



**Close Out Proposal for
Nicaraguan Foundation for Economic and Social Development
(Fundacion Nicaragüense para el Desarrollo Económico y Social, FUNIDES)**

**Project Duration: (July, 2006 – July, 2007)
Estimated Budget Total: \$**

USAID Cooperative Agreement No. 596-A-00-04-00235-00

Pursuant to the mutual termination in accordance with CFR 226.61 (a)(2) of subject Cooperative Agreement between USAID/Nicaragua and CCAA, the following is the requested settlement proposal for the close-out costs of FUNIDES as of June 30, 2007. This agreement was mutually terminated due to the lack of an agreed upon work plan by the FUNIDES Board Members and USAID/Nicaragua. Caribbean Central American Action (CCAA), as the implementer of the FUNIDES program, worked over four months developing five different work plan for the Cooperative Agreement with USAID. In the end, the Board Members and USAID could not mutually agree to a plan of action, and therefore CCAA and USAID/Nicaragua agreed to mutually terminate the program.

I. Activity Summary

The Cooperative Agreement between CCAA and USAID/Nicaragua was to develop the *Fundacion Nicaraguense para el Desarrollo Economico y Social*, FUNIDES which was to be modeled after the Salvadorian Foundation for Economic and Social Development (*La Fundación Salvadoreña para el Desarrollo Económico y Social*, FUSADES). FUNIDES was formed to be a public policy think tank with an independent and objective voice that will perform analysis and make recommendation for ways to strengthen Nicaragua's institutional frameworks by raising business, social, legal and environmental standards.

A. FUNIDES Organization

CCAA officially launched FUNIDES in September 2006. FUNIDES was officially recognized and approved by the Government of Nicaragua in November 2006. Office Space was rented in March 2007

1) Board Members

Five founding members were listed as the Board of Directors which has expanded to ten members who are actively supporting FUNIDES' to define the mission,

vision, activities, and organizational structure and strategy. FUNIDES is working to identify key factors undermining socio-economic development in Nicaragua and to diagnose problems associated with the Nicaraguan economy to lay the ground work for independent research and innovative policy solutions to help promote conditions that support economic growth and social development within a free market and democratic system.

2) Staffing

CCAA was working with FUNIDES to hire key staff. USAID/Nicaragua requested that job postings be listed for all positions to ensure transparent and equal opportunity hiring practices. Consultants were contracted on an interim basis to help develop FUNIDES and produce activities during the formation period of FUNIDES. In May 2007, CCAA posted the Executive Director position for FUNIDES.

CCAA also worked with FUNIDES to help develop procedures and contracted Price Waterhouse Copper to help implement the financial procedures needed for FUNIDES to become fully independent.

3) Developing Alliances

Leveraging the Alliances created under the *Compromiso Nicaragua* program, FUNIDES worked on engaging individuals, organizations and businesses to work with partner institutions to complement the Foundation's objectives.

- FUNIDES became a member of the Central American network of policy think tanks.
- FUNIDES meet with the following organizations to develop alliances within Nicaragua
 - 1) Instituto para Estudios Estratégicos de Políticas Publicas (IEEPP):
 - 2) Hagamos Democracia:
 - 3) Center for Strategic and International Studies (CSIS) in Washington, DC:
 - 4) Judenic:
 - 5) Esquipulas:
 - 6) Consejo de la Juventud de Nicaragua (CJN): A letter of intent was signed with CJN (110 organizations)
 - 7) Civil Society Leadership Institute (part of Movimiento por Nicaragua)
 - 8) Red Nicaragüense para el Desarrollo y la Democracia
 - 9) Nicaraguan National Assembly (Congress)

B. Publication & Marketing

FUNIDES has developed a website where all Publication Materials can be viewed, please see www.funides.org for more information.

1. Libro Azul 2007

Is a review of previous economic studies and provides a political-economic analysis of the problems facing Nicaragua. An initial first draft of the Libro Azul has been circulated among members of FUNIDES Executive Board in April 2007. The "Libro Azul 2007" has been published as "Identificando Barreras al Crecimiento en Nicaragua" which provides a political-economic analysis of the problems facing Nicaragua.

2. Other Studies

- **Primer Informe Trimestral de Coyuntura Económica:** FUNIDES presented their first Economic Analysis for January – March 2007. FUNIDES published their first Economic Overview Report for the first trimester of 2007. This report contains information and analysis of the economic and financial situation of the country, the Nicaraguan Budget and the international economy. Short term trends and perspectives are studied in this report based on official and international institutions statistics and publications.
- **Evolución Económica Nicaragüense:** The study focuses on the condition of the Nicaraguan economy based on the Governmental policies of the Presidents of Nicaragua from 1978-2006.
- **Identificando Barreras al Crecimiento en Nicaragua (Revised Libro Azul):** FUNIDES presented their analysis on the barriers to economic and social growth in Nicaragua. This study focused on the evolution of the poor from 1998, 2001, and 2005.
- **Herramientas para Fortalecer Programas de Protección Social:** FUNIDES presented the study in July 2007 and focused on how to improve the quality of Social Security to reduce extreme poverty in Nicaragua. The objective of the study was to develop a macro economic analysis of the costs and opportunities that the government and civil society need to consider when developing, monitoring, and evaluating social programs.

C. “Encuentros”

FUNIDES held a total of six Encuentros or active dialogue sessions which served as forums where the FUNIDES could disseminate information and build consensus. The Encuentros brought together the public and private sector, as well as civil society, to discuss vital issues of Nicaragua. The Encuentros were also helpful in divulging the “*Libro Azul*” recommendations and obtaining feedback from the public and private sectors.

The following Encuentros were held:

1. Situation Analysis Encuentro - September 26, 2006. The Encuentro help to analyze the various issues affecting Nicaragua’s social and economic development. With approximately 100 participants from the public and private sectors as well as from civil society, participants discussed general issues that inhibit the country’s economic growth. Issues were documented and participants were asked to prioritize each issue based on its potential impact.
2. Economic Growth Encuentro - October 10, 2006. The Encuentro focused on the strategies and specific actions that must take in order to increase economic development in Nicaragua.
3. Social Justice and Institutional Strengthening Encuentro - October 24, 2006. The Encuentro focused on the social development needs of Nicaragua.

4. Energy Encuentro - December 12, 2006. The first Energy Encuentro focused on finding concrete recommendations addressing Nicaragua's energy crisis. The purpose was delve further into the energy specific recommendations discussed during the recent "Economic Growth" Encuentro that took place on October 16, 2006 in Managua, Nicaragua as well as present recommendations regarding Energy public policy and investment promotion.
5. "Un Pueblo Pensante" - September and October 2006. FUNIDES worked to promote citizen participation, through its 'un pueblo pensante' initiative. FUNIDES conducted a nation-wide essay contest to generate greater awareness regarding key issues (mentioned above) affecting Nicaraguan socio-economic development and public leadership (governance). The essay contests were tailored to adult and student applicants. Each category consisted of three questions and participants could opt to answer all three questions. Question topics included governability, political campaigning, employment climate, poverty reduction and the importance of institutions. Winners were announced in October, 2006 and are posted on the Funides website, along with their essays.
6. Encuentro "Buscando Alianzas por el Desarrollo Económico y Social de la Juventud Nicaragüense" – April 13, 2007. FUNIDES organizad its 1st Bilateral Encuentro with alliance partners el Consejo de la Juventud de Nicaragua (CJN). The principle objective of the Encuentro was to focus on the exchange of information between the partners and identify common areas.

II. Budget Summary and Closeout Costs

The total amount for the FUNIDES program was \$4,993,642 for a period of three years. The following is a summary of the closeout expenditures from May-June 2007 which have not been billed to USAID. The summary also includes the FUNIDES closeout costs which include termination of consultant contracts and staffing, rent, furniture and equipment, and service contract terminations. CCAA has also provided explanations and recommendations where appropriate.

A. FUNIDES Settlement Proposal and Closeout Costs - \$ 58,265.01*¹

The following is the breakdown of the costs associated with closing the FUNIDES program in Nicaragua and reflects only the costs directly associated with the closing of the office. CCAA will submit their direct administrative costs associated with the CCAA portion in detail at a later date.

1) FUNIDES Office Lease \$14,400.00

The terms of the lease termination stated that FUNIDES would need to pay a total of 7 months as a penalty for early termination which would be \$22,205. However, CCAA has come to an agreement with Huelle, the leaser, to shorten this to a total of four months due to the leasehold improvements bringing the total penalty for early termination to \$14,400. See **Attachment 1** for email confirmation from Huelle regarding the rent penalty.

¹ Please note that this amount does not account for the outstanding submitted Vouchers from Aug – Dec 06 and March – June 07 total of \$222,917.39

2) FUNIDES Office Utilities \$15,589.08

CCAA proposes to pay all utilities till the end of July for the FUNIDES office which include electricity, phone, cell phone, and internet, plus all cancellation fees where they apply. All utilities will be paid based on actual bills. See **Attachment 2** for cancellation requirements from the utilities.

- a) Union Fenosa, Disnorte-Dissur – Electricity
 - \$4,200.00
 - Monthly bill is \$850.00 per month. Two months are outstanding
 - June and July \$1,700.00
 - Cancellation fee of \$2,500.00
- b) Movistar – Cell phone for FUNIDES \$ 936.08
 - Monthly bill for April – May 19th \$347.94
 - Monthly bill for May – June 19th \$250.96
 - Cancellation fee \$337.18
- c) Enitel – Telephone for FUNIDES Office \$ 1760.00
 - Telephone service for month of June and July, each month is \$380.
 - Cancellation fee of \$90.00
- d) Enitel – Internet Service for FUNIDES Office \$10,453
 - Monthly service fee \$614.00 x 2 month June & July \$1,228
 - Penalty for Cancellation based on Contract \$9,225
 - This amount is based on a contact signed by Mr. Arguello, CCAA is working with the FUNIDES board to lower this fee.
- e) Price Waterhouse Cooper \$ 2,000
 - Contract with PWC to provide accounting and tax services for FUNIDES in May and June.

3) Legal Advise \$5,000.00

CCAA worked with two different firms in order to determine the labor requirements for the closeout of FUNIDES. The two law firms, Valdivia and Garcia & Bodan, delivered two different opinions. Valdivia was contacted by Mr. Javier Arguello and given data that CCAA was not in agreement with in regards to start dates, payments, and responsibilities. Valdivia was also not given the contracts to review. Garcia & Bodan were given the correct information as well as all the contracts that CCAA has in its records. Therefore, CCAA has concluded that Garcia & Bodan’s recommendations are more accurate.

Valdivia Attorney Fee	\$2,500
Garcia Attorney Fee	\$

See **Attachment 3** for the backup provided from both lawyers as well as Price Waterhouse Cooper.

4) Personnel / Labor Requirements \$4,026.97

CCAA has been working with the attorneys to ensure the proper closeout of the FUNIDES office. CCAA had contracts with consultants which are open to interpretation under the Nicaraguan law. Attached are the two attorney’s

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recommendations, Valdivia and Garcia & Bodan, for payout of employees as well as CCAA recommendations.

In May, CCAA was notified by FUNIDES that they needed to declare five FUNIDES employees to abide by the Nicaraguan Social Security Institute and pay Social Security benefits. The two main reasons that no employees had been hired up until May was due to the fact that FUNIDES did not have an official Executive Director and that the Administration Manager, a key element in the financial responsibilities of FUNIDES and employee taxes and benefits, had not been hired. In May, CCAA agreed that FUNIDES should follow the Nicaraguan law and should hire the five employees. In February, CCAA and Javier Arguello contracted with Price Waterhouse Coppers (PWC) who agreed to act as the accountant for FUNIDES. In April, PWC agreed to help FUNIDES file taxes for the five employees of FUNIDES. At this time, the conversation of employees verses contractors was brought up, and Mr. Arguello had determined it was more advantageous to be a contractor than an employee since taxes would not have to be taken out of the payments limits approved by USAID.

CCAA will have all people who are provided employment liquidation payments, sign a formal statement that they have received the liquidation and are in agreement with the terms. **10% for employees**

a) Javier Arguello

Background- CCAA contracted Mr. Arguello in July 5, 2006 to assist in the development of the Libro Azul under the CompromisoNicaragua program. At the end of September 2006, the Board of FUNIDES, consisting of five members, elected him as the Executive Director. At this time CCAA was still working with USAID under the CompromisoNicaragua program until funding for the FUNIDES program could be attained. In January 2007, CCAA submitted a letter to USAID in accordance to the cooperative agreement, endorsing Mr. Arguello as the Executive Director of FUNIDES. In the USAID Cooperative Agreement with CCAA, section A.11, it states the following regarding USAID's involvement in the program, "Substantial involvement shall be limited to the elements listed: 2) Approvals of specified key personnel including: (1) FUNIDES Executive Director; and (2) Coordinator of Development and Alliances." This letter of endorsement was has never been accepted by USAID/Nicaragua as there were issues with the transparency of the selection of the Executive Director. From July 2006 – March 2007, Mr. Arguello was paid as a Brain Trust Consultant at the rate of \$500 per day. In March, USAID advised CCAA that they needed to openly compete the job of Executive Director and that the rate of pay for Mr. Arguello was too high and should be reduced to no more than \$8,000 per month. In April, CCAA resigned a contract with Mr. Arguello as a Brain Trust Consultant at the rate of \$8,000 with the sole intent of providing development, oversight and program coordination of FUNIDES with CCAA and working with CCAA to plan, direct, and organize program implementation and operations with special attention to completing

Javier Arguello by the board, which included the participation and vote of Alex country director USAID Nicaragua received a letter his position and Exec. Director. never notified the not the Executive He hired and managed staff, reported to and fulfilled his responsibilities.

The US Embassy USAID chose the candidate for FUNIDES trustworthy politician former head of the bank - Mario Arana was invited to "apply" for the Executive Director position. **Joe Ripley** (economic attaché at the embassy) sent an email he sent in 2007. The board refused and rejected intervention. He started the position in December as part of USAID's condition for a donation of \$1 million (after revoking the

goals, objectives, program work, and results according to work plan. The last contract for Mr. Arguello was from April 1 – May 30, 2007, however CCAA extended the end date to June 15th. **CCAA and USAID have never recognized or approved Javier Arguello as the Executive Director of FUNIDES.**

Valdivia Recommendations – Mr. Arguello provided the attorney with incorrect information as to his monthly payment which is \$8,000 and not \$10,000 per month. The attorney was never provided with the contract and based information on liquidation on conversations with Mr. Arguello. Based on these conversations, the attorney has determined Mr. Arguello was an employee and should be given vacation and benefits applicable to an employee. The payout for Mr. Arguello is based on a rate of \$10,000 at a starting date of July 5th, before FUNIDES was even a program. Valdivia recommends a payout of \$35,487.30 based on no vacations taken.

Garcia Recommendations – CCAA meet with a second attorney to get a second opinion and ensure that all Nicaraguan laws were being followed. CCAA gave the attorney copies of all the contracts, dates, monthly payments, timesheets, and activity reports. After reviewing all the information, the attorney concluded that CCAA and Mr. Arguello had a professional services relationship i.e. contractor relationship. Since, Mr. Arguello was not subject to a schedule or had a supervisor, based on the above documents, there is not a labor relationship and no labor benefits are owed.

CCAA Recommendations – CCAA feels that the Garcia attorney had all the documents and information needed in order to determine the proper category for Mr. Arguello. CCAA recommends that no employee benefits be paid since it has been determined that Mr. Arguello was a contractor.

b) Luisangel Hernandez

Background- Mr. Hernandez was originally contracted under the CompromisoNicaragua program to help develop the Libro Azul. FMI, another USAID program, was tasked to work with CCAA in developing FUNIDES and so contracted Mr. Hernandez for CCAA from July –October 2006. In November – December 2006, Mr. Hernandez was contracted directly with CCAA as a part-time Plan de Gobierno Consultant with the specific task of proposing solutions, based on the previous research, into the “Plan de Gobierno 2007-2012,” which will provide a 5-year strategic development plan for the incoming government to adopt. In January 2007, CCAA extended his contract to full time at a monthly rate of \$XXX a day not to exceed \$XXX a month. In March, USAID advised CCAA that the rate for Mr. Hernandez should be reduced to no more than \$4,000 per month. In April, CCAA resigned a contract with Mr. Hernandez as the Interim Director of Economic Studies at the rate of \$XXX with the sole responsibility of analyzing the research and findings from the Libro Azul, which is aimed at understanding the performance and determinants behind the Nicaraguan economy in terms of growth rate and standard of living indicators.

According to Nicaragua law it is illegal to reduce salaries without changing roles or responsibilities. However, USAID lowered salaries retroactively to January 1st 2007. Liquidations are based on original starting salary.

EVIDENCE was manipulated and concealed from Garcia & Bodan order to obtain a legal opinion indicating no labor relationship exists. See altered CCAA documents

The last contract for Mr. Hernandez was from April 1 – May 30, 2007, however CCAA extended the end date to June 30th.

Valdivia Recommendations – Mr. Arguello provided the attorney with incorrect information regarding Mr. Hernandez’ monthly payment which is \$XXX and not \$XXX per month. The attorney was never provided with the contract and based information on liquidation on conversations with Mr. Arguello. Based on these conversations, the attorney has determined Mr. Hernandez was an employee and should be given vacation and benefits applicable to an employee. The payout for Mr. Hernandez is based on a rate of \$XXX at a starting date of November 8th. Valdivia recommends a payout of \$XXX based on no vacations taken.

Garcia Recommendations – CCAA meet with a second attorney to get a second opinion and ensure that all Nicaraguan laws were being followed. CCAA gave the attorney copies of all the contracts, dates, monthly payments, timesheets, and activity reports. After reviewing all the information, the attorney concluded that CCAA and Mr. Hernandez had a professional services relationship i.e. contractor relationship. Since, Mr. Hernandez was not subject to a schedule or had a supervisor, based on the above documents, there is not a labor relationship and no labor benefits are owed.

CCAA Recommendations – CCAA feels that the Garcia attorney had all the documents and information needed in order to determine the proper category for Mr. Hernandez. CCAA recommends that no employee benefits be paid since it has been determined that Mr. Hernandez was a contractor.

c) Silvana Flinn

Background- Ms. Flinn was contracted by CCAA to work with the FUNIDES “Brain Trust” and to develop alliances with institutions and organizations and develop “Encuentros,” as well as help FUNIDES coordinate with CCAA to ensure requirements are met for USAID funded activities. In January 2007, CCAA submitted a letter to USAID in accordance to the cooperative agreement, endorsing Ms. Flinn as the Coordinator of Development & Alliances for FUNIDES. In the USAID Cooperative Agreement with CCAA, section A.11, it states the following regarding USAID’s involvement in the program, “Substantial involvement shall be limited to the elements listed:2)Approval of specified key personnel including: (1) FUNIDES Executive Director; and (2) Coordinator of Development and Alliances.” This letter of endorsement was never been accepted by USAID/Nicaragua. From January – February 2007, Ms. Flinn was paid as a Brain Trust Consultant at the rate of \$3,600 per month. In March, USAID advised CCAA that Ms. Flinn should be categorized as the Interim Coordinator of Development & Alliances at a rate of no more than \$4,000 per month. In April, CCAA signed a contract with Ms Flinn as at the rate of \$3,600 with the sole responsibility coordinate with CCAA to ensure requirements are met for USAID funded activities. The last contract for Ms. Flinn was from April 1 – May 30, 2007, Ms Flinn never signed the appropriate

Javier Arguello provided Valdivia the STAFF table developed by CCAA.

CCAA had to manipulate / alter their own table in order to obtain legal opinion in the liking of USAID to ignore local laws and avoid close costs illegally

contract listing responsibilities, however CCAA extended the end date to June 30th.

Valdivia Recommendations – Mr. Arguello provided the attorney with incorrect information regarding Ms. Flinn's monthly payment which is \$3,600 and not \$3,500 per month. The attorney was never provided with the contract and based information on liquidation on conversations with Mr. Arguello. Based on these conversations, the attorney has determined Ms. Flinn was an employee and should be given vacation and benefits applicable to an employee. The payout for Ms. Flinn is based on a rate of \$3,500 at a starting date of January 15th. Valdivia recommends a payout of \$4,420.62.

Garcia Recommendations – CCAA meet with a second attorney to get a second opinion and ensure that all Nicaraguan laws were being followed. CCAA gave the attorney copies of all the contracts, dates, monthly payments, timesheets, and activity reports. After reviewing all the information, the attorney concluded that CCAA and Ms. Flinn had a professional services relationship i.e. contractor relationship. Since, Ms. Flinn was not subject to a schedule or had a supervisor, based on the above documents, there is not a labor relationship and no labor benefits are owed.

CCAA Recommendations – CCAA feels that the Garcia attorney had all the documents and information needed in order to determine the proper category for Ms. Flinn who was also performing contracting services with another organization. CCAA recommends that no employee benefits be paid since it has been determined that Ms. Flinn was a contractor.

d) Luis Alaniz

Background- Mr. Alaniz was contracted on March 9, 2007 by CCAA as a Plan de Gobierno Consultant with the specific task of proposing solutions, based on the previous research, into the "Plan de Gobierno 2007-2012," which will provide a 5-year strategic development plan for the incoming government to adopt. CCAA signed a contract with Mr. Alaniz on April 1 thru May 30, 2007 at the rate of \$XXX a month. CCAA extended Mr. Alaniz' contact to June 30th.

Valdivia Recommendations – Mr. Arguello provided the attorney with incorrect information regarding Mr. Alaniz' start date which was March 9th and not February. The attorney was never provided with the contract and based information on liquidation on conversations with Mr. Arguello. Based on these conversations, the attorney has determined Mr. Alaniz was an employee and should be given vacation and benefits applicable to an employee. The payout for Mr. Alaniz is based on a rate of \$XXX at a starting date of February 1st. Valdivia recommends a payout of \$XXX.

Garcia Recommendations – CCAA meet with a second attorney to get a second opinion and ensure that all Nicaraguan laws were being followed. CCAA gave the attorney copies of all the contracts, dates, monthly payments, timesheets, and activity reports. After reviewing all the information, the attorney concluded that CCAA and Mr. Alaniz had a professional services relationship i.e. contractor relationship. Since, Mr. Alaniz was not subject to a schedule or

had a supervisor, based on the above documents, there is not a labor relationship and no labor benefits are owed.

CCAA Recommendations – CCAA feels that the Garcia attorney had all the documents and information needed in order to determine the proper category for Mr. Alaniz. **CCAA recommends that no employee benefits be paid since it has been determined that Mr. Alaniz was a contractor.**

e) Felix Blandon

Background- Mr. Blandon was contracted on March 16, 2007 by CCAA as an Interim Marketing and Communications Manager. CCAA signed a contract with Mr. Blandon on April 1 till May30, 2007 with the specific task of being responsible for all marketing materials used to promote FUNIDES, its publications and activities, as well as submitting all USAID funded marketing materials to CCAA for approval with agreement. Mr. Blandon was also contracted to work with partner institutions, USAID, and CCAA to ensure that all program results and marketing requirements are met, announcements made, results recorded, websites updated. CCAA extended Mr. Blandon's contract at the original rate of \$4,000 a month to June 30th.

Valdivia Recommendations – **Mr. Arguello provided the attorney with incorrect information regarding Mr. Blandon start date which was March 19th and not March 15th at the rate of \$XXX not at \$XXX.** The attorney was never provided with the contract and based information on liquidation on conversations with Mr. Arguello. Based on these conversations, the attorney has determined Mr. Blandon was an employee and should be given vacation and benefits applicable to an employee. The payout for Mr. Blandon is based on a rate of \$XXX at a starting date of March 19th. Valdivia recommends a payout of \$XXX.

Garcia Recommendations – CCAA meet with a second attorney to get a second opinion and ensure that all Nicaraguan laws were being followed. CCAA gave the attorney copies of all the contracts, dates, monthly payments, timesheets, and activity reports. After reviewing all the information, the attorney concluded that CCAA and Mr. Blandon had a professional services relationship i.e. contractor relationship. **Since, Mr. Blandon was not subject to a schedule or had a supervisor, based on the above documents, there is not a labor relationship and no labor benefits are owed.**

CCAA Recommendations – CCAA feels that the Garcia attorney had all the documents and information needed in order to determine the proper category for Mr. Blandon. CCAA recommends that no employee benefits be paid since it has been determined that Mr. Blandon was a contractor.

f) Adelmo Sandino

Background- Mr. Sandino was contracted on January 16, 2007 by CCAA as an Interim Encuentros Assistant / Meeting Planner. CCAA signed a contract with Mr. Sandino on April 1 till May30, 2007 with the specific task of being responsible for helping carry out the FUNIDES Encuentros and other related meetings. In May, CCAA was notified by FUNIDES that they needed to hire

staff based on the Nicaraguan Social Security Institute and pay Social Security benefits. At this time, CCAA agreed that FUNIDES should follow the Nicaraguan law and should hire Mr. Sandino and list him as an employee. At this time, Price Waterhouse Coppers agreed to file taxes for all formal employees of FUNIDES. In April 2007, Mr. Sandino became a formal employee of FUNIDES and was being paid gross \$900.00 and \$843.75 with taxes taken out. Mr. Sandino renounced his position on May 30th, 2007.

Valdivia Recommendations – Mr. Arguello provided the attorney with incorrect information regarding Mr. Sandino's last date of work which was May 30th and not June 8th. Based on these conversations, the attorney has determined Mr. Sandino was an employee and should be given vacation and benefits applicable to an employee. The payout for Mr. Sandino is based on a rate of \$900 at a starting date of January 16th. Valdivia recommends a payout of \$1,041.64.

Garcia Recommendations – CCAA meet with a second attorney to get a second opinion and ensure that all Nicaraguan laws were being followed. CCAA gave the attorney copies of all the contracts, dates, monthly payments, timesheets, and activity reports. After reviewing all the information, the attorney concluded that Mr. Sandino was a FUNIDES employee and that there was a labor relationship. Based on this recommendation, Price Waterhouse Coopers has concluded that Mr. Sandino's original start date as an employee was on April 1, 2007 and Mr. Sandino should be compensated \$290.63.

CCAA Recommendations – CCAA feels that the Garcia attorney had all the documents and information needed in order to determine the proper category for Mr. Sandino. CCAA recommends that employee benefits be paid to Mr. Sandino from his original start date with FUNIDES on January 16th since it has been determined that Mr. Sandino had a labor relationship with FUNIDES.

g) Damaris Carrion

Background- Ms. Carrion was contracted on March 15, 2007 by CCAA as an Interim Administrative Staff. CCAA signed a contract with Ms. Carrion on April 1 till May30, 2007 with the specific task of being responsible for administrative support of FUNIDES and helping carry out the FUNIDES Encuentros and other related meetings. In May, CCAA was notified by FUNIDES that they needed to hire staff based on the Nicaraguan Social Security Institute and pay Social Security benefits. At this time, CCAA agreed that FUNIDES should follow the Nicaraguan law and should hire Ms. Carrion and list her as an employee. At this time, Price Waterhouse Coppers agreed to file taxes for all formal employees of FUNIDES. In April 2007, Ms. Carrion became a formal employee of FUNIDES and was being paid gross \$450.00 and \$421.88 with taxes taken out.

Valdivia Recommendations – Mr. Arguello provided the attorney with incorrect information regarding Ms. Carrion's start date which was March 15th and not March 1st Based on these conversations, the attorney has determined Ms. Carrion was an employee and should be given vacation and benefits

applicable to an employee. The payout for Ms. Carrion is based on a rate of \$450 at a starting date of March 1st. Valdivia recommends a payout of \$440.63.

Garcia Recommendations – CCAA meet with a second attorney to get a second opinion and ensure that all Nicaraguan laws were being followed. CCAA gave the attorney copies of all the contracts, dates, monthly payments, timesheets, and activity reports. After reviewing all the information, the attorney concluded that Ms. Carrion was a FUNIDES employee and that there was a labor relationship. Based on this recommendation, Price Waterhouse Coopers has concluded that Ms. Carrion's original start date as an employee was on April 1, 2007 and Ms. Carrion should be compensated \$145.31.

CCAA Recommendations – CCAA feels that the Garcia attorney had all the documents and information needed in order to determine the proper category for Ms. Carrion. CCAA recommends that employee benefits be paid to Ms. Carrion from her original start date with FUNIDES on March 15th since it has been determined that Ms. Carrion had a labor relationship with FUNIDES.

h) Yessenia Tellez

Background- Ms. Tellez was contracted on December 20, 2006 by CCAA as an Part Time Administrative Staff / Intern. CCAA signed a contract with Ms. Tellez in December with an end date of January 30, 2007 for \$XXX. CCAA resigned another contract with Ms. Tellez as an Interim Administrative Staff on April 1 till May30, 2007 with the specific task of being responsible for administrative support of FUNIDES and helping carry out the FUNIDES Encuentros and other related meetings. In May, CCAA was notified by FUNIDES that they needed to hire staff based on the Nicaraguan Social Security Institute and pay Social Security benefits. At this time, CCAA agreed that FUNIDES should follow the Nicaraguan law and should hire Ms. Tellez and list her as an employee. At this time, Price Waterhouse Coppers agreed to file taxes for all formal employees of FUNIDES. In April 2007, Ms. Tellez became a formal employee of FUNIDES and was being paid gross \$XXX and \$421.88 with taxes taken out.

Valdivia Recommendations – Mr. Arguello provided the attorney with incorrect information regarding Ms. Tellez's start date which was December 20, 2006 and not October 1st Based on these conversations, the attorney has determined Ms. Tellez was an employee and should be given vacation and benefits applicable to an employee. The payout for Ms. Tellez is based on a rate of \$XXX at a starting date of October 1st. Valdivia recommends a payout of \$XXX.

Garcia Recommendations – CCAA meet with a second attorney to get a second opinion and ensure that all Nicaraguan laws were being followed. CCAA gave the attorney copies of all the contracts, dates, monthly payments, timesheets, and activity reports. After reviewing all the information, the attorney concluded that Ms. Tellez was a FUNIDES employee and that there was a labor relationship. Based on this recommendation, Price Waterhouse Coopers has concluded that Ms. Tellez's original start date as an employee was on April 1, 2007 and Ms. Tellez should be compensated \$161.46.

CCAA Recommendations – CCAA feels that the Garcia attorney had all the documents and information needed in order to determine the proper category for Ms. Tellez. CCAA recommends that employee benefits be paid to Ms. Tellez from her original start date with FUNIDES on December 20th since it has been determined that Ms. Tellez had a labor relationship with FUNIDES.

i) Juan Loasiga

Background- Mr. Loasiga was contracted on January 9, 2007 by CCAA as a Part Time IT Tech Support. CCAA signed a contract with Mr. Loasiga as an Interim Webmaster on April 1 till May 30, 2007 with the specific task of being responsible on a part time basis for website development and technology support of FUNIDES. In May, CCAA was notified by FUNIDES that they needed to hire staff based on the Nicaraguan Social Security Institute and pay Social Security benefits. At this time, CCAA agreed that FUNIDES should follow the Nicaraguan law and should hire Mr. Loasiga and list him as an employee. At this time, Price Waterhouse Coopers agreed to file taxes for all formal employees of FUNIDES. In April 2007, Mr. Loasiga became a formal employee of FUNIDES and was being paid gross \$550.00 and \$515.62 with taxes taken out.

Valdivia Recommendations – Mr. Arguello provided the attorney with incorrect information regarding Mr. Loasiga's start date which was January 9, 2007 and not November 1, 2006. Based on these conversations, the attorney has determined Mr. Loasiga was an employee and should be given vacation and benefits applicable to an employee. The payout for Mr. Loasiga is based on a rate of \$550 at a starting date of November 1st. Valdivia recommends a payout of \$1,077.48.

Garcia Recommendations – CCAA met with a second attorney to get a second opinion and ensure that all Nicaraguan laws were being followed. CCAA gave the attorney copies of all the contracts, dates, monthly payments, timesheets, and activity reports. After reviewing all the information, the attorney concluded that Mr. Loasiga was a FUNIDES employee and that there was a labor relationship. Based on this recommendation, Price Waterhouse Coopers has concluded that Mr. Loasiga's original start date as an employee was on April 1, 2007 and Mr. Loasiga should be compensated \$177.60.

CCAA Recommendations – CCAA feels that the Garcia attorney had all the documents and information needed in order to determine the proper category for Mr. Loasiga. CCAA recommends that employee benefits be paid to Mr. Loasiga from his original start date with FUNIDES on January 9, 2007 since it has been determined that Mr. Loasiga had a labor relationship with FUNIDES.

j) Arlen Chavarria

Background- Ms. Chavarria was contracted by FUNIDES on March 12, 2007 for office cleaning services at a rate of \$150 per month. CCAA never signed a contract with Ms. Chavarria. In May, CCAA was notified by FUNIDES that they needed to hire staff based on the Nicaraguan Social Security Institute and pay Social Security benefits. At this time, CCAA agreed that FUNIDES should

follow the Nicaraguan law and should hire Ms. Chavarria and list her as an employee. At this time, Price Waterhouse Coppers agreed to file taxes for all formal employees of FUNIDES. In April 2007, Ms. Chavarria became a formal employee of FUNIDES and was being paid gross \$150.00 and \$131.24 with taxes taken out.

Valdivia Recommendations – Mr. Arguello provided the attorney with incorrect information regarding Ms. Chavarria's start date which was March 12, 2007 and not March 15 at a rate of \$150 per month not \$140. Based on these conversations, the attorney has determined Ms. Chavarria was an employee and should be given vacation and benefits applicable to an employee. The payout for Ms. Chavarria is based on a rate of \$140 at a starting date of March 15th. Valdivia recommends a payout of \$119.77.

Garcia Recommendations – CCAA meet with a second attorney to get a second opinion and ensure that all Nicaraguan laws were being followed. CCAA gave the attorney copies of all the contracts, dates, monthly payments, timesheets, and activity reports. After reviewing all the information, the attorney concluded that Ms. Chavarria was a FUNIDES employee and that there was a labor relationship. Based on this recommendation, Price Waterhouse Coopers has concluded that Ms. Chavarria's original start date as an employee was on April 1, 2007 and Ms. Chavarria should be compensated \$58.13.

CCAA Recommendations – CCAA feels that the Garcia attorney had all the documents and information needed in order to determine the proper category for Ms. Chavarria. CCAA recommends that employee benefits be paid to Ms. Chavarria from her original start date with FUNIDES on March 12 since it has been determined that Ms. Chavarria had a labor relationship with FUNIDES.

k) Bianca Mangas

Background- Ms. Mangas was originally contracted under the CompromisoNicargua program as a CAFTA workforce trainer and meet with companies and workers to explain the basics of CAFTA. The Workforce Briefings portion of the program ended in August 2006. In August 2006, CCAA contracted Ms. Mangas as the CCAA Associate Program Director signed a contract with Ms. Mangas for \$1,500 an end date of March 30, 2007. CCAA resigned another contract with Ms. Mangas on April 1 till May 30, 2007 with the specific task of being responsible for assisting CCAA with the administrative support of FUNIDES and helping carry out the FUNIDES Encuentros and other related meetings.

Valdivia Recommendations – Mr. Arguello provided the attorney with incorrect information regarding Ms. Mangas's end date which will be August 30, 2007 and not June 30. Based on these conversations, the attorney has determined Ms. Mangas was an employee and should be given vacation and benefits applicable to an employee. The payout for Ms. Mangas is based on a rate of \$1,500 at a ending date of June 30. Valdivia recommends a payout of \$4,125.00.

Garcia Recommendations – CCAA meet with a second attorney to get a second opinion and ensure that all Nicaraguan laws were being followed. CCAA gave the attorney copies of all the contracts, dates, monthly payments, timesheets, and activity reports. After reviewing all the information, the attorney concluded that **Ms. Mangas was a FUNIDES employee and that there was a labor relationship.**

CCAA Recommendations – CCAA feels that the Garcia attorney had all the documents and information needed in order to determine the proper category for Ms. Mangas. CCAA recommends that employee benefits be paid to Ms. Mangas from her original start date with CCAA as an Associate Program Director of FUNIDES on August 1st since it has been determined that Ms. Mangas had a labor relationship with CCAA.

INCONSISTE

Javier Arguella hired Bianca a FUNIDES sta member in Au with CCAA c

Secondly, she paid directly b CCAA under exact terms an relationship Ja had with CCA

Name Contractor	**Valdivia Recommendations	Garcia Recommendations	CCAA Recommendations	Final Payout
Javier Arguello	Employee - \$35,487.30 Incorrect monthly payment	Contractor – No payout	No Payout	\$0
Luisangel Hernandez	Employee - \$14,420.88 Incorrect monthly payment	Contractor – No payout	No Payout	\$0
Silvana Flinn	Employee - \$4,420.62 Incorrect monthly payment	Contractor – No payout	No Payout	\$0
Luis Alaniz	Employee - \$4,556.31 Incorrect start date	Contractor – No payout	No Payout	\$0
Felix Maradiaga	Employee - \$4,812.66 Incorrect start date and monthly payment	Contractor – No payout	No Payout	\$0
Adelmo Sandino	Employee - \$1,041.64 Incorrect end date	*\$300 – 9.38 taxes = \$290.63	From original start date of January 16, 2007 - \$825 – 25.74 taxes = \$799.26	\$799.26
Damaris Carrion	Employee - \$440.63 Incorrect start date	*\$150 – 4.69 taxes = \$145.31	From original start date of March 15 th - \$180 – 5.62 taxes = \$174.38	\$174.38
Yessenia Tellez	Employee - \$991.41 Incorrect start date	*\$166.67 – 5.21 taxes = \$161.46	From original start date of January 1, \$412.50 – 12.87 taxes = \$399.63	\$399.63
Juan Loasiga	Employee - \$1,077.48 Incorrect start date	*\$183.33 - 5.73 taxes = \$177.60	From original start date of January 9 - \$504.16 - 15.73 taxes = \$488.43	\$488.43
Arlen Chavarria	Employee - \$119.77 Incorrect start date and monthly payment	*\$50 – 1.56 taxes = \$48.44	From original start date March 12 - \$60 – 1.87 taxes = \$58.13	\$58.13

Bianca Mangas	Employee - \$4,125 Incorrect end date	????	From original start date of August 1, 2006 - \$3,000 – 93.60 taxes = \$2,906.40	\$2,906.40
Total	\$71,493.70	\$4,826.23	\$4,826.23	\$4,826.23

**CCAA feels that Valdivia was given incorrect information from Mr. Arguello who did not consult with CCAA before providing lawyer with information
*Price WaterHouse Cooper calculations

5) Government Taxes for Employees

\$614.23

CCAA has also paid the legal Nicaraguan taxes on the five FUNIDES employees these taxes include:

Instituto Nicaraguense de Seguridad Social (NSS) for June 2007 \$563.72
And Instituto Nacional Tecnologico (INATEC) for June 2007 \$ 50.51

See **Attachment 4** for invoices from the Government regarding these taxes.

B. Disposition of Furniture and Equipment (already billed USAID) \$ 45,355.42

CCAA has purchased furniture for the FUNIDES office is the amount of \$45,255.42 which has already been billed to USAID. The total amount of furniture bought under the FUNIDES program was \$34,115.00 of which \$27,207 was purchased under the FUNIDES cooperative agreement and \$6,908 was purchased under the Compromiso Nicaragua agreement to help FUNIDES get started. The total amount of equipment including computers, printers, and telephone system is \$11,240.42

To date, CCAA has been informed that FUNIDES will continue its activities. CCAA would therefore recommend that the disposition of equipment and furniture purchased by USAID be donated to FUNIDES should they continue. However, should FUNIDES not require all the furniture or cease to exist; CCAA would recommend that the furniture and equipment be donated to other USAID activities in the country. In any case, CCAA would recommend that FUNIDES not be able to sell the furniture. See **Attachment 5** for the final inventory of the furniture and equipment.

C. FUNIDES Activities and Expenses \$ 18,634.73

The following are activities that took place during the months of May-July 2007 that FUNIDES has requested CCAA's assistance in seeking USAID approval for payment.

1) Concurso de Ensayo \$2,120.00

FUNIDES conducted an Essay contest in May 10, 2007 to invite university students to give their opinions and proposals about topics of national interest. 80 students participated and via the internet and one winner was selected. This event was important for FUNIDES and Nicaragua in order to get young people involved to objectively analyze and share perspectives on Nicaraguan and International politics that effect economic growth and poverty reduction. During the Concurso, students

openly debated the “Presupuesto General de la República 2007” which is the principle political economic document of the new government. The debate resulted in an open and informed discussion involving public and private sector as well as civil society to improve economic development of the country.

The following expenses are related to this activity.

Vendor	Account	Activity	Date	Description	Amount
Arte y Creación	7000 . PRINTING & REPRODUCTION	FUNIDES: Encuentros	08-May-07	Elaboración de 1000 afiches y 5 mantas, Concurso de Ensayo.	500.00
Arte y Creación	6050-10 . Professional Services Expense	FUNIDES: FUNIDES Organization	09-Mar-07	Pago por Diseño de afiche, volante, 1 banner pop up interactivo para página Web de FUNIDES.	220.00
Webbasica	6050-10 . Professional Services Expense	FUNIDES: Encuentros	29-May-07	Pago por publicidad en Bacanalnica, banner interactivo para promoción del concurso de ensayo.	250.00
Concurso de Ensayo	6500 . MISCELLANEOUS EXPENSE	FUNIDES: Encuentros	08-june-07	Premio a participante ganador del Concurso de Ensayo.	1,100.00

2) **Printing of Studies** **\$11,597.74**

FUNIDES produced five documents during the months of May – July 2007. The following is a brief description of the studies and the costs related to each one.

- a. **Primer Informe Trimestral de Coyuntura Económica \$3,038.21**
 FUNIDES presented their first Economic Analysis for January – March 2007. FUNIDES published their first Economic Overview Report for the first trimester of 2007. This report contains information and analysis of the economic and financial situation of the country, the Nicaraguan Budget and the international economy. Short term trends and perspectives are studied in this report based on official and international institutions statistics and publications.

Vendor	Account	Activity	Date	Description	Amount
La Prensa	7000 . PRINTING & REPRODUCTION	FUNIDES: Publication & Marketing	14-May-07	Pago de Impresión de 1000 copias de "Informe Trimestral de Coyuntura Económica.	2,185.00
Heriberto Peña	6000-99 . Contract Employees	FUNIDES: Publication & Marketing	18-May-07	Pago Diagramación de Libro Informe Trimestral.	462.00
José Balladares	6000-99 . Contract Employees	FUNIDES: Publication & Marketing	22-May-07	Pago de Servicio de Mensajería por envío de Informe Coyuntura Económica Primer Trimestre, a diferentes Instituciones, Radios, Periodicos, Embajadas, Cooperantes, Sociedad Civil y ONGs.	319.91

Arte y Creación	7000-20 . Printing Expense	FUNIDES: Publication & Marketing	22-May-07	Elaboración de 500 Tarjetas de Presentación e impresión de etiquetas.	71.30
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b. Evolución Económica Nicaragüense \$1,185.00

The study focuses on the condition of the Nicaraguan economy based on the Governmental policies of the Presidents of Nicaragua from 1978-2006.

Vendor	Account	Activity	Date	Description	Amount
la prensa	7000-20 . Printing Expense	FUNIDES: Publication & Marketing	10-Jul	Evolucion economica nicaraguense	1,185.00

c. Identificando Barreras al Crecimiento en Nicaragua \$1,806.00

FUNIDES presented their analysis on the barriers to economic and social growth in Nicaragua. This study focused on the evolution of the poor from 1998, 2001, and 2005.

Vendor	Account	Activity	Date	Description	Amount
la prensa	7000-20 . Printing Expense	FUNIDES: Publication & Marketing	10-Jul	Identificando barreras al crecimiento impreso 1000 ejemplares	1,806.00

d. Herramientas para Fortalecer Programas de Protección Social – Propuesta de Política Publica Social \$2,720.00

FUNIDES presented the study in July 2007 and focused on how to improve the quality of Social Security to reduce extreme poverty in Nicaragua. The objective of the study was to develop a macro economic analysis of the costs and opportunities that the government and civil society need to consider when developing, monitoring, and evaluating social programs.

Vendor	Account	Activity	Date	Description	Amount
la prensa	7000-20 . Printing Expense	FUNIDES: Publication & Marketing	10-Jul	Evaluacion de Redes de proteccion social documento impreso 2000 ejemplares	2,720.00

e. Diagnostico Macroeconomico \$1,265.00

FUNIDES presented the study in May 2007 and presented an explanation of the macroeconomic situation of the country. The study looks at the effects of taxes and economic incentives and how it effects economic growth. The study also looks at the effects of an open economy and the types of changes needed.

Vendor	Account	Activity	Date	Description	Amount
la prensa	7000-20 . Printing Expense	FUNIDES: Publication & Marketing	10-Jul	Diagnostico macroeconomico impresion 1000 ejemplares	1,265.00

f. Distribution of Studies **\$3,583.53**
 FUNIDES distributed studies the private and public sector organizations in order to ensure access to the studies.

Vendor	Account	Activity	Date	Description	Amount
J.Balladares	7100-20 . Postage & Shipping	FUNIDES: Publication & Marketing	June 29	Distribucion de estudios/publicaciones	80.68
	7100-20 . Postage & Shipping	FUNIDES: Publication & Marketing		Distribucion de estudios/publicaciones	390.27
J.Balladares	7100-20 . Postage & Shipping	FUNIDES: Publication & Marketing	July 09	Distribucion de estudios/publicaciones	390.27
La Universal	6100-10 . Office Supplies	FUNIDES: Publication & Marketing		Envelopes	100.00
Heriberto Pena	7000-20 . Printing Expense	FUNIDES: Publication & Marketing	June 28	Diagramacion de publicaciones	350.00
Claudia Bone	6050-10 . Professional Services Expense	FUNIDES: Publication & Marketing	30-Jun	Elaboracion de graficos y analisis estadisticos material necesario para los estudios y publicaciones de FUNIDES	375.00
Roberto Lanuza	6050-10 . Professional Services Expense	FUNIDES: Publication & Marketing	30-Jun	Elaboracion de graficos y analisis estadisticos material necesario para los estudios y publicaciones de FUNIDES	375.00
CREA Comunicaciones	7000-20 . Printing Expense	FUNIDES: Publication & Marketing	03/31/2007	texto, edicion y disenso de estudios	1,102.16
Xerox	7000-20 . Printing Expense	FUNIDES: Publication & Marketing	April	Copies of letters to include with studes	420.17

3) Coyuntura Activity **\$1,316.99**

FUNIDES conducted a Essay contest in May 10, 2007 to invite university students to give their opinions and proposals about topics of national interest. 80 students participated and via the internet and one winner was selected. The following expenses are related to this activity.

Vendor	Account	Activity	Date	Description	Amount
Arte y Creacion	7000-20 . Printing Expense	FUNIDES: Encuentros	10-Jul	impresión de tarjetas de invitacion encuentro	150.00

Arte y Creacion	7000-20 . Printing Expense	FUNIDES: Encuentros	10-Jul	impresión de tarjetas de invitacion encuentro	70.00
Arte y Creacion	7000-20 . Printing Expense	FUNIDES: Encuentros	10-Jul	impresión de tarjetas de invitacion encuentro	37.50
Intercontinental	6300-10 . Hotel/Space Rental	FUNIDES: Encuentros		Encuentro Hotel Intercontinental	1,059.49

4) Brain Trust Consultant – Carlos Muniz \$3,600.00

FUNIDES requested Mr. Carlos Muniz to assist them during the month of June and July 2007. This was after CCAA notified all contractors of their contract terminations of June 20, 2007. Mr. Muniz traveled to Managua on June 18-21 (4 days) and July 23 – 27 (5 days). In June, Mr Muniz helped FUNIDES finalize the Diagnostico Macroeconomico, Hambre Cero, and the Poverty assessment. In July, Mr Muniz assisted FUNIDES and CCAA in closing out the USAID portion of the FUNIDES organization.

Mr. Muniz's daily rate is \$400 per day x 9 days is \$3,600.

I. SUMMARY ON CLOSE-OUT:

- 1) Provide a brief summary of why the project is being suspended/terminated and the implications, if any, for the country and Title II beneficiaries, the project, and the CS's in-country operations.
- 2) Provide a brief summary of resources provided over the life of the project by USAID, the CS, the host government, other donors and beneficiaries. Also briefly summarize the sectors supported, and the location in the country where investments were made.
- 3) Provide a brief summary (by component if relevant) of where the project is at this point in meeting its stated goals and objectives, and where it will be at the date of close out.
- 4) State whether there have been any recent audits of the project (or will be) and the status of resolving outstanding audit recommendations. Attach a copy of the audit to the close-out plan or send separately to the USAID Mission and BHR/FFP (if this has not already occurred).
- 5) State whether there have been (or will be) a final or impact evaluation of the project. If it has been completed, attach a copy of the evaluation to the close-out plan or send separately to the USAID Mission and BHR/FFP (if this has not already occurred). If an evaluation has not been completed but is planned, discuss briefly plans to carry out the evaluation and if possible, attach the evaluation Scope of Work (SOW).

II. LESSONS LEARNED:

Provide a brief summary of lessons learned from the project that might be relevant to design, implementation and evaluation of other Title II projects, either in the present country or others.

III. CLOSE-OUT SCHEDULE:

Provide a detailed implementation plan and schedule for closing out the project that details the disposition of property and equipment; the termination of staff; the finalization of all audits, evaluations and required reports; the settling of claims; and other critical activities.

IV. FINAL REPORTS:

Provide any reports (e.g. final report, Annual Results Report, Final Evaluation) required either in the project agreement, or in writing by USAID.

V. DISPOSITION OF COMMODITIES, ASSETS, EQUIPMENT, AND FUNDS:

- 1) Commodities: Prior to the project completion date, all commodities should be distributed to the intended recipients. If this is not possible, the CS should propose an alternative solution, and advise the Mission and BHR/FFP of the quantities, location and condition of the food.
- 2) Non-expendable property/equipment procured through Section 202(e), monetization or other USAID-provided funds: The close-out plan should include an inventory of all non-expendable property/equipment procured with funds provided by USAID, or obtained through a monetization of Title II commodities with a unit acquisition cost exceeding \$5000, and with a useful life estimated to exceed two years. The CS should describe how it proposes to dispose of each piece of property and what will be done with the proceeds if the items are sold. (Note: for additional information on and definitions of non-expendable property/equipment (as defined by the U.S. Government), please check OMB Circular 110, Subpart A and/or USAID's 22CFR, sections 226.2, 226.34 and 226.71).
- 3) Monetization-Generated Local Currency and Program Income:
 - a) The close-out plan should identify the balance of local currency and program income that will remain at the date of close out. Note that local currency and program income should include all resources applied to implementation of the subject Title II project, including Title II and Title III monetization proceeds, interest and reflows, container funds and beneficiary contributions. If a balance is anticipated, the close-out plan should describe a proposed use or transfer of the remaining monetization proceeds. Proposed uses must be

consistent with those authorized in USAID Regulation 11, Section 211.5.

b) If USAID authorizes use of remaining local currency and program income by the cooperating sponsor, to ensure that the resources are being used for the agreed-upon purpose, the CS will be expected to report annually on how these funds, as well as any interest and reflows, are being used. USAID and the CS will negotiate the length of time this annual reporting shall continue, based upon what makes sense given the agreed-upon activities. Use of the funds should also be reflected in the CS's annual A-133 audit.

For use of local currencies and program income in revolving accounts or similar mechanisms, in addition to the aforementioned reports and audits, it is likely that the appropriate Food for Peace Officer/USAID Food Aid manager will have to actually monitor the account's first use of the post- program funds (one revolution or one cycle of the revolving account after close-out).

4) Dollar resources (from Section 202 (e), Mission provided Development Assistance (DA) funding, and Title II Transportation Funding):

a) As stated in the background section, for any dollar resources provided by USAID for support of food aid programs, the Cooperating Sponsor should follow any close-out guidance attached as standard provisions to its grant agreement.

b) The CS should provide detailed information on all outstanding invoices that will be submitted for ocean and inland transportation charges applicable to the close-out project/activity. Only invoices for reported charges can be honored.

c) If there are ITSH resources remaining at the end of the project, these funds can be used in other countries approved in the Procurement Authorization and Purchase Request (PA/PR). Otherwise, the ITSH funds will be de-obligated and returned to the U.S. Government. In all cases, the CS will need to submit a pipeline analysis and proposal for using or returning remaining ITSH funds to FFP's Emergency Response Division, prior to any movement of funds.

d) As with remaining monetized funds, the close-out plan should identify the source and balance of all dollar resources (including interest and reflows) that will remain at the date of close out. If a balance is anticipated, the close-out plan should include a proposed use or transfer of the remaining dollar proceeds. Proposed uses must be consistent with those authorized in USAID Regulation 11. Note that because dollar resources require the greatest degree of monitoring by the U.S. Government, USAID Offices and Missions will be encouraged not to approve the reprogramming of remaining U.S. dollar resources after close-out, but rather to have these funds returned to the U.S. Government.

e) If USAID should authorize the use of remaining dollar resources by the cooperating sponsor, to ensure that the resources are being used for the agreed-upon purposes, the CS will be expected to report annually on how these funds, as well as any interest and reflows, are being used. USAID and the CS will negotiate the length of time this annual reporting shall continue, as well as the likelihood of on-site monitoring by the appropriate regional or other Food For Peace Officer/USAID Food Aid manager, based upon what makes sense given the agreed-upon activities. Use of the funds should also be reflected in the CS's annual A-133 audit.

VI. OUTSTANDING CLAIMS:

a) All outstanding claims resulting from damage, loss or improper distribution of commodities must be completed prior to termination of the Title II agreement. These must be done in accordance with section 211.9 of Regulation 11.

b) It is recommended that before the close-out plan is submitted, the CS notify USAID (the Mission and BHR/FFP) in writing if there are losses for which it is directly responsible pursuant to Reg. 11, Section 211.9(d). These cases will need to be individually reviewed by USAID and by the U.S. Department of Agriculture's (USDA's) Office of Debt Management, which should be contacted at the following:

USDA Office of Debt Management
Kansas City Management Office
P.O. Box 419205
Kansas City, MO 64141-6205
phone: (816) 926-6158

c) It is also advisable that before the close-out plan is submitted, the CS notify the Mission and BHR/FFP if there are losses due to the fault of others, pursuant to Reg. 11, Section 211.9(e), and whether the CS has filed a claim, made demands for collection, and pursued legal action. These cases will have to be individually reviewed by USAID and by USDA.

VII. AUDIT:

a) A U.S.-based non-profit organization is required to submit its OMB Circular A-133 Audits within 13 months after the close of its fiscal year, which shall be accepted as fulfilling the close-out audit requirements. Individual close-out audits (of specific country projects) will only be requested when a specific need is identified by USAID personnel, and coordinated with the Office of Procurement's Contract Audit Management Branch (M/OP/PS/CAM). (Ref. ADS 591.5.8).

b) For non-U.S.-based organizations, the contract/grant officer shall determine whether a close-out audit shall be conducted based on a review of the organization's audits covering all of the fiscal year periods for the agreements to be closed out. A request for a specific close-out audit shall be made by USAID personnel to the cognizant Regional Inspector General's Office (Ref. ADS 591.5.8).

c) Should an audit concern arise regarding receipt and disbursement of Title II program and grant funds, such records shall be retained for 3 years from the receipt by USAID of the audit report.

VIII. PERSONNEL:

To the extent that the CS must discharge and/or reassign staff as a result of this program termination, the CS must comply with all discharge, reassignment and severance laws of the host country. The close-out plan should describe how this will be accomplished and the associated costs.

IX. CLOSE-OUT BUDGET:

The CS should provide a budget detailing all costs associated with close-out (e.g. legal resolution of claims, payment of loans, disposition of property, completion of audits and evaluations, and termination of personnel). The plan should clearly identify whether these expenditures were planned in the original program budget, or whether additional resources will be needed to meet these expenses. If the latter, the plan should describe how the CS plans to cover these unanticipated expenses.

X. OTHER RELEVANT INFORMATION:

If there is other information relevant to the close-out of this Title II project which has not been requested in other parts of this guidance, the CS should provide this information under item X.

Despite promising to abide by the law and highlighting once again that the CS must comply with severance laws of the host country, CCAA/USAID has chosen to operate above the law, ignore the severance payments and provide false information in their reports.