

PDAAQ 644

IAN: 37964

MEMORANDUM REPORT ON

EDWARD L. BATEMAN, INC.

Contract No. L-9020  
Funded by AID Grant Agreement  
Dated September 24, 1982

Audit Report No. 85-10

February 28, 1985

February 28, 1985

MEMORANDUM

TO: John V.E. Hardy  
Trade and Development Program

FROM: RIG/A/W, E. John Eckman 

SUBJECT: Audit of Termination Claim Submitted by  
Edward L. Bateman, Inc. under Contract No.  
L-9020 (Zimbabwe)

On September 24, 1982, the U.S. Government, acting through the U.S. Trade and Development Program (TDP), entered into a Grant Agreement with the Government of Zimbabwe (GOZ) in the amount of \$400,000. The Grant was given to the GOZ for a second phase feasibility study related to the establishment of a sugar-ethanol facility in the Chisumbanje Region of South East Zimbabwe. The technical study of Phase I had been completed in 1981 under direct funding from the Industrial Development Corporation (IDC), which is both the GOZ representative and the technical manager of the Phase II study.

Under the terms and conditions of the Grant, a bonafide U.S. company was to be chosen to carry out the Phase II feasibility study. At the request of the GOZ, TDP approved the GOZ selection of Edward L. Bateman, Inc. (ELBI) to execute the Phase II study. On November 4, 1982, IDC and ELBI entered into Contract No. L-9020 in the amount of \$400,000 to perform the Phase II feasibility study.

On December 14, 1983, ELBI notified IDC they were invoking paragraph 20 of the contract and terminating their services effective January 13, 1984, or such other date as mutually agreed to by ELBI and IDC. ELBI's termination action was apparently taken because IDC had not authorized payment of invoices for a six month period.

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On February 3, 1984, ELBI submitted a termination claim in the amount of \$350,748, which includes prior reimbursements totaling \$108,316.

### Objective, Scope and Methodology

The audit was conducted by the Office of the Regional Inspector General for Audit, Washington (RIG/A/W) and covered the period November 4, 1982 through January 13, 1984. The objective of our review was to determine the reasonableness, allocability and provisional allowability of the termination claim totaling \$350,748.

In accordance with this limited objective, we did not review ELBI's performance under the subject contract and nothing herein is intended to address that issue. Use of the word "reasonableness" in the preceding paragraph is used in the context of describing contract costs and is not in any way intended to imply any judgement with respect to performance under the agreement. In fact, we note that the "comprehensive report" required by paragraph 2.11 of Appendix 1 of the contract has not to date been received.

We reviewed pertinent documents and accounting records maintained by ELBI and used as a basis for the termination. This audit was made in accordance with the Comptroller General's standards for audit of governmental organizations and activities and, accordingly, included such tests of records and internal controls as was considered necessary in the circumstances.

The results of this audit were discussed with TDP officials and ELBI's representatives.

### Findings, Conclusions and Recommendations

#### Termination Claim

As indicated on page 1 of this memorandum report, ELBI notified IDC on December 14, 1983, they were invoking paragraph 20 of the contract and terminating their services effective January 13, 1984, or such other date as mutually agreed to by ELBI and IDC. On February 3, 1984, ELBI submitted a termination claim in the amount of \$350,748 which includes prior reimbursements totaling \$108,316. However, the contract became effective November 15, 1982 and according to clause 3.3 of the contract, ELBI was to complete the necessary work and prepare the study report documentation by November 15, 1983. Therefore, the contract completion date expired prior to submission of ELBI's termination notice.

As a result of a detailed analysis, we recommend provisional acceptance of \$271,712 subject to compliance with the terms and conditions of the contract including acceptability of performance. The difference totaling \$79,036 is summarized below and detailed in Exhibit A.

-- Costs incurred subsequent to the contract expiration date	\$59,460
-- Duplicate charge	600
-- Ineligible costs associated with Senior Project Manager's home leave	16,811
-- Costs unsupported	1,446
-- Excessive handling charge	719
	<u>\$79,036</u>

It should be noted that ELBI has been paid \$108,315 of the recommended accepted costs.

As noted under the Objective, Scope and Methodology section of this report, we did not review ELBI's performance under the contract. Therefore, prior to making final settlement, IDC should (1) certify what part of ELBI's performance complied with the terms of the contract and explain in detail any noncompliance with any contract provisions and (2) require ELBI to deliver completed or partially completed plans, drawings, information, and any other property which would be required to be delivered to IDC under the contract.

#### Recommendation No. 1

The Trade and Development Program, in conjunction with the Government of Zimbabwe should:

- a. Determine if the performance of Edward L. Bateman, Inc. complied with the terms of the contract and explain in detail noncompliance with any contract provision;
- b. Obtain from ELBI all completed or partially completed plans, drawings, information and other property required to be delivered to IDC and;

- c. Negotiate settlement of the amounts considered acceptable under the termination claim in accordance with the provisions of the contract.

EDWARD L. BATEMAN, INC.  
Contract No. L-9020  
Summary of Costs, Claimed, Questioned and Accepted  
For the Period from November 4, 1982 through April 30, 1984

	Contractor's Claim	Audit Adjustments	Costs Recommended
Personnel Costs	\$ 93,121	\$ 26,901 1/	\$ 66,220
Travel Costs	21,929	4,758 2/	17,171
Accommodation Costs	4,635	-	4,635
Daily Allowance	3,738	-	3,738
Sundry Expenses	4,316	-	4,316
Subcontract Costs	185,264	25,599 3/	159,665
Handling Charges	19,245	3,278 4/	15,967
Termination Settlement Expenses	18,500	18,500 5/	-
<b>Total</b>	<b>\$350,748</b>	<b>\$ 79,036</b>	<b>\$271,712</b>
Less: Amount Reimbursed			108,316
Amount Unreimbursed			<b>\$163,396</b>

Explanatory Notes:

1/ Personnel costs are adjusted as follows:

- a. Contract expiration date was November 15, 1983, therefore, all billings for services subsequent to that date are unallowable. \$13,596
- b. Billings for Mr. A.J. Landi, Sr. Project Manager while on home leave are unallowable. Mr. Landi started working on the Chisumbanje Project in August 1983 and was on home leave during September and October. Home leave would not be applicable under a twelve (12) month contract. 12,705
- c. On invoice number 7033 ELBI made an adjustment for an underbilling applicable to Mr. A.J. Landi indicating that some of his time was billed at an improper rate. All of Mr. Landi's time was billed at the proper contract rate; therefore, the adjustment represents a duplicate charge and we questioned this amount for that reason. 600

Net Adjustment \$ 26,901

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EDWARD L. BATEMAN, INC.  
Contract No. L-9020  
Summary of Costs, Claimed, Questioned and Accepted  
For the Period from November 4, 1982 through April 30, 1984

Explanatory Notes: (continued)

2/ Travel costs are adjusted as follows:

a.	Home leave related travel expenses applicable to Mr. A.J. Landi are unallowable. Mr. Landi started working on the Ch.sumbanje Project in August 1983 and went on home leave during September and October. Home leave would not be applicable under a twelve (12) month contract.	4,106
b.	Travel expenses within South Africa without an explanation as to how the trips benefit the Chisumbanje Project are questioned.	<u>652</u>
	Net Adjustment	<u>\$ 4,758</u>

3/ Subcontract costs are adjusted as follows:

a.	Contract expiration date was November 15, 1983, therefore, all billings for subcontract services subsequent to that date are unallowable	\$ 24,805
b.	Unsupported costs are questioned	<u>794</u>
	Net Adjustment	<u>\$ 25,599</u>

4/ Handling charges are adjusted as follows:

a.	Handling charges applicable to subcontract services subsequent to contract expiration date are unallowable	2,559
b.	Overbilling of handling charges are disallowed.	
	Net subcontract costs billed	<u>\$185,264</u>
	Contract handling charge (10%)	\$ 18,526
	Less: Billed handling charge	<u>19,245</u>
	Net Adjustment	<u>\$ 3,278</u>

EDWARD L. BATEMAN, INC.  
Contract No. L-9020  
Summary of Costs, Claimed, Questioned and Accepted  
For the Period from November 4, 1982 through April 30, 1984

Explanatory Notes: (Continued)

- 5/ Contract expiration date was November 15, 1983. On December 14, 1983, ELBI notified IDC they were invoking paragraph 20 of the contract and terminating their services. Since the contract expired prior to ELBI's termination action, there is no basis for acceptance of termination settlement expenses.

EDWARD L. BATEMAN, INC.

List of Report Recipients

Assistant Administrator, Africa Bureau, AA/AFR	1
Africa Controller Staff, AFR/CONT	1
Trade and Development Program, TDP	5
Mission Director, USAID/Zimbabwe	5
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Office of General Counsel, GC	1
Office of Financial Management, M/FM/ASD	2
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