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RIVKIN ASSOCIATES, INC.  
Contract No. AID/OTR-C-2837

Audit Report No. 84-23

February 29, 1984

RIVKIN ASSOCIATES, INC.  
Contract No. AID/OTR-C-2837

Introduction

Rivkin Associates, Inc. (RAI) is a small business devoted to worldwide research related to urban planning and housing, city and regional planning, and development planning. RAI was incorporated in 1969 under the laws of the State of Delaware, and is presently headquartered in Washington, D.C.

Since 1978, AID has awarded three Indefinite Quantity Contracts (IQC) and six Fixed Price (FP) contracts to RAI. Cumulatively, AID committed up to \$734,571 for 36 tasks that were performed during the period February 23, 1978 through December 9, 1983, as follows:

<u>Contract No./ Period</u>	<u>Contract Type</u>	<u>No of Tasks</u>	<u>Total Amount</u>
AID/OTR-C-1636 (2/23/78-1/24/81)	IQC	13	\$251,413
AID/OTR-C-1837 (7/23/80-9/22/83)	IQC	15	399,270
OTR-0000-I-00-3382-00 (9/28/83-11/30/83)	IQC	2	38,400
Other agreements	<u>FP</u>	<u>6</u>	<u>45,488</u>
Total		<u>36</u>	<u>\$734,571</u>

During the past three years, approximately 47 percent of RAI's total income was from U.S. Government contracts, of which AID was the primary funding agency. Three of the four contracts listed above have been completed, leaving only Contract No. OTR-0000-I-00-3382-00 dated September 28, 1983, as on going.

Our review was limited to the 15 work orders awarded to RAI under Contract No. AID/OTR-C-1837. Each of the work orders awarded under this contract contained one or more of the following services.

- Housing Economics - Evaluating the effect of housing expenditures on the local economy, and the impact of foreign borrowing for housing on a country's economy.
- Shelter Policy, Planning and Programming - Evaluating where shelter needs fits into the overall economic situation of a lesser developed country and deriving the basic shelter goals to be achieved.
- Housing Market Analysis - Evaluating existing housing and what types of housing are occupied by individuals at various income levels.

- Social and Physical Components in Support of Shelter Assistance Programs - Developing methodologies that assist host country authorities in designing and implementing social and physical infrastructure to accompany shelter programs for lower income neighborhoods.

### Purpose and Scope

The audit was initially started by the Defense Contract Audit Agency (DCAA), but their effort was terminated because the contractor's accounting records did not include adequate information to support the actual direct labor costs without inordinate audit effort. In addition, RAI did not have any Department of Defense contracts. Therefore, DCAA returned the audit request to the Regional Inspector General for Audit, Washington (RIG/A/W). For the above reasons, RIG/A/W completed the audit.

RIG/A/W's audit was performed at RAI's headquarters located in Washington, D.C. The audit covered the period from July 23, 1980 through December 9, 1983, and was restricted to financial compliance on 15 work orders awarded under Contract No. AID/OTR-C-1837.

During our review, we examined the contractor's accounting records, payroll records, travel vouchers and vendors invoices. As a result of reviewing the above, we determined that RAI's records are auditable. Since the work orders were all relatively short term and ranged from \$2,625 to \$25,821, the review did not include RAI's performance under the respective work orders.

The review was made in accordance with the Comptroller General's Standards for Audit of Governmental Organizations, Programs, Activities and Functions.

## AUDIT FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

### Contract Costs

During the period July 23, 1980 through December 9, 1983, RAI had been reimbursed \$387,562 for services rendered on 15 work orders awarded under Contract No. AID/OTR-C-1837. As a result of our audit, we are recommending acceptance of \$381,881, with the balance totaling \$5,681 representing unallowable reimbursements.

Reimbursements were questioned because : (1) costs incurred before or after the work order effective dates totaled \$1,423; (2) costs in excess of authorized work order budget limitations totaled \$1,396; (3) errors in billing calculations totaled \$1,271; (4) costs incurred but not authorized by the work orders totaled \$957; and (5) daily base salary in excess of the maximum daily salary allowed totaled \$634. RAI officials generally agreed with the adjustments recommended by RIG/A/W, except for the \$634 of daily base salary in excess of the maximum amount allowed under the contract. The contractor objected to the reduction because: the employee, an RAI officer, had been paid for the additional hours worked; and when the employee worked more than the eight hours a day, RAI only claimed eight hours or less on the AID work order.

AI officials claim that extenuating circumstances necessitated staff members work in excess of the eight hours during the days in question. When the latter situation occurred, part of the hours had been charged to AID and part of the time to other clients. The part of the day charged to AID was computed by RAI at an hourly rate established by dividing the maximum fixed daily rate by eight hours instead of by the total hours worked for that day. The maximum daily salary is established by the terms and conditions contained in the basic contract, and is limited to the daily base salary of an FS-1 direct hire employee.

Recommendation 1

The Office of Contract Management (SER/CM) should take appropriate action to ensure settlement of the \$5,684 refund due AID.

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Summary of Costs Claimed and Accepted Through December 9, 1983

<u>(W.O.) Work Order</u>	<u>Location</u>	<u>Total Claimed</u>	<u>Costs Questioned</u>	<u>Costs Accepted</u>
1	Washington, D.C.	\$ 29,898	\$ 108 <u>a/</u>	\$ 29,790
2	U.S.A	21,878	489 <u>b/</u>	21,389
3	Thailand	16,387	998 <u>c/</u>	15,389
4	Botswana	34,328	547 <u>d/</u>	33,781
5	Cameroon	17,353	-	17,353
6	Latin America	75,821	170 <u>e/</u>	75,651
7	Thailand	26,362	-	26,362
8	Israel	21,526	-	21,526
9	Tunisia	11,024	-	11,024
10	Jamaica	12,296	-	12,296
11	Washington, D.C.	30,479	665 <u>f/</u>	29,814
12	Latin America	24,762	800 <u>g/</u>	23,962
13	Jamaica	51,609	1,337 <u>h/</u>	50,272
14	Senegal	11,214	567 <u>i/</u>	10,647
15	Washington, D.C.	2,625	-	2,625
<b>Total</b>		<u>\$387,562</u>	<u>\$ 5,681</u>	<u>\$381,881</u>

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Explanatory Notes to Questioned Costs

Explanatory Notes

- a) Difference between the amount claimed and the correct amount is due to a clerical error in the fixed daily rate used for the infrastructure specialist:

Claimed (\$382.50 x 2 days)	\$765.00	
Correct (\$328.50 x 2 days)	<u>657.00</u>	
Total Questioned - W.O. #1	<u>\$108.00</u>	<u>\$108</u>

- b) W.O. #2 included billing for 1 1/4 days of the economics specialist's time incurred prior to February 18, 1981, the effective date of the agreement.

Claimed (\$340. x 11 1/2 days)	\$3,910.00	
Accepted (\$340. x 10 1/4 days)	<u>3,485.00</u>	
	<u>\$ 425.00</u>	\$425

The total amount of travel under W.O. #2 exceeded the authorized budget limitation:

Claimed	\$1,398.00	
Accepted (\$1,160 budgeted + 15%)	<u>1,334.00</u>	
	<u>\$ 64.00</u>	<u>64</u>

Total Questioned - W.O. #2 \$489

- c) W.O. #3 included billing for two days of the shelter policy specialist's time incurred after May 15, 1981, the termination date of the agreement:

Claimed (\$499.11 x 25 days)	\$12,477.75	
Accepted (\$499.11 x 23 days)	<u>11,479.53</u>	
Total Questioned - W.O. #3	<u>\$ 998.22</u>	<u>\$998</u>

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Explanatory Notes to Questioned Costs

Explanatory Notes (Cont)

- d) International travel of an employee by business class ("CL") exceeded the authorized economy class ("Y") airfare (General Provision 48a):

Claimed - Class "CL"	\$2,033.00	
Accepted - Class "Y"	1,677.00	
	<u>\$ 356.00</u>	\$356

The total amount budgeted was exceeded in two categories - report reproduction, and other direct costs:

Claimed - Report Reproduction	\$715.20	
Accepted - (\$500.00 budgeted + 15%)	575.00	
Questioned	<u>\$140.20</u>	140

Claimed - Other Direct Costs	\$798.37	
Accepted - (\$650.00 + 15%)	747.50	
	<u>\$ 50.87</u>	51

Total Questioned W.O. #4		<u>\$547</u>
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- e) Several errors were found in reviewing the time and rates billed for personnel under W.O. #6. Overbillings and underbillings resulted in a net difference of \$102 as follows:

Claimed	\$47,532.53	
Accented	47,430.44	
	<u>\$ 102.09</u>	\$102

A billing for per diem included an unauthorized hotel reservation fee for a consultant who did not take the room:

Claimed	\$67.68	
Accepted	-0-	
	<u>\$67.68</u>	68

Total Questioned - W.O. #6		<u>\$170</u>
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Explanatory Notes to Questioned Costs

Explanatory Notes (Cont)

- f) The final voucher on W.O. #11 was erroneously submitted and paid in an amount in excess of the retentions withheld.

Claimed		\$1,506.14	
Accepted		1,150.20	
		<u>\$ 355.94</u>	\$356

The shelter policy specialist worked in excess of 8 hrs. per day on four occasions (7-29-82, 4-4-83, 5-12-83, and 5-13-83). Hourly charges to AID were claimed incorrectly by dividing the maximum fixed daily rate (\$534) by eight hours instead of by the total hours worked in the day, which resulted in a rate exceeding the amount allowed under the contract:

Claimed	<u>27</u> hrs x (\$534 ÷ 8 hrs)	=	\$1,802.25	
Accepted:				
	7/29/82 4 hrs x (\$ 534 ÷ 9 hrs)	=	\$237.33	
	4/4/83 8 hrs x (\$ 534 ÷ 9 hrs)	=	474.67	
	5/12 and			
	13/83 15 hrs x (\$1068 ÷ 20.5 hrs)	=	<u>781.46</u>	
			\$1,493.46	
			<u>\$ 308.79</u>	309
	Total Questioned - W.O. #11			<u>\$665</u>

- g) The amount billed to AID on W.O. #12 for the social infrastructure specialist exceeded the budget limitation.

Claimed		\$13,323.75	
Accepted (\$375. x 34 days budget)		12,750.00	
		<u>\$ 573.75</u>	\$574

The amount billed on W.O. #12 for the economic specialist was calculated in error.

Claimed		\$ 4,255.98	
Accepted (\$534. x 7 3/4 days)		4,138.50	
		<u>\$ 117.48</u>	117

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Explanatory Notes To Questioned Costs

Explanatory Notes (Cont)

g) (Cont)

An infrastructure specialist worked in excess of 8 hours on three occasions during September and October. Hourly charges to AID were claimed incorrectly by dividing the maximum fixed daily rate (\$534) by eight hours instead of by the total hours worked in the day, which resulted in a rate exceeding the maximum allowed under the contract.:

Claimed	11 hrs x (\$534 ÷ 8 hrs)	\$734.25	
Accepted:			
9/15/82	4 hrs x (\$534 ÷ 11.5 hrs) =	\$185.74	
9/16/82	4 hrs x (\$534 ÷ 8.5 hrs) =	251.29	
10/15/82	3 hrs x (\$534 ÷ 8.5 hrs) =	<u>188.47</u>	
		625.50	
		<u>\$108.75</u>	<u>109</u>
Total Questioned - W.O. #12			<u>\$800</u>

n) Two clerical errors were found in calculating the number of days worked based on the hours billed from the timesheets for the shelter policy specialist under W.O. #13. There was an underbilling and an overbilling which resulted in AID being overbilled for 1 1/10 days.

Claimed	\$32,574.00	
Accepted	31,986.60	
	<u>587.40</u>	\$587

W.O. #13 authorizes a six-day workweek in the field only. A billing included the time of the shelter policy specialist for work on a Saturday (10-23-82), an unauthorized day:

Claimed	\$534.00	
Accepted	-0-	
	<u>\$534.00</u>	534

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Explanatory Notes to Questioned Costs

Explanatory Notes (Cont)

n) (Cont)

The shelter policy specialist worked in excess of 8 hrs. per day on three occasions (10-19-82, 10-20-82, and 12-2-82). Hourly charges to AID were claimed by dividing the maximum fixed daily rate (\$534) by eight hours instead of by the total hours work in the day, which resulted in a rate exceeding the maximum amount allowed under the contract:

Claimed	<u>19 1/2</u> hrs x (\$534 ÷ 8)		\$1,302.00	
Accepted:				
10/19/82	4 hrs x (\$534 ÷ 9)	=	\$237.33	
10/20/82	8 hrs x (\$534 ÷ 10)	=	427.20	
12/2/82	7.5 hrs x (\$534 ÷ 9.5)	=	<u>421.57</u>	
				<u>1,086.10</u>
				<u>\$ 215.90</u>
				216
				<u>\$1,337</u>
	Total Questioned - W.O. #13			

i) The total amount of travel billed under W.O. #14 exceed the authorized budget limitation.

Claimed		\$2,252.00	
Accepted (\$1600 budgeted + 15%)		<u>1,840.00</u>	
		<u>\$ 412.00</u>	\$412

The total amount of per diem billed under W.O. #14 exceeded the authorized budget limitation.

Claimed		\$ 540.00	
Accepted (\$335. budgeted + 15%)		<u>385.25</u>	
		<u>\$ 154.75</u>	155
	Total Questioned - W.O. #14		<u>\$567</u>

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List of Report Recipients

Associate Assistant for the Administrator for Management Services (M/AAA/SER)	1
Audit Liaison Officer, M/AAA/SER	1
Assistant Administrator, Bureau for Private Enterprise, AA/PRE	1
Director, Office of Housing and Urban Programs, PRE/H	1
Audit Liaison Office/PRE/H	1
Office of Contract Management, M/SER/CM	1
Office of Contract Management, CM/COD/OTR	4
Office of Financial Management, M/FM/ASD	2
Office of External Relations, EXRL	1
Office of Legislative Affairs, LEG	1
Office of Public Affairs, OPA	1
Office of General Counsel, GC	1
Assistant to the Administrator for Management, AA/M	1
Office of Evaluation, PPC/E	1
Development Information Utilization Division, PPC/E/DIU	2
Office of Management Operations, M/SER/MO	1
M/SER/OMS	1
Office of the Inspector General, IG	1
AIG/II	1
IG/PPP	1
IG/EMS/C&R	1
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