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Audit of

NATIONAL ASSOCIATION OF SCHOOLS OF PUBLIC

AFFAIRS AND ADMINISTRATION (NASPAA)

Cooperative Agreement No. AID/DSAN-CA-0180

Audit Report No. 0-000-84-02

October 6, 1983

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Introduction

The Office of the Regional Inspector General for Audit/Washington (RIG/A/W) has reviewed a report issued by the Defense Contract Audit Agency (DCAA). They reviewed the AID cooperative agreement with National Association of Schools of Public Affairs and Administration (NASPAA) and examined their books and records for the Fiscal Years ended June 30, 1980, 1981, and 1982. The purposes of the examination were to: (a) determine the acceptability of claimed direct and indirect costs; and (b) establish appropriate indirect expense rates (overhead).

Cooperative Agreement Information

A summary of the cooperative agreement data is shown below:

Cooperative Agreement Number :	AID/DSAN-CA-0180
Cooperative Agreement Ceiling:	\$3,079,711
Expiration Date	: September 30, 1984
Project Number	: 936-0096
Project Title	: Project Management
Audit Period	: 9/1/79-6/30/82
Type of Audit	: Interim

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The status of cooperative agreement funds is:

Cooperative Agreement Ceiling		\$3,079,711
Costs Audited:		
Accepted Prior Audit	\$ -0-	
Accepted Current Audit	840,441	
Unaudited Costs	<u>316,144</u>	
Total Costs	<u>\$1,156,585</u>	<u>1,156,585</u>
Cooperative Agreement Balance		<u>\$1,923,126</u>

FINDINGS AND RECOMMENDATIONS

Review of Cooperative Agreement Cost Reimbursement

Based on their examination, DCAA accepted direct (\$661,899) and indirect (\$178,542) costs totaling \$840,441 for the Fiscal Years ended June 30, 1980, 1981, and 1982 (see Exhibit A). NASPAA had claimed overhead (indirect) costs of \$113,109 based on a 50 percent provisional rate. The adjustment of the provisional overhead rate to actual rates (see Exhibit B) has resulted in a difference of \$65,433 (\$178,542 - \$113,109) which is due NASPAA.

Recommendation No. 1

The Office of Contract Management (M/SER/CM) should take appropriate action to settle the \$65,433 overhead adjustment due NASPAA.

NASPAA Accounting System

As stated in the DCAA audit report, the contractor's accounting system is generally adequate for recording costs for Government cost-reimbursable-type grants and cooperative agreements. However, the DCAA review disclosed minor deficiencies in the timekeeping system and the method of accounting for fringe benefits. The contractor agreed to take immediate corrective action. Therefore, we are not including a formal recommendation in this report.

Determination of Overhead Rates

The contractor did not submit a formal overhead rate proposal to AID as required by Section E of the Cooperative Agreement. In lieu thereof, NASPAA gave DCAA an analysis of costs from their financial statements. Based on this information, the computation of overhead rates are shown in Exhibit B.

The cooperative agreement established a provisional overhead rate of 50 percent, until amended. The new rate/rates are to be established for each accounting period during the term of the contract. NASPAA failed to submit a formal overhead proposal for their accounting periods or for an additional off-site overhead rate. However, NASPAA, in their request (June 1981) to amend the cooperative agreement, proposed an off-site overhead rate of 20 percent. The request resulted in Amendment No. 7 but this document still did not establish on-site and off-site overhead rates. Nevertheless, based on Amendment No. 7, NASPAA billed AID for off-site overhead costs at 20 percent, and on-site overhead costs at 50 percent.

The DCAA auditor, using the contractor's data, developed overhead rates for Fiscal Years 1980, 1981, and 1982. We have accepted DCAA's proposed overhead rates for Fiscal Years 1980 and 1981. We have questioned the proposed on-site and off-site rates recommended by DCAA for Fiscal Year 1982. Instead, we have recommended acceptance by the Contracting Officer of the contractor's proposed rate.

Recommendation No. 2

The Office of Contract Management (M/SER/CM) should: (1) take action to finalize the overhead rates for Fiscal Years 1980, 1981, and 1982; (2) establish a provisional rate for Fiscal Year 1983; and (3) require the contractor to submit a formal overhead proposal in compliance with the cooperative agreement.

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Summary of Costs Claimed and Accepted
 For Fiscal Years Ended June 30, 1980, 1981 and 1982

	Costs Claimed			Total	Adjustments	Costs Accepted
	Fiscal Year Ended					
	6/30/80	6/30/81	6/30/82			
Personnel Services	\$31,495	\$ 61,166	\$188,326	\$280,987	\$ -	\$280,987
Contractual Services	17,143	40,977	97,393	155,513	-	155,513
Rent	-	-	-	-		-
Accounting & Legal	-	50	925	975	-	975
Supplies	253	520	2,630	3,403	-	3,403
Printing & Duplicating	56	2,786	648	3,490	-	3,490
Postage	348	977	849	2,174	-	2,174
Telephone	1,105	1,016	2,025	4,146	-	4,146
Meetings & Travel	25,483	52,812	119,573	197,868	-	197,868
Other	5,759	1,846	5,738	13,343	-	13,343
Total Direct Costs	\$81,642	\$162,150	\$418,107	\$661,899	\$ -	\$661,899
Overhead	15,748	30,550	66,811	113,109	65,433 1/	178,542
Total Costs	<u>\$97,390</u>	<u>\$192,700</u>	<u>\$484,918</u>	<u>\$775,008</u>	<u>\$65,433</u>	<u>\$840,441</u>

1/ Adjustment of provisional overhead to actual rates (see Exhibit B):

Overhead Claimed				\$113,109
Overhead Allowed:				
		<u>FY 1980</u>	<u>FY 1981</u>	<u>FY 1982</u>
Base (Personnel Services)		\$31,945	\$16,166	\$188,326
Audited Rates		<u>X 82.23%</u>	<u>X 85.48%</u>	<u>X 53.29%</u>
Total		<u>\$25,898</u>	<u>\$52,285</u>	<u>\$100,359</u>
Amount Due Contractor				<u>\$65,433</u>

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Computation of Overhead Rates
For the Fiscal Years Ended June 30, 1980, 1981 and 1982

<u>Fiscal Year</u>	<u>Overhead Pool</u>	<u>Direct Labor and Fringe Benefit Base</u>	<u>Overhead Rates</u>
<u>1980</u>			
<u>Overhead:</u>			
Proposed and Accepted	<u>\$76,943</u>	<u>\$93,570</u>	<u>82.23%</u> 2/
<u>1981</u>			
<u>Overhead:</u>			
Proposed	<u>\$107,546</u>	<u>\$125,198</u>	<u>85.90%</u>
Accepted	<u>\$107,546</u>	<u>\$125,809</u> 1/	<u>85.48%</u> 2/
<u>1982</u>			
<u>Overhead:</u>			
Proposed and Accepted	<u>\$131,889</u>	<u>\$247,484</u>	<u>53.29%</u> 3/
<u>Proposed and Questioned:</u>			
On-site	<u>\$113,317</u>	<u>\$188,262</u>	<u>60.19%</u> 4/
Off-site	<u>\$ 18,572</u>	<u>\$ 59,222</u>	<u>31.36%</u> 4/

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Computation of Overhead Rates
For the Fiscal Years Ended June 30, 1980, 1981 and 1982

Explanatory Notes:

- 1/ The accepted overhead base represents an upward adjustment of \$611 due to the contractor erroneously omitting certain direct personnel costs.
- 2/ We take no exception to the proposed and accepted rates established by the DCAA auditor.
- 3/ Proposed by the contractor and accepted by the RIG/A/W auditor (see Recommendation No. 2).
- 4/ On-site and off-site rates developed by DCAA using the contractor's data.

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List of Report Recipients

Associate Assistant to the Administrator for Management Services, M/AAA/SER	1
Audit Liaison Office, M/AAA/SER	1
Office of Financial Management, M/FM/ASD	2
Office of Contract Management, M/SER/CM	1
Office of Contract Management, SER/CM/COD	1
Office of Contract Management, CM/COD/AN	1
Office of Public Affairs, OPA	2
Office of the Inspector General, IG	1
AIG/II	1
IG/PPP	1
IG/EMS/C&R	16