

DEPARTMENT OF STATE  
AGENCY FOR INTERNATIONAL DEVELOPMENT  
Washington, D. C. 20523

REPORT NO. 72-181

ADVISORY REPORT TO THE CONTRACTING OFFICER ON EXAMINATION

of

Accounting Records of

OPPORTUNITIES INDUSTRIALIZATION CENTER INTERNATIONAL, INC.

as they relate to the following Task Orders

Under Contract No. AID/afr-653 (Regional)

with the

AGENCY FOR INTERNATIONAL DEVELOPMENT

<u>Task Order Number</u>	<u>Country</u>	<u>Project No.</u>	<u>Task Order Ceiling</u>	<u>Period Audited</u>	<u>Expiration Date</u>
1	Regional	698-11-950-153	\$622,239	10/09/69-6/30/71	June 30, 1972
2	Ghana	641-13-610-063	559,770	6/01/70-6/30/71	May 31, 1972
<del>3</del>	Nigeria	620-11-610-802	766,260	6/30/70-6/30/71	June 30, 1972

OFFICE OF AUDIT  
AUDITOR GENERAL  
DECEMBER 22, 1971

BEST AVAILABLE

DEPARTMENT OF STATE  
AGENCY FOR INTERNATIONAL DEVELOPMENT  
Washington, D. C. 20523

December 22, 1971

TO : AFR/CS, Mr. Stanley Nevin

FROM :   
B. R. Abshire, Director, External Audit Division  
Office of Audit

SUBJECT: Audit Report No. 72-181, Opportunities Industrialization  
Center International, Inc.  
Contract No. AID/afr-653 (Regional), (Task Order Nos. 1, 2 and 3)

Attached is the advisory audit report on the examination of the subject contract and related task orders. The audit report of the Office of Audit, Auditor General, contains a summary of the audit findings and recommendations. The summary also shows action offices as considered appropriate.

Copies of this report have been sent to offices shown in Exhibit E. In order to provide for centralized reporting and information on contract audits, a separate memorandum has been sent to each action office requesting that within 30 days they report to the Office of Audit on the action taken or their position on the recommendations.

Attachment: a/s

DEPARTMENT OF STATE  
AGENCY FOR INTERNATIONAL DEVELOPMENT  
Washington, D. C. 20523

OPPORTUNITIES INDUSTRIALIZATION CENTER  
INTERNATIONAL, INC.  
Contract No. AID/afr-653 (Regional)  
(Task Order Nos. 1, 2 and 3)

INTRODUCTION

The Office of Audit, Auditor General, has performed an interim audit of the above contract and related task orders. The audit, which covered the period October 9, 1969 through June 30, 1971, included a review of pertinent records and procedures at the Contractor's office in Philadelphia, Pennsylvania. An adjustment for overhead was not required since the contract and task orders provide for reimbursement of indirect expenses as a direct cost.

Area Auditor General reports of audit were not required under Task Order No. 1, since work performed thereunder was of a global nature.

Area Auditor General reports of audit on the Contractor's overseas activities under Task Order Nos. 2 and 3, have not been received to date.

The principal objective of the audit was to determine the propriety and applicability of expenditures incurred by the Contractor under the terms of the contract and related task orders as well as the degree of compliance with established contracting standards and applicable principles.

The status of funds as of September 30, 1971, is shown on Exhibit D.

The findings and recommendations of the Office of Audit are summarized below, together with the office responsible for implementing action.

SUMMARY OF AUDIT FINDINGS AND RECOMMENDATIONS

1. Finding

Action Office

Costs reimbursed during the period under review in the amount of \$708,569.22 have been audited. As a result, costs of \$15,667.12 are disallowed and the balance of \$692,902.10 can be approved, subject to the acceptance of the Contractor's performance. A summary by task order follows:

Summary of Audit Findings and Recommendations (Continued):

1. Finding (Continued):

Action Office

<u>Task Order Number</u>	<u>Costs</u>			<u>Reference</u>
	<u>Reimbursed</u>	<u>Disallowed</u>	<u>Accepted</u>	
1	\$299,825.53	\$ 5,592.86	\$294,232.67	Exhibit A
2	204,368.32	1,263.56	203,104.76	Exhibit B
3	204,375.37	8,810.70	195,564.67	Exhibit C
<b>Total</b>	<u>\$708,569.22</u>	<u>\$15,667.12</u>	<u>\$692,902.10</u>	

Recommendation

Contracting Officer review the above finding and take appropriate action to accomplish the following:

Contracting Officer,  
AFR/CS

- a. Determine acceptability of Contractor's performance as a prerequisite to the approval of task order costs.
- b. Accept the task order costs and adjustments as proper under the terms of the basic contract and related task orders.
- c. Ensure settlement of amounts due A.I.D.

2. Finding

Contractor's accounting system, records and internal controls were not considered adequate for the segregation and recording of costs under Government contracts and/or related task orders.

Recommendation

Contracting Officer review the above finding and take appropriate action to accomplish the following:

Contracting Officer,  
AFR/CS

- a. Require Contractor to accrue employee salaries on the same basis (calendar month) as reported on the public vouchers.
- b. Require Contractor to review all costs billed to A.I.D. for the categories of Travel and Transportation, Equipment, Other Direct Costs, Allowances and Participants for the purpose of accumulating costs in accordance with the cost elements contained in the related task order budgets.
- c. Require Contractor to prepare annual financial statements and year end trial balances.

Summary of Audit Findings and Recommendations (Continued):

Recommendation (Continued):

Action Office

- d. Require Contractor to bill A.I.D. from the general ledger rather than from a voucher register for the purpose of eliminating cost duplications and omissions.

CONTRACTOR'S ORGANIZATION

Opportunities Industrialization Center International, Inc., was established in Philadelphia, Pennsylvania, in October 1969 with the support of A.I.D. OIC International is a community based private non-profit organization created to assist interested international communities develop OIC manpower training programs and economic development enterprises.

CONTRACTOR'S ACCOUNTING SYSTEM

The Contractor's accounting system, which is maintained on the accrual basis, is not considered adequate for the accumulation, segregation, and recording of costs under Government cost-type contracts and/or related task orders.

Though documentation and information are available, the organization records are considered to be inadequate since they require exhaustive and excessive audit time and effort to verify contract and related task order costs. Further comments with regards to the Contractor's accounting system are contained in the "Summary of Audit Findings and Recommendations" section of this report.

SCOPE OF AUDIT

The audit was performed at the Contractor's office, which is located on 3639 North Broad Street, Philadelphia, Pennsylvania, to determine whether costs billed to A.I.D. were in accordance with provisions of the contract and related task orders.

During the course of our audit, we reviewed the Contractor's accounting system, books of account, documentation in support of expenditures, pertinent correspondence, expense reports, payroll and other records to the extent and by methods considered appropriate in the circumstances.

DISCUSSION WITH CONTRACTOR

The results of audit were discussed with Mr. Irvy Johnson, Accountant, whose comments are contained in the appropriate footnotes to Exhibits A, B and C.

Opportunities Industrialization Center International, Inc.  
Contract No. AID/afr-653, Task Order No. 1 (Regional)  
Summary of Contract Costs and Audit Adjustments  
October 9, 1969 through June 30, 1971

	Costs <u>Reimbursed</u>	Audit <u>Adjustments</u>	Costs <u>Accepted</u>
Salaries	\$168,870.25	\$3,195.97 <u>1/</u>	\$165,674.28
Travel and Transportation	35,172.36	752.00 <u>2/</u>	34,420.36
Office Equipment	13,632.23	---	13,632.23
Other Direct Costs	54,892.69	1,644.89 <u>3/</u>	53,247.80
Evaluation	<u>27,258.00</u>	<u>---</u>	<u>27,258.00</u>
Total	<u>\$299,825.53</u>	<u>\$5,592.86</u>	<u>\$294,232.67</u>

Explanatory Notes:

1/ Difference between salaries billed to A.I.D. and those recorded on the books and paid employees. This difference is due to adjustments for accruals and clerical errors.

Contractor did not concur in the adjustments.

2/ Represents the following adjustments:

a. Overpayment of per diem in Ghana to Mr. Bill Johnson while organizing the Ghana OIC program, as shown below:

Amount Reimbursed	\$25 per day for 128 days	\$3,200	
Amount Allowed	\$24 per day for 128 days	<u>3,072</u>	\$128.00

b. Expenses incurred for the shipment of employee's German Shepherd dog to Africa.

	<u>624.00</u>
Total	<u>\$752.00</u>

Contractor did not concur in the adjustments.

3/ Represents the following adjustments:

a. Penalty (interest) on City of Philadelphia delinquent tax bill.	\$ 11.84
b. Repayment of loan to Zion Trust included interest charges that were billed to A.I.D.	46.65
c. Relocation expenses for employee (Shirley English) are disallowed because employee resigned within twelve months after hire.	186.40

Opportunities Industrialization Center International, Inc.

Explanatory Notes (Continued):

- d. Accounting services rendered by the OIC Institute, Inc. for the period December 1, 1969 to June 30, 1970, for the setting-up of financial records, preparing federal and city tax returns, processing insurance billings, etc., are considered to be overhead costs allocable to all of the Contractor's work and not just to A.I.D. (7 months x \$200).

1,400.00

Total

\$1,644.89

Contractor did not concur in the adjustments.

Exhibit B

Opportunities Industrialization Center International, Inc.  
Contract No. AID/afr-653, Task Order No. 2 (Ghana)  
Summary of Contract Costs and Audit Adjustments  
June 1, 1970 through June 30, 1971

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	<u>Costs Reimbursed</u>	<u>Audit Adjustments</u>	<u>Costs Accepted</u>
Salaries	\$ 68,327.06	\$ 199.16 1/	\$ 68,127.90
Allowances	36,746.25	950.00 2/	35,796.25
Travel and Transportation	18,038.70	114.40 3/ (5,056.48) 4/	22,980.78
Equipment	23,837.55	(4,300.00) 4/	28,137.55
Other Direct Costs	41,807.73	9,356.48 4/	32,451.25
Participant Costs	<u>15,611.03</u>	<u>---</u>	<u>15,611.03</u>
Total	<u>\$204,368.32</u>	<u>\$1,263.56</u>	<u>\$203,104.76</u>

Explanatory Notes:

1/ Difference between salaries billed to A.I.D. and those recorded on the books and paid employees. This difference is due to adjustments for accruals.

Contractor did not concur in the adjustment.

2/ Represents duplicate billing to A.I.D. for education allowances paid in 1971 to Mr. Faulkner.

Contractor concurred in the adjustment.

3/ Insurance on office equipment and household goods shipped to Ghana for various employees.

Contractor did not concur in the adjustment.

4/ Represents reclassifications to proper elements of cost.

**Opportunities Industrialization Center International, Inc.**  
**Contract No. AID/afr-653, Task Order No. 3 (Nigeria)**  
**Summary of Contract Costs and Audit Adjustments**  
**June 30, 1970 through June 30, 1971**

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	Costs <u>Reimbursed</u>	Audit <u>Adjustments</u>	Costs <u>Accepted</u>
Salaries	\$ 78,273.09	\$ ----	\$ 78,273.09
Allowances	44,977.87	15,180.60 2/ 8,100.00 1/ 258.00 2/	21,439.27
Travel and Transportation	17,382.00	(12,460.89) 2/ 4,300.00 2/	25,542.89
Equipment	16,386.65	(15,180.60) 2/ ( 4,300.00) 2/ ( 2,306.54) 2/	38,173.79
Other Direct Costs	33,205.49	( 258.00) 2/ 12,460.89 2/ 2,306.54 2/ ( 616.00) 2/	19,312.06
Participant Costs	14,150.27	710.70 3/ 616.00 2/	12,823.57
<b>Total</b>	<u><u>\$204,375.37</u></u>	<u><u>\$ 8,810.70</u></u>	<u><u>\$195,564.67</u></u>

Explanatory Notes:

1/ Represents duplicate billing to A.I.D. for basic furnishings purchased in the United States for Contractor personnel in Nigeria.

Contractor concurred in the adjustment.

2/ Represents reclassification to proper elements of cost.

3/ Represents the following adjustments:

- a. Difference between the actual cost and a travel advance given Mr. Awosikaj to purchase a round trip air flight ticket from Nigeria to the United States. \$ 51.00
- b. Refund for air flight ticket originally purchased for Mr. Oluma and charged to the A.I.D. was erroneously credited to miscellaneous income. \$659.70

**Total** \$710.70

Contractor concurred in the adjustments.

Opportunities Industrialization Center International, Inc.  
 Contract No. AID/afr-653 (Global), Task Order Nos. 1, 2 and 3  
 Status of Funds as of September 30, 1971

Exhibit D

Task Orders

No. 1

No. 2

No. 3

Total PIO/T's per VEB records	<u>\$622,239.00</u>	<u>\$363,840.00</u>	<u>\$450,260.00</u>
Task Order Ceiling Amount Reimbursed:	\$622,239.00	\$559,770.00	\$766,260.00
Costs Audited-			
Approved prior audit	\$ -0-	\$ -0-	\$ -0-
Approved current audit	294,232.67	203,104.76	195,564.67
Unaudited Costs	43,058.94	42,780.87	57,647.09
Subtotal	<u>\$337,291.61</u> 337,291.61	<u>\$245,885.63</u> 245,885.63	<u>\$253,211.76</u> 253,211.76
Advance	60,000.00	50,000.00	50,000.00
Amount disallowed	5,592.86	1,263.56	8,810.70
Total Reimbursed	<u>\$402,884.47</u>	<u>\$297,149.19</u>	<u>\$312,022.46</u>
Task Order Balance Remaining	<u>\$284,947.39</u>	<u>\$213,884.37</u>	<u>\$513,048.24</u>

OPPORTUNITIES INDUSTRIALIZATION CENTER  
INTERNATIONAL, INC.  
Contract No. AID/afr-653 (Global)  
(Task Order Nos. 1, 2 and 3)

Exhibit E

DISTRIBUTION OF AUDIT REPORT

Contracting Officer, AFR/CS (3)  
Area Auditor General, Africa (West) (2)  
Office of Procurement, PROC/CSD (2)  
Financial Review Division, C/FRD/VEB (3)  
Audit Review Officer, AFR/MGT/ME (3)  
General Accounting Office (1)  
Inspector General of Foreign Assistance/State (1)

Oct 4/79

file

OIC

Exhibit  
72-181

6980153001801

AUG 5 1974

AG/AUD/UDA, Mr. William Stanford

GM/ROD/Ad, N. A. Caticchio

/s/ N. A. Caticchio

Basic Agreement No. AID/afr-653, Task Order Nos. 1, 2 and 3, Audit Report No. 72-181

Recommendation No. 1

Contractor's performance has been satisfactory and costs incurred under the three Task Orders have been accepted and agreed upon except for that portion of costs (\$15,667.12) which were disallowed. These disallowed costs will be resolved during negotiations concerning those disallowed costs in the current O.I.C.I. Audit Report No. 74-159.

Recommendation No. 2

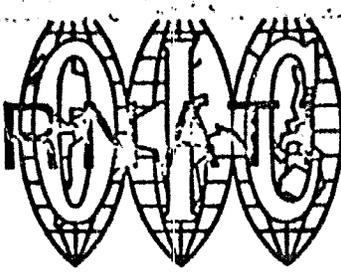
This recommendation is concerned with O.I.C.I.'s inadequate accounting system. On June 27, 1974, A.I.D. authorized O.I.C.I. to subcontract to the firm of Touche Ross and Company for the design, implementation and testing of a comprehensive management information system. It is expected that installation of this system will begin in August.

In view of the above, this office considers the subject Audit closed.

- GM/ROD/AFR, P. Bullockias - 8-2-74
- cc: SEH/FM/AC/RSD, F. McElroy
- GM/SD/SUR, I. Tigha
- AFR/MARA, J.D. Kraus
- AFR/CMA, L. Douris
- AFR/CMA, R. Chamberlain

\* AUDIT REPORT No. 72-181 dated 12-22-71 is attached  
 relates to: { 6980153  
 6410063  
 6200802

# INTERNATIONAL



## OPPORTUNITIES INDUSTRIALIZATION CENTERS

3639 NORTH BROAD STREET — PHILADELPHIA, PA. 19140

United States of America

Telephone: Area Code 215 - 227-0850

Cable: OIGINTERNA

Rev. Leon H. Sullivan  
Founder & Chairman  
of the Board

1972 MAR 24 AM 10 23  
AID  
AFR-PGT-C

Valfoulaye Diallo  
International Director

March 21, 1972

Mr. S.R. Nevin  
Contracting Officer  
Bureau for Africa, USAID  
Washington, D.C. 20523

Dear Mr. Nevin:

This letter is written to respond to your letter dated January 11, 1972, relative to the findings of the USAID audit of Contract No. AID/afr-653 for the period October 9, 1969, to June 30, 1971. This letter and the attached schedules represents our review of the audit findings and our comments related thereto.

In order to assure clarity, we have followed the format of your report, listing information in sections by Task Order. Below please find a summary of Cost Reimbursed, Adjustments and Adjusted Cost per our review of the Report in question.

AID/afr-653  
Summary of Adjusted Cost  
For the Period October 9, 1969, to June 30, 1971

	<u>Cost Reimbursed</u>	<u>Adjustments</u>	<u>Adjusted Cost</u>
Task Order #1	\$ 299,825.53	\$ 3,382.37	\$ 296,443.16
Task Order #2	204,368.32	199.16	204,169.16
Task Order #3	<u>204,375.37</u>	<u>8,759.70</u>	<u>195,615.67</u>
Total	\$ 708,569.22	\$ 12,341.23	\$ 696,227.99

Mr. S.R. Nevin  
March 21, 1972  
Page 2

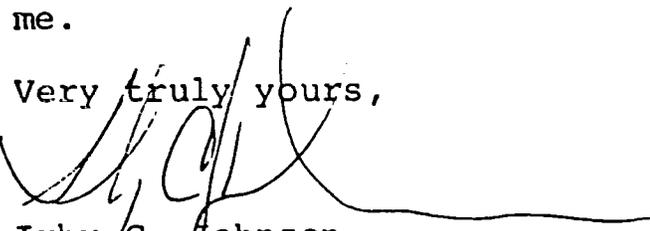
We herein point out that time did not permit us to make the adjustments on the previous page prior to the audit as was our intention. We are sure that the auditors agree that those errors found were mechanical in nature and not the result of deviating from accepted accounting procedures.

We plan to make these adjustments in our records as soon as we have in our possession authorization to reduce those items affected and a formal USAID Classification of Accounts in order to make the necessary reclassification entries.

Please find on the accompanying schedules a detailed response to those items questioned in the Report. We trust that this response will adequately resolve this matter.

Should any additional information be necessary, please contact me.

Very truly yours,



Irby C. Johnson  
Administrative Services Mgr.

/nlh

cc: International Director

Enclosures

Opportunities Industrialization Center International, Inc.  
 Contract No. AFR/af-653, Task Order No. 1 (Regional)  
 Summary of Contract Costs and Adjustments  
 October 9, 1969 through June 30, 1971

	<u>Cost Reimbursed</u>	<u>Adjustments</u>	<u>Adjusted Cost</u>
Salaries	\$ 168,870.25	\$ 3,195.97 1/	\$ 165,674.28
Travel & Transportation	35,172.36	-0- 2/	35,172.36
Office Equipment	13,632.23	-0-	13,632.23
Other Direct Costs	54,892.69	186.40 3/	54,706.29
Relocation	<u>27,258.00</u>	<u>-0-</u>	<u>27,258.00</u>
Total	\$ 299,825.53	\$ 3,382.37	\$ 296,443.16

Task Order No. 1 Audit Response

We concur in the findings that \$3,195.97 should be adjusted.

According to the Standardized Regulations (Government, Civilians in foreign areas) the per diem rate for Ghana was \$28 per day and therefore the \$128 should not have been adjusted.

Expense incurred in shipping dog to Africa of \$624 was never charged to AID. Moreover, the cost pertained to T.O. #2 and was absorbed by the employee, Mr. Clarke.

a & b Within the basic agreement or the General Provisions related thereto, we cannot find any prohibition against the payment of legitimate service charges or interest expenses. Therefore, we do not concur in the adjustment of the \$11.84 and \$46.65 respectively.

We concur in the findings that \$186.40 for relocation expense should be adjusted.

The amount billed to AID for accounting services for \$1,400 was a fair cost attributable to necessary work done for OIC International by the vendor. The cost was incurred due to:

- 1) Accounting services were necessary.
- 2) There was no provision in the contract for accounting personnel.
- 3) There was no provision in the contract for overhead.

Opportunities Industrialization Center International, Inc.  
 Contract No. AID/afr-653, Task Order No. 2 (Ghana)  
 Summary of Contract Costs and Adjustments  
 June 1, 1970 through June 30, 1971

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	<u>Costs Reimbursed</u>	<u>Adjustments</u>	<u>Cost Adjusted</u>
aries	\$ 68,327.06	\$ 199.16 <u>1/</u>	\$ 68,127.90
owances	36,746.25	-0- <u>2/</u>	36,746.25
vel & Transportation	18,038.70	-0- <u>3/</u>	18,038.70
ipment	23,837.55	-0-	23,837.55
er Direct Costs	41,807.73	-0-	41,807.73
Participants Cost	<u>15,611.03</u>	<u>-0-</u>	<u>15,611.03</u>
Total	\$ 204,368.32	\$ 199.16	\$ 204,169.16

Task Order No. 2 Audit Response

We concur in the findings that \$199.16 should be adjusted.

The \$950 does not represent a duplicate billing, but rather a separate billing for a different period in the same amount. See attached cancelled checks.

The \$114.40 incurred and paid for insurance was in line with the General Provisions of our Contract, specifically, AID Form CT/GP/TSO, 3-67-article 33, Section (c), item (ii) provides for such cost.

We concur in the reclassification pending our receipt of the chart of accounts upon which it was based.

Opportunities Industrialization Center International, Inc.  
 Contract No. AID/afr-653, Task Order No. 3 (Nigeria)  
 Summary of Contract Costs and Adjustments  
 June 30, 1970 through June 30, 1971

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	<u>Costs Reimbursed</u>	<u>Adjustments</u>	<u>Cost Adjusted</u>
ies	\$ 78,273.09	\$ -0-	\$ 78,273.09
ances	44,977.87	8,100.00 <u>1/</u>	36,877.87
al and Transportation	17,382.00	-0-	17,382.00
oment	16,386.65	-0-	16,386.65
r Direct Cost	33,205.49	-0-	33,205.49
icipants Cost	<u>14,150.27</u>	<u>659.70 3/</u>	<u>13,490.57</u>
Total	\$ 204,375.37	\$ 8,759.70	\$ 195,615.67

Order No. 3 Audit Response

We concur in the findings that \$8,100 represents a duplicate billing and should be adjusted.

We concur in the reclassification pending our receipt of the chart of accounts upon which it was based.

No advance was given to Mr. Awosika for air travel, therefore we do not concur in the findings.

We concur in the findings that \$659.70 was erroneously credited to miscellaneous income.

# INTERNATIONAL

OPPORTUNITIES INDUSTRIALIZATION CENTERS

3639 NORTH BROAD STREET — PHILADELPHIA, PA. 19146  
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AFR-MGT-C

Rev. Leon H. Sullivan  
Founder & Chairman  
of the Board

Valfoulaye Diallo  
International Director

January 21, 1972

Mr. S.R. Nevin  
Contracting Officer  
Bureau for Africa  
Department of State  
Agency for International Develop.  
Washington, D.C. 20523

Dear Mr. Nevin:

This letter is written to acknowledge receipt of your Audit Report dated January 11, 1972, for the period from inception at October 9, 1969, to June 30, 1971, relative to Contract No. AID/afr-653. Each of the items disallowed will be discussed in a future correspondence. We would, however, at this time, appreciate the opportunity to present our initial impressions of the items outlined in the letter of transmittal.

We take exception to paragraph three of your letter relative to the adequacy of the systems, records and controls. In our opinion, we have remedied past weaknesses within the accounting system and those items alluded to were corrected for example:

1. Our organization discontinued the practice of accruing salaries based on the calendar month in November of 1970.
2. By "commingled" cost categories we assume that you are inferring that there is a need for reclassification of certain expenses. We realize that expense misclassifications have occurred in the past

Mr. S.R. Nevin  
January 21, 1972  
Page 2

for one main reason:

We have never been provided with an AID Classification of Accounts, which we have requested on numerous occasions. We again request such a guideline at this time.

3. Your reference to the preparation of financial statements and year end trial balances is subject to question. Financial statements and trial balances were prepared for years ending December 31.
4. We agree that the billing should be from the ledger instead of the voucher register. Experience has taught us the merit of this observation and we are now using this procedure.

In reference to the above itemized points, it should be appreciated that there are three factors which must be taken into consideration, they are:

- A. AID has prohibited our organization from utilizing the services of an independent auditor. This service, as you know, is a standard practice within all organizations and is invaluable to a young operation such as OIC International.
- B. Approval by AID for the hiring of an accounting staff has not kept pace with the needs of our operations. For example:
  1. Fiscal/Personnel Officer approved May 26, 1970
  2. Accountant approved May 26, 1970
  3. Secretary/Bookkeeper approved May 26, 1970
  4. Procurement Officer approved August 10, 1971
  5. Bookkeeper approved August 10, 1971

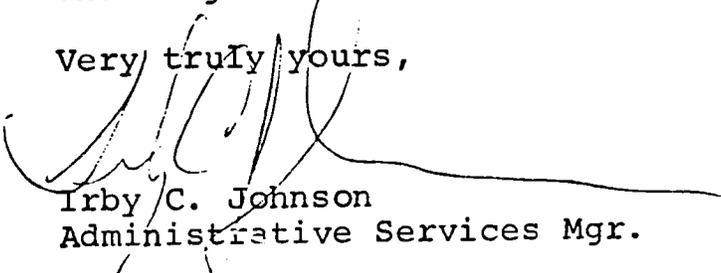
Mr. S.R. Nevin  
January 21, 1972  
Page 3

- C. Lack of written guidelines or recommendations as to the required procedures for "the accumulation of cost under Government Contracts..."

In summary, we feel that the audit was performed in a fair manner and we appreciate the efforts of the USAID Auditors.

In accordance with your letter, we will be responding to each of the "adjustments" within 30 days.

Very truly yours,



Irby C. Johnson  
Administrative Services Mgr.

/nlh

cc: International Director

JAN 11 1971-2

Mr. Valfoulaye Diallo  
Opportunities Industrialization Center  
International, Inc.  
3632 North Broad Street  
Philadelphia, Pennsylvania 19140

Re: Contract No. AIB/afr-653 (Regional), (Task Order Nos. 1, 2 and 3)

Dear Mr. Diallo:

The Office of Audit, Auditor General, has performed an interim audit of your books and records relating to costs reimbursed under the referenced task orders. The audit covered the period from October 9, 1969 through June 30, 1971. An adjustment for overhead was not required since the contract and related task orders provide for reimbursement of indirect expenses as a direct cost.

As a result of the audit of costs totaling \$708,569.22, it was determined that the amount of \$15,647.12 was ineligible for reimbursement. Details pertaining to the items comprising these amounts are shown on the attachments to this letter.

The audit also disclosed that the accounting system, records and internal controls were not considered adequate for the accumulation of costs under Government contracts and/or related task orders due to the following:

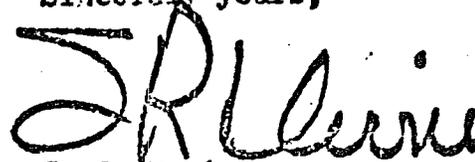
1. Employees salaries are not accrued on the same basis (calendar month) as reported on the public vouchers.
2. Cost categories (Travel and Transportation, Equipment, other Direct Costs, Allowances and Participants) are commingled thereby precluding accumulation for control and comparison of expenditures to the related authorized task order budgets.
3. Financial statements and year end trial balances are not prepared.
4. Billings to A.I.D. are from a voucher register rather than from the general ledger and could result in cost duplications and omissions.

Corrective action for compliance should be initiated without delay.

It is requested that you review the findings of the audit and provide me with your comments within 30 days of the date of this letter. Upon receipt and review of any comments that you may submit, I will take the appropriate follow-up action or contact you in order to accomplish settlement of this matter.

Your cooperation in expediting this matter is appreciated.

Sincerely yours,



S. R. Kevin  
Contracting Officer  
Bureau for Africa

Attachments: a/s

Computations checked and report  
proofread by \_\_\_\_\_

Clearances:

AG/AUD/EAD: BRAbshire \_\_\_\_\_

cc:  
AG/AUD, Files  
C/FRD/VEB, JJLaCamera

DS

DEPARTMENT OF STATE  
AGENCY FOR INTERNATIONAL DEVELOPMENT  
WASHINGTON, D.C. 20523

JAN 4 1974

Mr. Valfoulaye Diallo  
International Director  
Opportunities Industrialization  
Centers, International  
240 West Tulpehocken Street  
Philadelphia, Pennsylvania 19144

Subject: Task Order Nos. 1, 2, 3 and 4, Basic Agreement No. AID/afr-653  
(Regional)

Dear Mr. Diallo:

The Office of Audit, Auditor General, has performed an audit of your books and records relating to costs reimbursed under the referenced Task Orders. The Audit covered the period from July 1, 1971, through December 31, 1972.

As a result of the examination of reimbursed costs (\$1,696,946.00) during the period under review, the Contracting Officer is of the opinion that \$32,758.09 should be disallowed and \$524,315.15 should be suspended pending your review/rebuttal. Details of the above amounts are shown on the attachments to this letter. Those items marked in red with an "R" placed next to them have been reinstated (allowed) and do not require a response.

Please review the above findings and provide me with your comments within 30 days of the date of this letter. Within 30 days of your reply we should meet to resolve any issues still outstanding.

Thank you, and my best.

Sincerely yours,

N. A. Caticchio  
Contracting Officer  
Regional Operations Division, Africa  
Office of Contract Management

Attachments: as stated

Exhibit A

Opportunities Industrialization Center International, Inc.  
 Contract No. AID/ef:-653  
 Summary of Contract Costs and Audit Adjustments  
 July 1, 1971 through December 31, 1972

Schedule No. and Task Order	Task Order Budget	Accepted Costs 7/1/71	Reimbursed Costs	Current Audit		Accepted Costs	Accepted Costs 12/31/72
				Disallowances	Suspensions		
1	\$ 929,077.00	\$294,232.67	\$ 445,937.25	\$ 15,133.91	\$ 31,717.78	\$ 379,827.57	674,060.2
2	1,054,451.00	203,104.76	501,706.45	73,036.91	50,975.78	335,966.38	537,071.15
3	1,003,258.00	195,564.67	574,757.71	4,146.03		317,665.00	483,642.17
4	183,256.00	--	174,545.18	22,426.51	161,594.04	298,083.50	116,737.91
				7,959.10	278,715.11	266,101.72	116,737.91
				29,940.88		116,737.91	116,737.91
				5,519.05		116,737.91	116,737.91
				6,519.05	52,288.22	116,737.91	116,737.91
<b>Total</b>	<b>\$3,170,042.00</b>	<b>\$692,902.10</b>	<b>\$1,696,946.50</b>	<b>\$ 32,752.09</b>	<b>\$524,315.15</b>	<b>\$1,021,150.00</b>	<b>\$1,813,517.4</b>

Opportunities Industrialization Center, International, Inc.  
 Contract No. AID/afr-653, Task Order No. 1 (Regional)  
 Summary of Contract Costs and Audit Adjustments  
July 1, 1971 through December 31, 1972

	Accepted Costs 7/1/71	Reimbursed Costs	Current Period		Accepted Costs	Accepted Costs 12/31/72
			Audit Adjustments			
			Disallowances	Suspensions		
<b>Personnel Cost</b>	\$165,674.28	\$292,216.75	<u>(57,903.00) R</u> \$66,883.00 1/	\$ --	<del>\$225,333.75</del>	<del>\$592,603.03</del>
<b>Consultant Fees</b>	--	5,718.06	5,718.06 2/	--	--	--
<b>Travel and Transportation</b>	34,420.36	45,468.01	(221.00) 3/	--	45,693.01	80,113.37
<b>Equipment</b>	13,632.23	8,574.57	(2,301.00) 4/	10,882.57 6/	--	13,632.23
<b>Evaluation</b>	27,258.00	19,258.00	--	19,258.00 7/R	19,258.00 E	27,258.00
<b>Other Direct Costs</b>	<u>53,247.80</u>	<u>74,701.87</u>	<u>2,968.85</u> 5/	<u>20,835.21</u> 8/	<del>51,647.81</del> <del>50,897.81</del>	<u>204,245.61</u>
<b>Total</b>	<u>\$294,232.67</u>	<u>\$445,937.26</u>	<u>\$73,066.91</u> <u>#15,133.91</u>	<u>\$50,975.78</u> <u>431,777.73</u> 30,917.78	<u>\$379,827.57</u> 399,885.57	<u>\$674,061.99</u> 694,118.24

R. REINSTATED

Explanatory Notes:

1/ Represents costs, as follows:

- a. Represents excess salary cost which resulted from the Contractor paying new employees more than 105 per cent of their high years salary earned in the preceeding three years. Adjustment by employee is as follows:

Nancy Brown	\$ 7,296.00	
John Carstarphen	2,725.00	
J. Carter	2,706.00	
V. Diallo	23,271.00	
F. Palmer	1,215.00	
H. Murphy	3,692.00	
I. Johnson	4,619.00	
O. Craig	<u>12,379.00</u>	\$ 57,903.00

- b. Salaries paid to unauthorized employees. 8,960.00

\$ 66,863.00

2/ Represents costs, as follows:

- a. Consultant fees that have not been approved as required by Article VIII, A, 5 of the Basic Agreement. \$ 5,493.06

- b. Reclassification of cost to travel. 225.00

Total \$ 5,718.06

3/ Represents a reclassification of costs from consultant fees.

4/ Represents a reclassification of costs from other direct costs.

Explanatory Notes (continued):5/ Represents costs, as follows:

a.	Reclassification of cost to equipment (A51875)	\$ 2,308.00
b.	Business cards which are not allowable under subpart 1-15.205-1 of the Federal Procurement Regulations (A51628)	196.50
c.	Book - Buy, Sell, Merge - How to Do It, published by Prentice Hall, does not appear to relate to the international program (A51610)	21.50
d.	"Alternatives to Despair" written by Dr. Sullivan is not specifically applicable to the contract (A51624)	297.00
e.	Voucher numbers A51655 and A51656, which contain no vendor's invoices or receiving reports, are not adequately supported.	32.15
f.	Voucher number A51660 does not indicate what materials were purchased or received; therefore, it is not adequately supported.	24.00
g.	The publication, "Church Investments", does not relate to the international program.	12.00
h.	Telephone directory advertising which is not allowable under subpart 1-15.205-1 of the Federal Procurement Regulations.	77.00
	<b>Total</b>	<b>\$ 2,968.85</b>

- 6/ The Contractor has not established the property control system required by the contract's general provisions. Therefore, cost should be suspended until the required system has been established and equipment procured with Government funds has been accounted for in a satisfactory manner.

Explanatory Notes (continued):

7/ Represents funds paid to Community Sciences, Inc. under a fixed price subcontract which has not been approved by the Contracting Officer as required by the contract. However, we noted that the program office has accepted this subcontractor and requested that the Contracting Officer submit the formal approval required by the contract.

8/ Represents costs, as follows:

a. Toll telephone calls to London, Latin America and various points in the United States which were not supported with information as to the purpose of the calls. \$ 2,835.21

b. Rent deposit should be reflected on the books as an asset instead of an expense. 10,000.00

c. It was noted that 5 of the 10 members of OICI's board of directors are associated with the lessor (Zion Investment Association, Inc./Zion Non Profit Charitable Trust). Pending a determination by A.I.D. as to whether OICI and the lessor are under common control, all rental charges for 240 W. Tulpehocken should be suspended. If it is determined that there is common control, only the cost of ownership described in Federal Procurement Regulation 1-15.205-30(g) should be allowed. 7,200.00

Total \$ 20,035.21

\$ 20,835.21

Opportunities Industrialization Center International, Inc.  
Contract No. AID/afr-653, Task Order No. 2 (Ghana)  
Summary of Contract Costs and Audit Adjustments  
July 1, 1971 through December 31, 1972

	Accepted Costs 7/1/71	Reimbursed Costs	Current Period		Accepted Costs 12/31/72		
			Disallowances	Audit Adjustments Suspensions			
Personnel Costs	\$ 68,127.90	\$264,005.48	\$12,955.32	1/R \$ 49,758.26	5/ <del>\$261,291.90</del>	<del>\$269,419.60</del>	
Allowances	35,796.25	105,476.72	--	65,904.16	5/	39,572.56	75,363.51
Travel and Transportation	22,980.78	37,972.68	846.03	2/ 4,165.00	5/	32,961.65	55,922.43
Equipment and Commodities	28,137.55	33,904.75	5,325.16	3/R 28,579.59	6/	5,325.16	33,462.71
Participant Costs	15,611.03	2,135.00	900.00	4/ --		1,235.00	16,846.03
Other Direct Costs	32,451.25	58,211.82	2,400.00	4/ 13,187.03	5/	42,624.79	75,076.03
<b>Total</b>	<u>\$203,104.76</u>	<u>\$501,706.45</u>	<u>\$22,426.51</u>	<u>\$161,594.04</u>		<u>\$217,685.90</u>	<u>\$529,592.16</u>
			<u>\$4,146.03</u>			<u>\$335,966.38</u>	<u>\$539,071.14</u>

R- REINSTATED

Explanatory Notes:1/ Represents costs, as follows:

- a. Excess salary cost which resulted from the Contractor paying new employees more than 110 percent of their high years salary earned in the preceeding three years. Adjustment by employee, is as follows:

E. Lowber	\$ 890.09
E. N'Diaye	2,887.22
S. Smith	5,820.34
J. Taylor	<u>2,357.67</u>

Total	<u>\$11,955.32</u>	\$ 11,955.
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Recontracting bonus paid to S. Smith not authorized by the contract.

	<u>1,000</u>
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Total		<u>\$ 12,955</u>
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2/ Represents costs, as follows:

- a. Temporary quarters paid to participant's while they were in an international travel status (voucher numbers C0543 and C0549)

	\$ 80.
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- b. Insurance on shipment of automobiles, household effects and other goods which was not approved by the Contracting Officer as required by clause 33(b) of the contract's General Provisions.

	<u>766.</u>
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Total		<u>\$ 846.</u>
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3/ Represents costs, as follows:

The AAC/AFR (W) Report of Audit No. 73-045 dated February 28, 1973 reported locating a second vehicle in Ghana. Neither the Mission nor the OICI field office had any records showing prior AID approval. The TO did not authorize the purchase of this second vehicle, therefore, all costs related thereto are disallowed, as follows:

- a. One 1972 Chevrolet suburban with end gate. \$ 3,959.00

- b. Freight and handling charges for delivery of the Chevrolet to Accra, Ghana. 1,245.00

- c. Marine and war insurance. 120.00

Total		<u>\$ 5,325.00</u>
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Opportunities Industrialization Center International, Inc.  
 Contract No. AID/afr-653, Task Order No. 3 (Nigeria)  
 Summary of Contract Costs and Audit Adjustments  
 July 1, 1971 through December 31, 1972

	Accepted Costs 7/1/71	Reimbursed Costs	Current Audit		Accepted Costs	Accepted Costs 12/31/72
			Disallowances	Audit Adjustments Suspensions		
Personnel Costs	\$ 78,273.09	\$225,597.18	\$21,931.78 <sup>R</sup> 1/	\$ 47,641.00 8/	<del>\$177,956.18</del> \$155,974.49	<del>\$256,229.27</del> \$231,271.19
Allowances	21,439.27	152,929.44	2,839.67 2/	116,892.52 8/	33,147.25	54,586.52
Travel and Transportation	25,542.89	35,039.77	1,874.50 3/	11,161.55 8/	22,003.72	47,546.61
Equipment and Commodities	38,173.79	26,009.49	(2,430.00) 4/	28,499.49 2/	--	38,173.79
Participant Costs	12,823.57	1,810.64	600.00 5/	--	1,210.64	14,034.21
Local Training Facility	--	46,561.50	601.50 6/	45,960.00 8/	--	--
Other Direct Costs	<u>19,312.06</u>	<u>86,809.69</u>	<u>4,433.43</u> 7/	<u>28,560.55</u> 8/	<u>53,765.71</u>	<u>73,077.77</u>
<b>Total</b>	<u>\$195,564.67</u>	<u>\$574,757.71</u>	<del>\$29,946.88</del> \$7,959.10	<u>\$278,715.11</u>	<del>\$266,101.72</del> \$288,083.50	<del>\$463,666.37</del> \$483,648.17

R. REINSTATED

Explanatory Notes:

1/ Represents costs, as follows:

a. Excess salary cost which resulted from the Contractor paying new employees more than 110 percent of their high years salary earned in the preceding three years. Adjustment by employee, is as follows:

G. Bessex	\$ 346.78	
W. Kirk	4,111.78	
C. Montgomery	4,956.18	
K. Scott	6,607.96	
D. Lewis	<u>4,959.08</u>	
Total	<u>\$20,981.78</u>	\$20,981.78

b. Recontracting bonus paid to K. Scott, but not authorized by the contract. 1,000.00

Total \$21,981.78

2/ Represents costs, as follows:

a. Post allowance and overseas differential erroneously paid to Mrs. S. Lewis, wife of D. Lewis.	\$ 2,976.67
b. Housing allowance incurred in August 1971, but not billed to A.I.D.	(75.00)
c. Quarters allowance incurred in December 1971, but not billed to A.I.D.	<u>(12.00)</u>
Total	<u>\$ 2,829.67</u>

3/ Represents costs, as follows:

a. Return travel of the Peoples family which was charged to the employee as \$1,724.00 and to A.I.D. as \$1,774.50. The employee, Mr. G. Peoples, did not complete his overseas tour of duty. \$ 1,774.50

b. Difference between payment to W. Lewis and amount billed to A.I.D. for August 1971 expenses. 100.00

Total \$ 1,874.50

Explanatory Notes continued:

4/ Represents costs, as follows:

a. Reclassification from other direct costs.	\$(1,888.50)
b. Reclassification from local training facility.	<u>( 601.50)</u>
Total	<u>\$(2,490.00)</u>

5/ Represents training costs paid to the O.I.C.I. private account which has not been approved by the Contracting Officer. The auditor was not able to determine exactly what costs were incurred that would justify these payments.

6/ Represents reclassification of costs to equipment and commodities.

*UNVSD*

7/ Represents costs, as follows:

a. Post allowance for household shipment incurred in December 1971, but not billed to A.I.D.	\$ (319.58)
b. Insurance on shipment of automobiles, household effects and other goods which was not approved by the Contracting Officer as required by Clause 33(b) of the contract's General Provisions.	769.46
c. Reclassification of costs to equipment and commodities.	1,888.50
d. Duplicate billing to A.I.D. of Panalpina World Transport file (invoice number 551815).	268.05

... to A.I.D.  
 ...  
 ... his overseas ...

Explanatory Notes continued:

7/ e. Shipment on Lufthansa which is not a United States flag carrier. This shipment was not authorized by the contract. \$ 377.00

f. Training costs paid to O.I.C.I. private account which has not been approved by the Contracting Officer. The auditor was not able to determine exactly what costs were incurred that would justify these payments. 1,500.00

Total \$ 4,483.43

8/ Represents funds transferred to Nigeria for local currency expense. The O.I.C.I. Home Office did not have adequate records to account for these funds.

9/ Represents costs, as follows:

a. Funds transferred to Nigeria for local currency expense. \$ 3,125.60

b. Other equipment not adequately accounted for by the Contractor. The property control system required by the contract has not been established. 25,373.89

Total \$28,499.49

Opportunities Industrialization Center International, Inc.  
Contract No. AID/afr-653, Task Order No. 4 (Ethiopia and Kenya)  
Summary of Contract Costs and Audit Adjustments  
July 1, 1971 through December 31, 1972

	Reimbursed Costs	Audit Adjustments		Accepted Costs
		Disallowances	Suspensions	
Personnel Costs	\$ 96,146.06	\$ 1,000.00 <sup>R</sup> 1/	\$12,511.46 5/	<del>\$83,634.61</del> \$82,634.61
Allowances	23,799.64	2,608.05 2/	17,847.79 5/	3,342.80
Travel and Transportation	35,703.50	528.00 3/	10,988.69 5/	24,186.81
Other Direct Costs	<u>18,895.98</u>	<u>2,383.00</u> 4/	<u>10,940.28</u> 5/	<u>5,572.77</u>
Total	<u>\$174,545.18</u>	<del>\$6,519.05</del> \$5,519.05	<u>\$52,288.22</u>	<del>\$115,737.91</del> \$116,737.91

R- REINSTATED

Explanatory Notes:

- 1/ Represents recontracting bonus paid to W. Clerk but not authorized by the contract.
- 2/ Represents a supplementary post allowance not authorized by the contract.
- 3/ Represents return travel of E. Jones which was charged to the employee and to A.I.D. The employee, E. Jones, did not complete his overseas tour of duty.
- 4/ Represents costs, as follows:

a. Voucher number D015 dated October 26, 1972, is supported with an office memorandum which indicates that documents supporting the expense will arrive shortly. The Contractor's accounting staff was able to produce support for only \$17.00 of the \$300.00 billed to A.I.D. and the auditor considers the difference an advance.

\$ 283.00

b. Training costs paid to O.I.C.I. private account which has not been approved by the Contracting Officer. The auditor was not able to determine exactly what costs were incurred that would justify these payments.

2,100.00

Total

\$ 2,383.00

Explanatory Notes continued:

- 5/ Represents funds transferred to Ethiopia and Kenya for local currency expense. The O.I.C.I. Home Office did not have adequate records to account for these funds.