided through each of these 62 could be related directly to the poor majority.

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\* The four AID countries were: Bangladesh, Indonesia, Philippines and Thailand. The two non-AID countries were: Hong Kong and Taiwan.

\*\* TAF's programming in FY 1978 was adversely affected by the reduction and late release of AID funding (\$2 million of the \$3.5 million granted was not released until the last month of the fiscal year). Thus, for the purpose of this review, we classified 182 grants representing about 32 percent of the AID funds programmed in FY 1977. The amount of General Support Grant funds used in FY 1977 was \$4,250,000 of which \$2,337,500 was used for projects and \$1,912,500 for operating costs.

Many of these projects were concentrated in two fields of interest: Rural and Urban Affairs and Food and Nutrition. Characteristic of these projects were vocational training, improvement of agricultural and livestock practices and the introduction of more nutritious foods.

The remaining 120 grants could not in our judgment be found to have a direct impact upon the poor majority. The following chart breaks this figure of 120 grants into sub-groupings using TAF's primary field of interest.

<u>Fields of Interests</u>	<u>Not Directly Assisting Poor</u>					
	<u>Institution Building</u>		<u>Studies Research</u>		<u>Conferences &amp; Other Activities</u>	
	<u>No.</u>	<u>Amount</u>	<u>No.</u>	<u>Amount</u>	<u>No.</u>	<u>Amount</u>
Publ., Libraries & Media	14	\$42,228	4	\$ 4,570	8	\$16,395
Rural & Urban Affairs	5	10,829	3	4,185	4	5,935
Education	19	99,696	3	14,231	7	21,065
Law & Public Adm.	3	27,435	2	6,410	10	14,603
Food & Nutrition	4	16,815	5	26,771	3	9,172
Population & Health	5	34,260	2	15,000	3	3,305
Management & Manpower Dev.	1	4,308	2	2,726	5	24,650
Regional Cooperation	-	-	1	800	7	10,842
Asian American Exchange	-	-	-	-	-	-
	<u>51</u>	<u>\$235,571</u>	<u>22</u>	<u>\$74,693</u>	<u>47</u>	<u>\$105,967</u>

These 120 grants, representing \$416,231, provided no direct or reasonably close indirect benefits to the poor majority. Most of these grants were also grouped in two fields of interest: Education and Publications, Libraries and Media. In the field of Education we found that practically all the grants were aimed at upgrading universities, though the New Directions specify that the assistance should be directed to non-formal education. Representative of these grants was a grant to Indonesia's Department of Education to enable Vice Rectors of provincial universities to observe a number of Southeast Asian universities and study the various aspects of university administration and problems

encountered in these other countries. Grants to institutions of higher learning can be structured and designed so as to have a meaningful impact upon the lives and conditions of the rural poor majority in a country. The grants cited here do not appear to us to be in such a category.

In the field of Publications, Libraries and Media, TAF receives books donated by American publishers, college bookstores, etc., which are then distributed to universities, libraries and other institutions abroad. These books are mostly college textbooks written in the English language. Again, no direct or indirect benefit accrues to the poor majority from this program since few, if any, can read English and/or attend the institutions which are the major recipients of the books.

Under the field of Law and Public Administration, TAF is promoting a human rights program. A few of these grants are involved with legal aid societies; that is, defraying travel costs, etc., of lawyers and witnesses in defending the poor. Though there is no apparent development orientation as distinguished from a welfare approach, they were classified as assisting the poor. Most of the grants in this field were aimed at institution development and conferences. An example of such projects was a grant to Chulalongkorn University Faculty of Law (Thailand) to promote faculty development through access to American published English language law titles as well as out-of-print Thai publications.

Efforts have been made in several countries to develop action type projects directed at the poor majority located in the rural areas. However, in developing these projects, several TAF officials indicated it was not always possible to develop such grants for all fields of interest. Law and Public Administration; Management and Manpower Development; and Publications, Libraries and Media were three most frequently cited fields of interest that were not usually compatible with this approach; i.e., direct assistance to the poor.

From the foregoing we conclude that much of the TAF program as now structured and funded by AID under its annual General Support Grant falls outside the New Directions mandate of the Agency.

Another problem is that part of the TAF program funded by the General Support Grant is located in countries having high annual per capita incomes. The 1976 annual per capita incomes in these countries, for example, ranged from a low of \$860 in Malaysia to a high of \$4,910 in Japan. AID's policy is that countries having an annual per capita income of \$500 or more should not receive concessional assistance.\*

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\* AID Handbook 1, Part II-1, p. 1.

TAF has programs in twelve Asian countries, five of which are countries where AID has no program. These are: Japan, Taiwan, Singapore, Malaysia and Hong Kong.

It is noteworthy that, of the \$2,156,787 attributed to AID project funding in FY 1977, approximately \$535,886 were used for the programs in these non-AID countries. When Korea, a phase-out country is added, the figure jumps to \$750,297, representing 35 percent of all AID attributed project funding.\* This constitutes a high percentage of programming in countries which do not have an AID program.

The grants programmed in these non-AID countries were in the following fields:

Publications, Libraries and Media	\$ 34,962
Rural and Urban Community Affairs	111,807
Education	65,732
Law and Public Administration	118,355
Food and Nutrition	43,326
Population and Community Health	46,444
Management, Manpower and Economic Development	60,482
Regional Cooperation	<u>54,778</u>
	<u>\$535,886</u>

Again, we found that most of these funds are programmed in fields of interest which have little impact on the poor majority. For example, though efforts have been made in Taiwan to focus the program on the poor, it still includes a large number of institution building and research projects which do not materially benefit the poor.

Commencing in FY 1979, TAF plans to discontinue using AID funds for the programs in Hong Kong, Japan and Singapore. These programs will consist of ICA and private donor funded activities only.

TAF's planned discontinuance of the use of AID's General Support Grant funds in Hong Kong, Japan and Singapore is in line with AID's priorities. We feel that TAF should take similar action to discontinue the AID-financed portion of its programs in Malaysia and Taiwan.

All who reviewed the draft of this report took exception to our assessment dealing with TAF's program in terms of its adherence to the New

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\* Korea's annual per capita income in 1976 was \$670.

Directions mandate of the Congress. Without exception, the Asia Foundation, the AID Bureau for Asia and the Bureau for Private and Development Cooperation found the report's assessment on this point unduly restrictive.

Their contrasting views are most succinctly set forth in the following excerpts from the comments of the Asia Bureau:

"We agree with the auditor's findings that much of the AID-financed general support program is not in line with the New Directions mandate of AID. Nevertheless, the methodology used by the auditors in dividing the TAF projects into those of direct benefit to the poor and those which are not is more restrictive than the actual language of the Foreign Assistance Act.

"As you are aware, the Asia Bureau assumed responsibility for oversight of TAF's general support grant in July 1978. Prior to that time the Office of Private and Voluntary Cooperation was the responsible backstop office for their grant. In reviewing TAF's grant proposal for FY 79 (the first funded by the Asia Bureau), I noted in a letter to the President of the Foundation on September 19, 1978 that it was quite apparent that many of the projects proposed lacked the development orientation required by the AID mandate.

"Notwithstanding the above, the Foundation performs an important role in U. S. foreign policy and is worthy of funding. The Foundation's program, encompassing a broad spectrum of activities, is not limited to AID's 'New Directions' legislation nor should it be. The Foundation is concerned with societies in their entirety - with cultural, intellectual, and social institutions as well as with economic and political development. This is why for the past two years AID has pressed for transferring basic support for the Foundation to the State Department or ICA budgets. AID has already notified the Foundation that it will not provide general support funds after FY 1980. However, AID will continue funding for specific projects that meet New Directions objectives through OPGs."

## B. THE PROGRAM--HOW IT IS DEVELOPED

There is little AID collaboration and review in TAF's development of the annual program.

TAF's annual budget cycle commences some nine months prior to the fiscal year. Preparation of the budget is based on guidance provided by San Francisco to each of the Country Representatives. In this guidance TAF sets the projected funding level from AID, ICA and private donors. Tentative allocations, within this funding level, are then made for each of the country programs.

Specific objectives are developed for each country program. These objectives are derived in part from the various country development plans of the host countries themselves and in part from the TAF Country Representatives' discussions with Embassies, USAIDs and others. In developing these objectives, the Country Representatives are governed by the fields of interest contained in San Francisco's guidance for preparation of the annual budget submission.

An objective or goal is developed for each of the fields of interest applicable to the country program. These goals are characteristically stated in broad and non-quantitative terms. An example in the field of Food and Nutrition in Bangladesh is: "to combat the problems and causes in malnutrition through assistance to programs in nutrition education and the development and utilization of food sources." Within these goals or fields of interest, all donor funds are budgeted and programmed.

Projects evolve from an interactive process between the Representatives and implementing organizations. The Representatives, within the allocations established, budget these projects under each of the fields of interest. Some projects represent increments of on-going multi-year projects. Others are new. Many of the new projects forwarded by Country Representatives represent tentative proposals received from organizations in the host country. The Representatives examine and review these proposals in the context of the Representatives' objectives and San Francisco's guidance. Some of these tentative proposals are not implemented because the ideas do not materialize and/or TAF's priorities change.

Data sheets, briefly describing each of the new proposed budgeted projects, are prepared and prioritized. This detailed data is necessary to facilitate San Francisco's review and any cutbacks that may result from a less than projected level of funds.

The individual country program budgets are then reviewed and consolidated in San Francisco. A consolidated Planning Budget is subsequently submitted to the Board of Trustees for review and approval. When approved, the budget constitutes the planned program.

Indications are that one-third or more of the approved budget is not implemented. This is due to several factors. These are: donor funds are received later than expected, priorities change, and proposed projects do not materialize.

We have noted earlier that the bulk of AID's support to TAF is via the General Support Grant method. AID's own regulations for this type of grant tend to support the current TAF approach to program planning. Handbook 13, Chapter 3A.2a. on General Support Grants includes the following:

"AID's contribution is based on grantee's budget for his total program, and is expected to be commingled with funding from other donors. The grantee is not expected to account for use of AID funds in relation to specific activities. Therefore all projected expenditures and all programs are reviewed."

What this, in effect, means is that under General Support Grants AID has to determine whether the total program is consistent with AID's priorities under the Foreign Assistance Act.

Our review, as noted earlier, concludes that substantial elements of the program are not in line with the basic policy thrust of the Foreign Assistance Act.

In striking contrast to the General Support Grant approach, OPGs are not developed within the context of TAF's annual budget. They are specifically funded and thus evolve during the fiscal year from a collaborative process with AID. As such, TAF submits these projects to AID in the form of specific project proposals. These projects are then substantively reviewed by AID. When approved, AID and TAF enter into an OPG agreement. TAF in turn enters into an agreement with the implementing organization. The funds thus pass from AID to the implementing organizations through TAF.

The OPGs are in conformance with the New Directions. This is due to the fact that AID is closely involved in the planning and approval of these projects. No such AID involvement is required or provided for those projects developed within the context of TAF's annual program.

AID's lack of involvement in the planning and approval of those projects, we believe, is a major reason for the failure of the program in large part to conform to the New Directions.

### C. WHO IMPLEMENTS THE TAF PROGRAM

The Asia Foundation is not operating its programs in keeping with its own view of how best to achieve its goals or AID's own understanding of what those methods are.

In the 1969 Non-Capital Project Paper (never since updated so far as we could learn) AID viewed TAF as a bridge to indigenous private and/or voluntary organizations--a group that AID itself does not usually fund directly. TAF also sees its role in this light. For example, in the Foundation's Annual Report of the President for 1977, we found the following statement:

"...The Foundation puts particular emphasis on assisting Asian voluntary organizations. Beyond the intrinsic importance of the Foundation's effort to further voluntarism in Asia, its ability to stimulate non-governmental organizations and to interest them in new and broader fields of constructive local and national effort is one of the Foundation's most distinctive capabilities. The Foundation has learned from experience, that engaging the intelligence, the energy and the capabilities of Asia's private sector often makes it possible to fill neglected gaps in major governmental and official foreign-aid development programs." (underlining supplied)

However, of the implementing organizations reviewed, we found that many of the intermediaries are in the government sector. For example, of the 182 grants we reviewed, we found that 85 of the intermediaries were universities, most of which were government supported. Of the remaining 97, only 61 could be considered private organizations. Put another way, of these 182 separate programs or grants totaling \$744,217, only \$257,000 was channeled through non-governmental organizations.

The explanation most frequently cited for this composition of implementing organizations is that universities and government institutions have and/or are connected to "networks." Thus, by plugging into these institutions with "networks," TAF feels that it achieves a degree of outreach and thus greater impact. We found, however, that this rationale is to some extent contradicted in the field of Rural and Urban Affairs, the field of interest most consistent with the New Directions and where most grants were implemented by private organizations.

AID itself tends to operate its programs through and with government and quasi-government organizations in the countries in which it maintains programs. To the extent that the AID General Support Grant supports a second organization, TAF, operating significant portions of its programs through similar channels, AID is supporting a duplicative effort.

The cost of supporting this duplicative effort is excessively high. We have already noted that, of the \$4.2 million AID General Support Grant for FY 1977, \$1.9 million was used for operating type costs. Of this amount, approximately \$.8 million was used to support TAF's foreign activity and \$1.1 million to support U. S. activity. This means that for every AID General Support Grant dollar made available to TAF about 45 cents went for operating costs of which 19 cents was for foreign activity and 26 cents for U. S. activity. Thus, of every AID General Support Grant dollar, only 55 cents was ultimately applied to program objectives, less than half of which, based on our broad sample, directly benefited the poor majority.

What makes TAF's operating costs so high is its large U. S. staff of 51 Americans located in San Francisco, California. A bit more than half, 27 to be exact, have oversight responsibilities for the small grants program. The other 24 are involved in administrative responsibilities such as accounting. This U. S. staff equates to roughly 4.6 Americans providing some form of program and administrative support for each of the 11 Americans abroad, a ratio which seems to be unusually high. By contrast, AID has a ratio of 1.8 Americans in the United States for each American abroad.

This unusually high TAF ratio of U. S. backstopping support is a high price to pay when the funds could otherwise be used to directly assist the poor. We therefore fail to see the rationale for TAF's General Support Grant program in countries where AID already maintains USAIDs through which the full amount of the annual TAF grant could be made available for program/project use in support of the New Directions mandate.

The Asia Foundation took exception to the finding in this section of the report dealing with the treatment of its administration and program operational expenses as inclusive elements of operating costs. The Foundation believes that the program operational expense element should be associated with direct program costs as part of the total program input, not as part of operating costs. This method of treating program operational expenses, in our judgment, would obscure TAF's full costs of planning, monitoring and administering its grant program which, until changed by the Congress, was also a method formerly used by AID.

D. HOW TAF EVALUATES ITS PROGRAM

TAF is inadequately evaluating the effectiveness of its annual program.

Those grants developed within the framework of TAF's annual budget are generally small, averaging about \$6,000. The level of grants planning is thus understandably not very sophisticated.

At project completion, the recipients are required to submit reports evaluating the grants. We reviewed a number of these reports and generally found them to contain little evaluative data. It was thus not possible to determine from these reports whether the grants fully achieved their objectives.

TAF's procedures require that the Country Representatives write a covering evaluation of the recipient's report prior to sending it to San Francisco. We reviewed a number of these evaluations which we also found to be weak in terms of substantive data.

There is a third level of reporting. AID requires, under its General Support Grants, that TAF determine the effectiveness of its annual program. These reports are to be developed in sufficient detail so that AID can judge the relationship of TAF programs to AID objectives. Though TAF performs an annual review and submits this report of their review to AID, the report does not contain, in our judgment, an adequate assessment to judge the effectiveness of the programs in relation to the funds used to carry them out. Nor does the report assess the programs in terms of what progress was made toward the respective goals for each field of interest. We could find no document in which AID requested TAF to alter its reporting to conform with AID needs.

On the other hand, we found that AID is receiving individual reports on the progress of the OPGs. These reports were generally found to be adequate.

## E. AID OVERSIGHT, CONTROL AND EVALUATION

AID has been remiss in reviewing and monitoring the TAF program funded by General Support Grants.

Periodic evaluations are a key element of the AID management process. As such, they enable management to appraise whether activities are meeting goals and merit continued funding. Therefore, recognizing the need for such evaluations, the 1969 PROP states:

"The quality of the support given by the Foundation --its effectiveness and results in development terms --shall be determined by the Missions, Embassies and AID/W in relation to AID's objectives in the particular countries and region."

Our examination indicated no evidence that AID has conducted such evaluations in the 10 years that it has funded TAF. As noted earlier, the only study of TAF was undertaken by the Canham Committee, a non-AID group, in April 1976. That study was essentially concerned with securing a stable source of U. S. Government funding for TAF.

TAF officials informed us that they have not had any substantive discussions with AID/W officials about their program in recent years. Nor did our discussions with AID/W officials indicate otherwise. Similarly, in the field, we found that the USAIDs are generally neither involved with nor fully acquainted with the General Support Grant funded TAF programs in their respective countries, though USAID Directors are occasionally briefed by TAF representatives on the programs. In summary, there appears to be an absence of detailed knowledge on AID's part regarding TAF's program funded with AID General Support Grants.

Over \$36 million has been provided to TAF through the General Support Grants. Yet, we could find little evidence that the annual programs, supported by these funds, have been substantively reviewed to determine whether they were consistent with AID policies under the Foreign Assistance Act. This lack of substantive review at the program planning stage is further compounded by an absence of annual evaluation. What, in effect, emerges is that AID has provided TAF to date with about \$36 million in General Support Grant funding without substantive review of programs at either the planning or implementation stages. Thus, to the extent that program is not now in compliance with the New Directions mandate, much of the fault must be attributed to lack of AID oversight. In this regard, the comment of the Asia Bureau of AID on the draft of this report is instructive:

"The Asia Bureau agrees that in the past there was little collaboration and review in TAF's development of its annual program. This is not to denigrate the attempts which were made to provide good management, but it was clear that the PVC office regarded the monitoring of the Asia Foundation grants as a closed preserve which was not subject to scrutiny by other parts of the Agency. This was caused by a feeling that a high level political decision had been made by State to support the program and that any review would be considered inappropriate. The Asia Foundation was one of a few organizations receiving general support. None of the operations of these organizations were ever reviewed by an Agency-wide group. This was in marked contrast to TAB and PPC projects. All funds for TAB and PPC research activities were reviewed by both the Research Advisory Committee and by the Inter-Bureau Committee representing the Agency as a whole. This was never done with the Asia Foundation although it had been raised as a formal issue in 1974 and 1975 with the then Assistant Administrator, Ms. Harriet Crowley, but to no avail. The audit report makes clear that the management of the Asia Foundation contract was ineffective, but it was also secretive and as the report now makes clear, provided no guidance to the Foundation."

Because of the commingled funds nature of the General Support Grant approach, AID is in effect simply contributing a lump sum to TAF's annual budget. We could find no record of an organized AID effort to insure that AID funds be attributed to New Directions type programs. AID, in our judgment, has thus played a major role in making possible the current situation which finds AID funding a high proportion of TAF projects which do not follow the New Directions mandate. Should AID continue to support the TAF program the funding method should shift to the specific Support Grant or OPG methods.

A revealing footnote on the efficacy of AID's oversight is found in the fact that we were shown numerous examples of lack of prompt response by AID to queries and questions raised by TAF. Some of these queries and questions have been outstanding for a year or more.

In our judgment there are several interrelated reasons for this absence of AID involvement and lack of evaluation. One pertains to the definition of such responsibilities under the General Support approach. AID's

own Handbook No. 13(1A.b), governing the administration of AID General Support Grants, states that "self-restraint in the imposition of program control by AID officials is an essential feature of General Support Grant activities." AID, in effect, is not to get involved in the details. Another reason, in our judgment, is that AID/W has not delegated any responsibility to the field for monitoring centrally funded General Support Grants. Yet, it is extremely difficult, in our opinion, to perform a substantive review and evaluation without the involvement of the USAIDs.

#### Recommendation No. 1

We recommend that the Asia Bureau, Office of Development Planning (ASIA/DP) reassess the rationale for providing General Support Grant funding to TAF.

In responding to a draft of this report, the Asia Foundation took strong exception to the finding in this section of the report relating to the lack of substantive discussions about the program with AID/W officials in recent years. The Foundation cited a number of continuing contacts over the years with AID Administrators, Assistant Administrators, Mission Directors and others. We note that this recitation of continuing contacts and the interpretations placed on them is substantially at variance with the thoughts presented to us in interviews with Foundation officials held in San Francisco during the course of our review. We also note that after some ten years of the AID-Foundation relationship, the Foundation notes in its response to the draft to this report the following:

"To the extent that issues and misunderstandings may exist, however, the Foundation is eager that they be resolved quickly so that effective and cooperative relationships may continue. What is needed in our judgment is: 1) a clear definition of the 'Congressional Mandate' and 'AID Objectives' and what is expected of the Foundation; 2) a clear recognition of the Foundation's broad multi-purpose role based on funding from a variety of public and private sources; 3) agreed procedures for consultation, reporting, and review; and 4) early settlement of a number of long-pending administrative issues that have been hampering the Foundation's work. If these results are achieved, the way will be cleared for maximizing the Foundation's potential contributions to the American national interest and to our country's development objectives in Asian countries."

F. FINANCIAL AND ACCOUNTING

1. Questioned Costs Under General Support Grant

The audit disclosed that between August 1, 1974, and September 30, 1977, TAF drew down more funds under the Federal Reserve Letters of Credit than accepted incurred costs. These draw downs in excess of AID attributed costs, totalling \$157,799 should be refunded to AID.

A financial summary of costs audited and disallowed is presented below:

<u>Grant Number</u>	<u>Period Covered</u>	<u>Accepted Incurred Costs</u>	<u>FRLC Draw Down</u>	<u>Refund Due AID</u>	<u>Exhibit</u>
AID/pha-G-1040	8/1/74 - 7/31/75	\$4,309,784	\$4,310,000	\$ 216	B
AID/pha-G-1040	8/1/75 - 7/31/76	3,924,600	4,040,000	115,400	C
AID/pha-G-1040	8/1/76 - 9/30/77	4,631,073	4,250,000	-	D
AID/asia-G-1103	10/1/75 - 9/30/77	29,055	29,055	-	E
AID/asia-G-1104	10/1/75 - 9/30/77	43,250	43,250	-	F
AID/asia-G-1152	2/10/76 - 9/30/77	57,140	57,140	-	G
AID/asia-G-1191	10/1/76 - 9/30/77	78,874	78,874	-	H
Pakistan Unnumbered	1975	15,000	15,000	-	I
204-76-3	11/25/75 - 9/30/77	35,823	35,823	-	J
VolAg 77-1	12/1/76 - 1/31/77	8,191	8,191	-	K
492-1002	7/1/76 - 9/30/77	66,651	66,651	-	L
AID/csd-2228	8/1/75 - 9/30/77	2,645,932	2,687,000	41,068	M
				<u>\$156,684</u>	

Recommendation No. 2

The Office of Contract Management (SER/CM) request Asia Foundation (TAF) to refund \$156,684 representing excess draw downs under the Federal Reserve Letters of Credit.

## 2. Draw Down of Funds Under General Support Grants

On August 8, 1978, under Amendment No. 18 to the General Support Grant Agreement No. AID/pha-1040, AID retroactively authorized TAF to carry over and utilize funds from prior years. This action was taken by the AID Office of Contract Management in conjunction with the concurrence of the Office of Private and Voluntary Cooperation. Such action, in our judgment, is reflective of poor management practices.

When AID approves an annual General Support Grant, it opens a Federal Reserve Letter of Credit (FRLC) in an amount equivalent to the grant. TAF then draws funds against the FRLC based on its monthly cash requirement. Thus, if the monthly cash requirements are estimated correctly, drawdowns should approximate AID-funded expenditures at the end of the twelve-month period.

Our review disclosed that TAF drawdowns under the FRLC for the past three fiscal years have varied significantly from the amount authorized. This has been due to over optimistic budget projections. An example of this over optimism is TAF's FY 1976 budget of which AID's General Support Grant funded \$4.4 million. The original budget for that year was \$8.6 million. It was then revised downward during the fiscal year to \$7.4 million of which actual expenditures were only \$6.2 million. Unexpended AID funds consequently resulted from not implementing the total budget. Though the AID funds were restricted to the 1976 budget, TAF arbitrarily carried them over to other years. Thus, during the course of our audit and as noted above, AID retroactively approved TAF's action by amending the General Support Grant Agreement, thereby retroactively authorizing TAF to utilize \$480,000 in subsequent years.

As indicated in the figures below, \$480,000 was transferred from FY 1976 to FY 1977 and 1978.

<u>Grant Year</u>	<u>Authorized</u>		<u>Increase (Decrease)</u>	<u>Amount Drawn Down</u>
	<u>Original</u>	<u>Amended</u>		
FY 1976	\$4,400,000	\$3,920,000	\$(480,000)	\$4,040,000
FY 1977	\$4,285,227	\$4,580,227	\$ 295,000	\$4,250,000
FY 1978	\$3,500,000	\$3,685,000	\$ 185,000	\$3,500,000

This AID action, retroactively authorizing TAF to use the \$480,000, should have been justified by a memorandum setting forth its rationale. The Federal Procurement Regulations, Chapter 1-3.811, states that:

"At the conclusion of each negotiation of an initial, revised or final price, the contracting officer shall prepare a memorandum setting forth the principal elements of the price negotiation, for inclusion in the contract file and for the use of any reviewing authorities."

Yet, despite this requirement, we found no such memorandum supporting AID's action.

The General Support Grants are intended to fund specific fiscal year TAF budgets. When, as indicated above, these budgets are not fully implemented, AID may authorize TAF to carry-over any unexpended AID funds from one fiscal year to the next. However, in such cases, we believe that good management practices require that this carry-over be predicated on prior AID approval. Only in this way does AID exercise effective control over the use of its funds. And only by such controls is AID able to evaluate the need for the carry-over.

AID's practice of arbitrarily enabling TAF to carry-over funds from one year to the next fosters poor TAF management practices as well. It, in effect, minimizes the discipline needed to program and release funds in a timely manner.

### Recommendation No. 3

The Office of Contract Management (SER/CM)  
(a) justify its action for issuing Amendment No. 18, dated August 25, 1978; and (b) discontinue its practice of retroactively approving funding carry-overs.

### 3. Accounting for Grants to Implementing Organizations

When TAF makes a grant to an implementing organization that organization is required to submit a report to TAF accounting for the use of the funds. This accounting should be made upon completion of the grant which would generally be some twelve months from the date the grant was provided. Until such time as this accounting is made, the grant is not considered by either AID or TAF as an eligible expenditure. In terms of this accounting, we found that, as of September 30, 1977, TAF had not received reports on \$1,006,065, as shown below:

FY 1974	\$ 42,214
FY 1975	55,165
FY 1976	196,973
FY 1977	<u>711,713</u>
	<u>\$1,006,065</u>

These figures indicate, particularly those dating back to FY 1974, that TAF has to exert more effort to obtain a prompt accounting from the implementing organizations for the use of the funds. There is little excuse for delays stretching over a three to five-year period.

Recommendation No. 4

The Office of Contract Management (SER/CM) request TAF to obtain a more prompt accounting for grants made to its implementing organizations.

4. Allocation of Operating Costs to OPGs

There is some confusion concerning the treatment of operating costs and its consistent application to the OPGs.

Under the General Support Grants AID is funding most of TAF's operating costs. Evidently, when AID awarded TAF the first OPGs, it was assumed that, since OPG related operating costs were defrayed through the General Support Grants, there was no need to consider the matter further. This practice was followed until it was questioned in a prior AAG/W Report (No. 76-450).

That audit report stated that AID should establish an understanding with TAF regarding the methodology for the allocation of operating costs to all TAF projects. This understanding could be effected in one of two ways. One way, according to Chapter 1.205.19 of the Federal Procurement Regulations, was that the AID General Support Grants, OPGs and other donor projects be made to bear their fair share of the operating costs. In other words, the General Support Grant funds could not be used for defraying those operating costs applicable to OPGs and other donor funded projects. The other way was to allow TAF to use the General Support Grant funds to defray only the applicable operating costs of AID funded General Support and other OPG projects.

The report was concerned that, in the absence of such an understanding, TAF could use the General Support Grant funds to defray part of the unabsorbed operating costs on other donor funded projects. It was also concerned that the operating costs applicable to OPGs could be defrayed both through a provision within the agreements and the use of General Support Grant funds.

No definitive action has been taken to resolve the problem. One reason is TAF's insistence on an exclusion clause for absorbing operating costs applicable to private donor funded projects. AID, under this

exclusion clause, would obviously have to absorb most of the costs of these private donor funded projects which, in our opinion, is wrong.

Recent OPGs have included provisions of 10 and 20 percent for defraying operating costs. But these rates are arbitrary and do not reflect the true costs. The difference, with AID's concurrence, is being recovered from the General Support Grants, though the Federal Procurement Regulations prohibit this dual practice. AID and TAF must therefore determine whether the operating costs applicable to OPGs will be recovered through a provision within the OPG agreement or through the General Support Grant, but not both.

There has been too much delay, in our judgment, two years and three months as of December 1978, in resolving the allocation of operating costs. The regulations are clear in this matter and require AID and TAF adherence.

Recommendation No. 5

The Office of Contract Management (SER/CM)  
resolve the issue of the allocation of  
operating costs.

### PRIOR AUDITS

The last review of the TAF program was performed by the Office of the Area Auditor General/Washington (Audit Report No. 76-450), dated September 30, 1976. That audit report contained eight recommendations mostly regarding financial aspects of the program. All recommendations of that report were closed. Action on Recommendation No. 4, however, was deferred pending completion of the current audit. That recommendation concerned the need for an understanding regarding the methodology for allocating operating costs to OPGs and General Support Grants. The issue was addressed and further clarified in this report.

## SCOPE

The Office of the Area Auditor General/Washington has performed an examination of General Support and Operational Program Grants awarded to TAF. The examination covered the applicable period of the grants from August 1, 1975 through September 30, 1977. The examination was performed at TAF headquarters in San Francisco, California, and five field locations: Bangladesh, Thailand, Indonesia, Philippines and Taiwan (includes Hong Kong).

The purpose of the examination was to determine whether TAF's program addresses AID objectives; whether TAF's program is effectively managed; and whether TAF expended AID funds properly. The examination was performed in accordance with generally accepted auditing standards and included such discussions and tests of records and procedures as was considered necessary in the circumstances.

A draft of this report was reviewed by AID officials. Their comments were given due consideration prior to the report's issuance.

EXHIBIT A

THE ASIA FOUNDATION (TAF)  
Grant No. AID/pha-G-1040 (General Support)  
Summary of Expenditures and Costs Questioned  
August 1, 1973 through July 31, 1974 (As of Sept. 30, 1977)

	Acceptable Expenditures 7/31/75	Costs Questioned	Acceptable Expenditures 9/30/77
Education & National Development	\$ 902,371	\$ 403(a)	\$ 901,968
Law & National Development	328,066	-	328,066
Business Training for Nat'l Dev.	131,111	10(a)	131,101
Urban & Rural Programs	278,705	-	278,705
Communications & Nat'l Dev.	875,920	-	875,920
Regional Organizations	201,366	3,364(a)	198,002
SPOP	180,395	-	180,395
Senior Program Advisors	73,955	-	73,955
Miscellaneous	15,499	-	15,499
Program Operational Expenses (POE)	\$1,038,526		
Administration Costs	<u>566,644</u>		
Total POE & Administration Costs	<u>1,605,170</u>	<u>219,466(b)</u>	<u>1,385,704</u>
 Total AID Funds Drawn Down	 <u>\$4,592,558</u>	 <u>\$223,243</u>	 <u>\$4,369,315(c)</u> <u>3,190,000(d)</u>
 Expenditures Over/(Under) Drawdowns			 <u>\$1,179,315</u>

Explanatory Notes:

- (a) Represents refunds to TAF by subgrantee in FY 1976 and FY 1977.
- (b) Represents costs allocated to the Bangladesh and Population Direct Program Costs under Grant No. AID/csd-2228 (see note (b) on Exhibit M).

Bangladesh Project	\$ 43,383
Population Program	<u>176,083</u>
Total	<u>\$219,466</u>

- (c) Includes \$42,214 of funds to be accounted for by subgrantees. On a subsequent audit, we will determine (1) the amount expended in accordance with the grant terms and (2) if unexpended subgrant balances were refunded to TAF.
- (d) Represents grantee (TAF) drawdowns of AID funds under FRLC No. 72-00-0286 from August 1, 1973 through July 31, 1974 (Voucher Nos. 1-8).

EXHIBIT B

THE ASIA FOUNDATION (TAF)  
 Grant No. AID/pha-G-1040 (General Support)  
 Summary of Expenditures and Costs Questioned  
 August 1, 1974 through July 31, 1975 (As of Sept. 30, 1977)

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	Acceptable Expenditures 7/31/75	Costs Questioned	Acceptable Expenditures 9/30/77
Country Programs	\$2,350,113	\$ 3,672(a)	\$2,346,441
Population Programs	4,107	-	4,107
Regional Programs	66,385	-	66,385
Senior Program Advisors	48,220	-	48,220
IRPS	57,997	-	57,997
Books for ASIA	190,711	-	190,711
The Asian Student Newspaper	105,298	-	105,298
Program Operational Expenses (POE) \$1,162,786			
Administration Costs <u>493,830</u>			
Total POE & Administration Costs	<u>1,656,616</u>	<u>165,991(b)</u>	<u>1,490,625</u>
 Total	 <u>\$4,479,447</u>	 <u>\$169,563</u>	 <u>\$4,309,784(c)</u>
AID Funds Drawn Down			<u>4,310,000(d)</u>
 Expenditures Over/(Under) Drawdowns			 <u>\$ 216</u>

Explanatory Notes:

- (a) Represents refunds to TAF by subgrantees in FY 76 and FY 77.
- (b) Represents costs allocated to the Bangladesh and Population Direct Program Costs under Grant No. AID/csd-2228 (see note (b) on Exhibit M).

Bangladesh Project	\$ 73,116
Population Program	<u>92,875</u>
Total	<u>\$165,991</u>

- (c) Includes \$55,165 of funds to be accounted for by subgrantees. On a subsequent audit, we will determine (1) the amount expended in accordance with the grant terms and (2) if unexpended subgrant balances were refunded to TAF.
- (d) Represents grantee (TAF) drawdowns of AID funds under FRLC No. 72-00-0286 from August 1, 1974 through July 31, 1975 (Voucher Nos. 9-17).

THE ASIA FOUNDATION (TAF)  
Grant No. AID/pha-G-1040 (General Support)  
Summary of Expenditures and Costs Questioned  
August 1, 1975 through July 31, 1976 (As of Sept. 30, 1977)

<u>Activity</u>	<u>Expenditures Claimed</u>	<u>Costs Questioned</u>	<u>Expenditures Accepted</u>
Country Programs	\$1,493,207	\$ 8,625(a)	\$1,484,582
Regional & New Countries	161,593	242(a)	161,351
Special: Food & Nutrition	147,749	214(a)	147,535
Special: Population & Community Health	135,620	-	135,620
Institutional Relations & Program Services	31,083	-	31,083
Books for ASIA	276,820	-	276,820
The Asian Student Newspaper	113,461	-	113,461
Program Operational Expenses	\$1,078,733		
Administration Costs	<u>524,764</u>		
Total POE & Administration Costs	<u>1,603,497</u>	<u>29,349(e)</u>	<u>1,574,148(b)</u>
Total	<u>\$3,963,030</u>	<u>\$38,430</u>	<u>\$3,924,600(c)</u>
AID Funds Drawn Down			<u>4,040,000(d)</u>
Expenditures Over/(Under) Drawdowns			<u>(\$ 115,400)</u>

Explanatory Notes:

- (a) Represents refunds to TAF by subgrantees in FY 1977.  
(b) Represents computation of FY 1976 Program Operational Expenses (POE) & Administrative Costs applicable to the General Support Grant.

	<u>POE</u>	<u>Admin. Costs</u>	<u>Total</u>
Total Costs Incurred	<u>\$1,507,329</u>	<u>\$744,299</u>	<u>\$2,251,628</u>
Less Unallowable Costs:			
Public Relations & Entertainment	\$ 15,987	\$ 17,742	
Investment Expenses	-	2,470	
Foreign Income Taxes	3,435	-	
Insurance on Personal Effects	807	-	
Miscellaneous	85	611	
Total Unallowable Expenses	<u>\$ 20,314</u>	<u>\$ 20,823</u>	<u>41,137</u>
Allowable Cost Pools	<u>\$1,487,015</u>	<u>\$723,476</u>	<u>\$2,210,491</u>
AID Allocation	<u>74.09% 1/</u>	<u>71.50% 2/</u>	<u>-</u>
Costs Allocable to AID Projects	<u>\$1,101,729</u>	<u>\$517,285</u>	<u>\$1,619,014</u>
Less: Amount applied to AID/csd-2228 (See note (c) on Exhibit M)			
Bangladesh			\$ 21,227
Population			23,639
Total Applied			<u>\$ 44,866</u>
Net Total applied to AID/pha-G-1040			<u>\$1,574,148</u>

1/ Sharing percentage arrived at by dividing total AID program costs less Pig Research Costs (\$2,606,806) by all TAF program costs less Fund Raising Costs (\$3,518,325) or 74.09%.

THE ASIA FOUNDATION (TAF)  
Grant No. AID/pha-G-1040 (General Support)  
Summary of Expenditures and Costs Questioned  
August 1, 1975 through July 31, 1976 (As of Sept. 30, 1977)

Explanatory Notes (Continued):

- 2/ Sharing percentage arrived at by dividing total AID program costs less Pig Research Costs (\$2,606,806) by all TAF program costs (\$3,645,926) or 71.50%.
- (c) Includes \$196,973 of funds to be accounted for by subgrantees. On a subsequent audit, we will determine (1) the amount expended in accordance with the grant terms and (2) if unexpended subgrant balances were refunded to TAF.
- (d) Represents grantee (TAF) drawdowns of AID funds under FRLC No. 72-00-0286 from August 1, 1975 through September 30, 1976 (Voucher Nos. 18-25).
- (e) Represents the net difference between expenditures claimed and expenditures accepted per footnote (b).

THE ASIA FOUNDATION (TAF)  
Grant No. AID/pha-G-1040 (General Support)  
Summary of Expenditures and Costs Questioned  
August 1, 1976 through September 30, 1977

Activity	Expenditures Claimed	Costs Questioned	Expenditures Accepted
Country Programs	\$1,938,443	\$ -	\$1,938,443
Regional & New Countries	32,764	-	32,764
Special: Food & Nutrition	51,432	-	51,432
Special: Population & Community Health	16,519	-	16,519
Institutional Relations & Program Services	46,717	-	46,717
Books for ASIA	287,239	-	287,239
The Asian Student Newspaper	129,519	-	129,519
Program Operational Expenses	\$1,384,559		
Administration Expenses	<u>706,124</u>		
Total POE & Admin. Expenses	<u>2,090,683</u>	<u>(37,757)(d)</u>	<u>2,128,440(a)</u>
Total	<u>\$4,593,316</u>	<u>\$(37,757)</u>	<u>\$4,631,073(b)</u>
AID Funds Drawn Down			<u>4,250,000(c)</u>
Expenditures Over/(Under) Drawdowns			<u>\$ 381,073</u>

Explanatory Notes:

- (a) Represents computation of FY 1977 Program Operational Expenses (POE) & Administrative Costs applicable to the General Support Grant.

	POE	Admin. Costs	Total
Total Costs Incurred	<u>\$1,939,950</u>	<u>\$995,744</u>	<u>\$2,935,694</u>
Less Unallowable Costs:			
Public Relations & Promotion	\$ 18,604	\$ 14,883	
Investment Expenses	-	3,149	
Foreign Income Taxes	3,674	-	
Insurance on Personal Effects	720	-	
Total Unallowable	<u>\$ 22,998</u>	<u>\$ 18,032</u>	<u>41,030</u>
Allowable Cost Pools	<u>\$1,916,952</u>	<u>\$977,712</u>	<u>\$2,894,664</u>
AID Allocation	<u>74.31% 1/</u>	<u>72.00% 2/</u>	<u>-</u>
Costs Allocable to AID Projects	<u>\$1,424,487</u>	<u>\$703,953</u>	<u>\$2,128,440</u>
Less: Amount applied to AID/csd-2228			<u>-0-</u>
Net Total applied to AID/pha-G-1040			<u>\$2,128,440</u>

1/ Sharing percentage arrived at by dividing total AID program costs less Pig Research Costs (\$2,739,897) by all TAF program costs less Fund Raising Costs (\$3,687,246) or 74.31%.

THE ASIA FOUNDATION (TAF)  
Grant No. AID/pha-G-1040 (General Support)  
Summary of Expenditures and Costs Questioned  
August 1, 1976 through September 30, 1977

Explanatory Notes (Continued):

- 2/ Sharing percentage arrived at by dividing total AID program costs less Pig Research Costs (\$2,739,897) by all TAF program costs (\$3,805,205) or 72.00%.
- (b) Includes \$711,713 of funds to be accounted for by subgrantees. On a subsequent audit, we will determine (1) the amount expended in accordance with the grant terms and (2) if unexpended subgrant balances were refunded to TAF.
- (c) Represents grantee (TAF) drawdowns of AID funds under FRLC No. 72-00-0286 from August 1, 1976 through September 30, 1977 (Voucher Nos. 26-48).
- (d) Represents the net difference between expenditures claimed and expenditures accepted per footnote (a).

EXHIBIT E

THE ASIA FOUNDATION (TAF)  
Grant No. AID/ASIA-G-1103 (Thailand)  
Summary of Grant Costs Claimed and Accepted  
October 1, 1975 through September 30, 1977

	<u>Costs Claimed and Accepted</u>
Subgrant Costs	<u>\$29,055(a)(b)(c)</u>

Explanatory Notes:

- (a) Includes \$11,000 of funds to be accounted for by the subgrantees. On a subsequent audit, we will determine (1) the amount expended in accordance with the grant terms and (2) if unexpended subgrant balances were refunded to TAF.
- (b) Excludes \$7,002 of funds advanced to the Grantee (TAF).
- (c) Overhead applicable to this grant has been recovered under the General Support Grant No. AID/pha-G-1040.

EXHIBIT F

THE ASIA FOUNDATION (TAF)  
Grant No. AID/ASIA-G-1104 (Thailand)  
Summary of Grant Costs Claimed and Accepted  
October 1, 1975 through September 30, 1977

	<u>Costs Claimed and Accepted</u>
Subgrant Costs	<u>\$43,250(a)(b)(c)</u>

Explanatory notes:

- (a) Includes \$20,761 of funds to be accounted for by subgrantees. On a subsequent audit, we will determine (1) the amount expended in accordance with the grant terms and (2) if unexpended subgrant balances were refunded to TAF.
- (b) Excludes \$9,905 of funds advanced to the Grantee (TAF).
- (c) Overhead applicable to this grant has been recovered under the General Support Grant No. AID/pha-G-1040.

EXHIBIT G

THE ASIA FOUNDATION (TAF)  
Grant No. AID/ASIA-G-1152 (Thailand)  
Summary of Grant Costs Claimed and Accepted  
February 10, 1976 through September 30, 1977

	<u>Costs Claimed and Accepted</u>
Subgrant Costs	<u>\$57,140(a)(b)</u>

Explanatory Notes:

- (a) Includes \$32,680 of funds to be accounted for by subgrantees. On a subsequent audit, we will determine (1) the amount expended in accordance with the grant terms and (2) if unexpended subgrant balances were refunded to TAF.
- (b) Overhead applicable to this grant has been recovered under the General Support Grant No. AID/pha-G-1040.

EXHIBIT H

THE ASIA FOUNDATION (TAF)  
Grant No. AID/ASIA-G-1191 (Indonesia)  
Summary of Grant Costs Claimed and Accepted  
October 1, 1976 through September 30, 1977

	<u>Costs Claimed and Accepted</u>
Subgrant Costs	<u>\$78,874(a)(b)</u>

Explanatory Notes:

- (a) Includes \$16,663 of funds to be accounted for by subgrantees. On a subsequent audit, we will determine (1) the amount expended in accordance with the grant terms and (2) if unexpended subgrant balances were refunded to TAF.
- (b) Overhead applicable to this grant has been recovered under the General Support Grant No. AID/pha-G-1040.

EXHIBIT I

THE ASIA FOUNDATION (TAF)  
Unnumbered Grant (Pakistan)(a)  
Summary of Grant Costs Claimed and Accepted  
November 7, 1975(b)

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	<u>Costs Claimed and Accepted</u>
Subgrant Costs	<u>\$15,000(b)(c)(d)</u>

Explanatory notes:

- (a) USAID/Pakistan special funding for seminar on Women's Role in Development.
- (b) TAF received \$15,000 from AID/Pakistan with no written understanding about its use except a dozen words on a Public Voucher.
- (c) Excludes \$10,000 contributed by TAF toward this project.
- (c) Overhead applicable to this grant has been recovered under General Support Grant No. AID/pha-G-1040.

EXHIBIT J

THE ASIA FOUNDATION (TAF)  
Project Agreement No. 204-76-3 (Pakistan)  
Summary of Grant Costs Claimed and Accepted  
November 25, 1975 through September 30, 1977

	<u>Costs Claimed and Accepted</u>
Subgrant Costs	<u>\$35,823(a)(b)(c)</u>

Explanatory Notes:

- (a) Includes \$21,618 of funds to be accounted for by subgrantees. On a subsequent audit, we will determine (1) the amount expended in accordance with the grant terms, and (2) if unexpended subgrant balances were refunded to TAF.
- (b) Excludes \$24,764 of funds advanced to the Grantee (TAF), as detailed below:

	<u>In Dollars</u>	<u>In Rupees</u>
Subgrant Costs	\$35,823	-
Advanced to TAF	<u>24,764</u>	<u>-</u>
Total	<u>\$60,587</u>	<u>599,810</u>

- (c) Overhead applicable to this grant has been recovered under General Support Grant No. AID/pha-G-1040.

EXHIBIT K

THE ASIA FOUNDATION (TAF)  
Grant No. VOLAG 77-1 (Indonesia)  
Summary of Grant Costs Claimed and Accepted  
December 1, 1976 through January 31, 1977

	<u>Costs Claimed and Accepted</u>
Installation Expert	\$4,517
Local Wages	310
Supplies and Equipment	2,514
Other Direct Costs	<u>850</u>
Total	<u><u>\$8,191</u></u>

EXHIBIT L

THE ASIA FOUNDATION (TAF)  
Grant No. AID-492-1002 (Philippines)  
Summary of Grant Costs Claimed and Accepted  
July 1, 1976 through September 30, 1977

	<u>Costs Claimed and Accepted</u>
Subgrant Costs	<u>\$66,651</u> (a)(b)(c)

Explanatory Notes:

- (a) To date, no funds have been liquidated by subgrantees. On a subsequent audit, we will determine (1) the amount expended in accordance with the grant terms and (2) if unexpended subgrant balances were refunded to TAF.
- (b) Excludes \$6,665 of funds advanced to the grantee (TAF).
- (c) Overhead applicable to this grant has been recovered under the General Support Grant No. AID/pha-G-1040.

THE ASIA FOUNDATION (TAF)  
Grant No. AID/csd-2228 (Special Projects)  
Summary of Expenditures Incurred and Questioned Costs  
August 1, 1975 through September 30, 1977

Activities	Acceptable Costs As of 7/31/75		Fiscal Year Ended 7/31/76		
	Direct	Overhead	Costs Claimed	Costs Questioned	Costs Accepted
Bangladesh Rehabilitation Program	\$ 514,178	\$154,253(b)	\$ 91,985(c)	\$ 66,416(d)	\$ 25,569
Population Program	1,267,150(a)	385,224	102,436(c)	-	102,436
Pig Research Institute of Taiwan	85,124	-	38,546(c)	37,548(e)	998
CAMS	30,000	-	-	-	-
Helmand Arghandeb Valley	81,000	-	-	-	-
Total	<u>\$1,977,452</u>	<u>\$539,477</u>	<u>\$232,967</u>	<u>\$103,964</u>	<u>\$129,003</u>

Activities	Fiscal Year Ended 9/30/77			Total as of 9/30/77		
	Costs Claimed	Costs Questioned	Costs Accepted	Costs Accepted	Funds Draw Down	Refund Due AID
Bangladesh Rehabilitation Program	\$ -	\$ -	\$ -	\$ 694,000	\$ 694,000	\$ -
Population Program	-	-	-	1,754,810	1,757,000	2,190
Pig Research Institute of Taiwan	8,095(e)	8,095(e)	-	86,122	125,000	38,878
CAMS	-	-	-	30,000	30,000	-
Helmand Arghandeb Valley	-	-	-	81,000	81,000	-
Total	<u>\$8,095</u>	<u>\$8,095</u>	<u>\$ -</u>	<u>\$2,645,932</u>	<u>\$2,687,000</u>	<u>\$41,068</u>

Explanatory Notes

- (a) Includes reinstated costs of \$888; see Audit Report No. 76-450, dated September 30, 1975.  
 (b) Represents overhead applicable to the Bangladesh and Population Program for the fiscal years ended July 31, 1973, 1974, and 1975 (Lucas/Gold Agreement of December 8, 1977).

	<u>Direct Costs</u>	<u>Fixed Overhead Rate</u>	<u>Overhead Amount</u>	<u>Overhead</u>		
				<u>FY 73</u>	<u>FY 74</u>	<u>FY 75</u>
Bangladesh	\$ 514,178	30%	<u>\$154,253</u>	\$ 37,754	\$ 43,383	\$73,116
Population	\$1,284,081 <sup>(1)</sup>	30%	<u>\$385,224</u>	\$116,266	\$176,083	\$92,875

(1) Excludes prior year subgrant refunds of \$16,931 to TAF.

- (c) Consists of the following:

	<u>Bangladesh</u>	<u>Population</u>	<u>Pig Research</u>
Direct Costs	\$70,758	\$ 78,797	\$38,546
Overhead (30%)	<u>21,227</u>	<u>23,639</u>	-
Total	<u>\$91,985</u>	<u>\$102,436</u>	<u>\$38,546</u>

- (d) Represents cost overrun and summarized below:

Direct Costs Accepted as of 7/31/75	\$514,178
Overrun Costs Accepted as of 7/31/75	154,253
Costs Claimed and Accepted FYE 7/31/76	<u>91,985</u>
Total Accepted 7/31/78	760,416
Ceiling Amount	<u>694,000</u>
Costs Overrun	<u>\$ 66,416</u>

- (e) Represents costs incurred after the expiration date of April 1, 1975.

THE ASIA FOUNDATION (TAF)  
Status of Grant Funds and Other Data  
As of September 30, 1977

<u>Grant Funds</u>	<u>Grant No. AID/csd-2228</u>		<u>Grant No. AID/pha-G-1040</u>	
Grant Ceiling		\$19,215,440		\$19,685,227
Amount Drawn Down:				
Funds Audited-				
Inception to July 31, 1973	\$17,128,532(a)		\$ --	
August 1, 1973 to July 31, 1974	1,562,118		3,190,000(b)	
August 1, 1974 to July 31, 1975	200,000		4,310,000(c)	
August 1, 1975 to July 31, 1976	150,000		4,040,000(d)	
August 1, 1976 to September 30, 1977	--		4,250,000(e)	
Total Drawn Down	<u>\$19,040,650</u>	<u>19,040,650</u>	<u>\$15,790,000</u>	<u>15,790,000</u>
Grant Balance Remaining		<u>\$ 174,790(a)</u>		<u>\$ 3,895,227</u>

Other Data

Expiration Date:	December 31, 1975	September 30, 1978
Project Number :	932-13-950-017	932-13-950-017
Project Title :	Support TAF Programs	General Support Grant
Audit Period :	As shown above	As shown above
Type of Audit :	Interim	Interim

Explanatory Notes:

- (a) Before considering drawdowns of \$174,790 in equivalent Vietnamese Piasters.
- (b) Includes \$42,214 of unliquidated disbursements to subgrantees.
- (c) Includes \$55,165 of unliquidated disbursements to subgrantees.
- (d) Includes \$196,973 of unliquidated disbursements to subgrantees.
- (e) Includes \$711,713 of unliquidated disbursements to subgrantees.

THE ASIA FOUNDATION (TAF)  
Status of Grant Funds and Other Data  
As of September 30, 1977

<u>Grant Number</u>	<u>Country</u>	<u>Project Number</u>	<u>Audit Period</u>	<u>Type of Audit</u>	<u>Expiration Date</u>	<u>Funding Ceiling</u>	<u>Accepted Costs</u>	<u>Balance Remaining</u>
AID/ASIA-G-1103	Thailand	498-13-899-251	10/1/75-9/30/77	Interim	Sept. 30, 1978	\$ 55,000	\$ 29,055 (a)	\$ 25,945
AID/ASIA-G-1104	Thailand	498-11-995-249	10/1/75-9/30/77	Interim	Sept. 30, 1978	77,000	43,250 (b)	33,750
AID/ASIA-G-1152	Thailand	498-13-899-251	2/10/76-9/30/77	Interim	Feb. 9, 1979	133,765	57,140 (c)	76,625
AID/ASIA-G-1191	Indonesia	498-13-899-251	10/1/76-9/30/77	Interim	Dec. 31, 1979	220,350	78,874 (d)	141,476
Unnumbered	Pakistan	Unknown	11/7/75	Final	Nov. 7, 1975	15,000	15,000	---
Project Agreement 204-76-3	Pakistan	Unknown	11/25/75-9/30/77	Interim	June 30, 1978	76,267	35,823 (e)	40,444
VOLAG 77-1	Indonesia	Unknown	12/1/76-1/31/77	Final	Jan. 31, 1977	10,000	8,191	1,809
AID-492-1002	Philippines	Unknown	7/1/76-9/30/77	Interim	June 30, 1979	151,690	66,651 (f)	85,039

Explanatory Notes:

- (a) Includes \$11,000 of unliquidated disbursements to subgrantees.
- (b) Includes \$20,761 of unliquidated disbursements to subgrantees.
- (c) Includes \$32,680 of unliquidated disbursements to subgrantees.
- (d) Includes \$16,663 of unliquidated disbursements to subgrantees.
- (e) Includes \$21,618 of unliquidated disbursements to subgrantees.
- (f) Includes \$66,651 of unliquidated disbursements to subgrantees.

AN  
EXAMINATION OF  
THE ASIA FOUNDATION

LIST OF REPORT RECIPIENTS

Deputy Administrator	1
Assistant Administrator, Bureau for Program and Policy Coordination (AA/PPC)	1
Assistant Administrator, Bureau for Private and Development Cooperation (AA/PDC)	1
Assistant Administrator, Bureau for Asia (AA/ASIA)	5
Assistant Administrator, Bureau for Program and Management Services (AA/SER)	1
Assistant Administrator, Office of Legislative Affairs (AA/LEG)	1
General Counsel (GC)	1
Controller (FM)	1
Office of Financial Management, FM/PAD	2
Office of Contract Management, Director	1
Office of Contract Management, CM/SOD/PDC	1
Office of Contract Management, CM/SD/SUP	1
Office of Contract Management, CM/ROD/ASIA	1
Auditor General	1
AAG/Africa (East)	1
AAG/Africa (West)	1
AAG/East Asia	1
AAG/Egypt	1
AAG/Latin America	1
AAG/Near East	1
AAG/Washington	1
AAG/IIS	1
AG/PPP	1
AG/EMS (C&R)	12