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Review of
INTERNATIONAL ENERGY/DEVELOPMENT, INC.

Audit Report No 84- 32

July 20, 1984

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**Review of
INTERNATIONAL ENERGY/DEVELOPMENT, INC.**

EXECUTIVE SUMMARY

The Office of the Regional Inspector General for Audit/Washington performed an audit of the direct and indirect costs totalling \$2,593,564. These costs were incurred under AID contracts with International Energy/Development, Inc. (IE/DI) for the period from October 1, 1979 through September 30, 1983. The purpose of our review was to determine if direct and indirect costs claimed by IE/DI were reasonable, allowable, and in fact incurred by IE/DI; and to determine if the proposed indirect cost rates were proper.

IE/DI is a for-profit contractor, incorporated in 1978 under the laws of the State of New York. Its principal office is located in Satauket, New York, with a branch office located in Washington, D.C. IE/DI is a consulting firm which provides energy research and development services on a worldwide basis. Since 1979, AID has financed a substantial part of IE/DI operations with contracts totaling \$2.6 million.

In its role as a consultant, IE/DI acts as an intermediary through which AID supports energy planning, studies, policies, assessments and forestry or agroforestry schemes in developing countries. These schemes are designed to improve energy capabilities or to help solve energy problems. Examples of this are: (1) an analysis of energy demands in Indonesia, (2) a project to reduce tropical deforestation in Kenya, and (3) a workshop in Togo on energy conservation.

From our review of incurred costs, we found that IE/DI claimed \$2,593,564 under five cost-plus-fixed-fee contracts and one indefinite quantity contract during the period October 1, 1979 through September 30, 1983. As a result of the audit we questioned \$44,038, suspended \$61,984; and recommended acceptance of \$2,487,542. (See p. 2.)

We found that IE/DI claimed more direct costs than were recorded in the accounting records and we concluded that IE/DI billing procedures needed to be improved. The IE/DI business manager informed us that in the future all claims will be prepared from the accounting records. Therefore, we did not make a formal recommendation. (See p. 3.)

We also audited overhead and general and administrative rates for fiscal years 1980, 1981, 1982 and 1983 and made recommendations for changes in these rates. (See p. 4.)

Finally, we found that IE/DI's cash flow was adversely affected because they were not promptly reimbursed for amounts billed to the Government of Kenya. We recommended that the USAID/Kenya Mission Director take appropriate action to insure that payments to contractors are made within a reasonable time. (See p. 4.)

We made three recommendations which are shown on pp. 3, 4 and 5 of this report.

Review of
INTERNATIONAL ENERGY/DEVELOPMENT, INC.

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Review of
INTERNATIONAL ENERGY/DEVELOPMENT, INC.

Background

International Energy/Development, Inc. (IE/DI) is a for-profit contractor, incorporated in 1978 under the laws of the State of New York. Its principal office is located in Setauket, New York; a branch office is located in Washington, D.C. IE/DI is a consulting firm which provides energy research and development services on a world-wide basis. Since 1979, AID has financed a substantial part of IE/DI operations.

IE/DI currently has three AID contracts totaling \$6,648,836. These contracts are AID/PDC-1406-I-00-2175-00, an indefinite quantity contract (IQC), for \$133,203 covering the period from September 1982 through September 1984; AFR-0424-C-00-2079-00, a cost-plus-fixed-fee (CPFF) contract financed directly by AID for \$4,659,633 covering the period October 1982 through September 1987; and a CPFF contract financed indirectly by AID through the Government of Kenya for \$1,856,000, and covering the period September 1981 through March 1985. Other IE/DI sources of funding include subcontracts, financed by AID indirectly, totaling \$733,000, and a contract financed by the Department of Energy for \$73,000.

In its role as a consultant, IE/DI acts as an intermediary through which AID supports energy planning, studies, policies, assessments and forestry or agroforestry schemes in developing countries. These schemes are designed to improve country energy capabilities or to help solve energy problems. Examples of this are: (1) an analysis of energy demands in Indonesia, (2) a project to reduce tropical deforestation in Kenya, and (3) a workshop in Togo on energy conservation.

Prior to this review, IE/DI contracts had not been audited by any agency or department of the U.S. Government.

Objectives, Scope and Methodology

The AID Office of Regional Inspector General for Audit, Washington (RIG/A/W) performed an interim review at the IE/DI office in Setauket, New York covering the period from October 1, 1979 through September 30, 1983. We tested the contractor's records on a selective basis, and reviewed the contractor's accounting records, payroll records, travel vouchers, vendors invoices, fringe benefits plans, leases and other documents. The purpose of our review was to determine (a) if direct and indirect costs claimed by IE/DI were reasonable and allowable under the contract and procurement regulations; and, (b) if the overhead, general and administrative rates proposed by IE/DI for Fiscal Years ended September 30, 1980, 1981, 1982 and 1983 were proper.

The review was made in accordance with the Controller General's Standards for audit of Governmental Organization Programs, Activities and Functions and included such tests as we considered necessary in the circumstances. Our

review was limited to costs claimed under six contracts totaling \$2,593,564. We conducted this review during March and April 1984.

Contractor performance and effectiveness in carrying out the terms and conditions imposed by the contracts was not reviewed or evaluated during our audit.

FINDINGS AND RECOMMENDATIONS

Contract Costs

During the period October 1, 1979 through September 30, 1983, IE/DI claimed reimbursement for materials and services totaling \$2,593,564 under five cost-plus-fixed-fee (CPFF) contracts, and one indefinite quantity contract (IQC). As a result of our audit, we recommend acceptance of \$2,487,542; we questioned costs totaling \$44,038; and suspended costs totaling \$61,984.

The amounts questioned and suspended are summarized below by contract.

<u>Contract Numbers</u>	<u>Reimbursed</u>	<u>Questioned</u>	<u>Suspended</u>	<u>Exhibit</u>
AID/ASIA-C-1460 (Indonesia)	\$ 415,037	\$ -	\$ -	A
DAN-1406-C-00-1046-00 (Jamaica)	49,528	312	-	B
Host Government of Kenya (Kenya)	1,119,855	(1,278)	(41,318)	C
AID/PDC-1406-I-00-2175-00 (Global)	106,435	(7,868)	-	D
DAN-5728-C-00-2112-00 (Microcomputer)	26,670	214	-	E
AFR-0424-C-00-2079 (Africa)	<u>876,039</u>	<u>(35,418)</u>	<u>(20,666)</u>	F
Total	<u>\$2,593,564</u>	<u>\$(44,038)</u>	<u>\$(61,984)</u>	

Costs Questioned

Among the primary reasons we questioned costs were the following:

- we questioned \$24,601 claimed under contract No. AFR-0424-C-00-2079 because IE/DI's claimed amount exceeded the amount applicable to the contract for General and Administrative expenses. (Exhibit F).
- we questioned \$7,680 claimed under Contract No. AID/PDC-1406-I-00-2175-00 because the person-days claimed by IE/DI exceeded the days authorized under a work order. (Exhibit D).

Other costs questioned are shown in the Exhibits to this report.

Costs Suspended

The primary reasons we suspended costs were as follows:

- We suspended \$20,666 in costs claimed under Contract No. AFL-0424-C-00-2079 because the contractor did not obtain approval from the AID contracting officer before incurring costs for Consultant and Subcontractor services. Prior approval for these services is required by the contract. (Exhibit F).
- We suspended \$41,318 in costs incurred under Project No. 615-0205 (Government of Kenya Contract) because the project materials purchased with these funds were not specifically authorized by the Contract Agreement. (Exhibit C).

More information on these amounts and other costs questioned and suspended is presented in the Exhibits.

Recommendation No. 1

The Office of Contract Management (SER/CM) should take appropriate action to settle the \$44,038 in questioned costs and fees and the suspended costs of \$61,984.

Claimed Costs Exceeded Incurred Costs

We also found that IE/DI billed AID for direct costs in excess of the costs recorded in their accounting records. According to the Business Manager, IE/DI used memo files and records to prepare its claims because of the large volume of supporting documentation that was required by AID for each billing. As this documentation was received by IE/DI, copies were prepared and filed by contract and then used as the basis for preparing the billing to AID. As time permitted, the billings were periodically reconciled to the accounting records and some billing adjustments were made. These adjustments, however, did not correct all of the differences between the accounting records and the billings.

Included in the billings to AID were field employees' allowances for housing in Kenya. These billings exceeded the costs incurred, paid and recorded in the accounting books. For example, on the August 1982 voucher IE/DI claimed a full years housing allowances for Fiscal Year ended September 30, 1983, even though housing allowances were due and payable only on a quarterly basis. In August 1983, IE/DI again billed the entire Fiscal Year 1984 housing allowances. IE/DI estimates that housing allowances were over billed by approximately \$32,000 at the end of this audit period. Although IE/DI acknowledges the mistake, it justifies this action, in part, on unreasonable delays in receiving reimbursement from AID. The delays in receiving reimbursements are discussed on page 4 of this report.

We discussed the implications of preparing claims that did not tie into the accounting records with the IE/DI Business Manager responsible for the accounting functions. He informed us that the procedures had not been fully explained to him before and that, in the future, all claims for costs will be prepared from the accounting records. For this reason, we are not including a recommendation. We will, however, follow-up on this matter during our next review of IE/DI.

Overhead and General and Administrative Rates Should be Negotiated

During the audit we reviewed the indirect costs for Fiscal Years 1980, 1981, 1982 and 1983.

We found that some audited indirect rates were less than the proposed rates, some were greater than the proposed rates, and some did not change. Details pertaining to the audited rates are provided on Exhibits G through L, and are summarized below:

<u>Fiscal Year Ended 9/30</u>	<u>Exhibit</u>	<u>Overhead</u>		<u>Exhibit</u>	<u>General and Administrative</u>	
		<u>Proposed</u>	<u>Accepted</u>		<u>Proposed</u>	<u>Accepted</u>
1980	G	37.65%	37.65%	G	57.01%	58.07%
1981	H	75.28%	75.28%	H	36.15%	36.30%
1982 Domestic	I	109.60%	105.67%	J	42.84%	41.80%
Overseas	I	13.12%	15.51%	J	42.84%	41.80%
1983 Domestic	K	70.26%	69.69%	L	33.98%	33.65%
Overseas	K	23.38%	23.10%	L	33.98%	33.65%

Recommendation No. 2

The Office of Contract Management (SER/CM/SOD) should negotiate final overhead and G&A rate for Fiscal Years ended September 30, 1980, 1981, 1982 and 1983, and establish provisional rates for the ensuing period.

IE/DI Cash Flow Affected by Slow Reimbursement Process

Delayed reimbursements under the Government of Kenya Host Country contract has seriously hampered IE/DI's cash flow. For example, payments of billings for May, June, July and September 1983 had not been received until three months after the billing date; payment for August 1983 was not received until January 1984, or four months after billings were submitted. On April 18, 1984, IE/DI officials informed us that payment had not yet been received for vouchers prepared in October 1983, a lapse of up to five months. IE/DI officials state that billings are generally prepared promptly following the end of each calendar month and sent to the Permanent Secretary, Ministry of Energy as required by Article 12B for payment. Article 12B states that:

"The official shall provide a "Certification of performance" or a "Certification of Non-performance of Specific Items" within 30 days after receipt of the request. If neither certification is provided within 30 days, the Contractor shall be paid by the USAID/Kenya within 30 days after receipt of documentation specified above from the Government."

In light of these provisions and the Prompt Payment Act, the payments should not be delayed for such an extended period.

Recommendation No. 3

The Mission Director, USAID/Kenya should take appropriate action to prevent recurrences of these unusual delays in processing IE/DI vouchers for payment.

Facilities Capital Cost of Money (COM) Is not an Allowable Cost Under the IE/DI Contracts

The contractor has requested that the Facilities Capital Cost of Money (COM) be used to augment its claim for allowable costs. IE/DI proposed that COM be treated as an indirect cost and, as such, allocated to the contracts under review. IE/DI estimates that COM totaled \$14,283 during the audited period. However, a formal claim was not presented.

The Federal Acquisition Regulations state, "Before the allowability of facility capital cost of money, this cost was included in profits or fees." As of November 29, 1982, facilities capital and cost of money was allowable. However, the IE/DI proposal was denied because the fixed fees already provide for this cost. The allowability of claims for COM reimbursement must be agreed to during contract negotiations.

INTERNATIONAL ENERGY/DEVELOPMENT, INC.
Contract No. AID/ASIA-C-1460 (Indonesia)
Summary of Contract Costs Claimed and Accepted
Through March 31, 1984

	<u>Cost Claimed</u>	<u>Costs Questioned</u>	<u>Costs Accepted</u>
Direct Salaries	\$ 47,365	\$ 1,647 <u>a/</u>	\$ 49,012
Overhead	27,520	6,307 <u>b/</u>	33,827
Consultants	7,600	200 <u>c/</u>	7,800
Subcontracts	128,688	(14,926) <u>d/</u>	113,762
Travel and Transportation	67,969	14,050 <u>e/</u>	82,019
Other Direct Costs	<u>25,920</u>	<u>(9,399) f/</u>	<u>16,521</u>
Subtotal	\$305,062	\$ (2,121)	\$302,941
General and Administrative	88,295	32,974	121,269
Fee	28,582	-	28,582
Deduct: Cost Overrun	<u>(6,902) *</u>	<u>(30,853)</u>	<u>(37,755)</u>
Total (Contract Ceiling)	<u>\$415,037</u>	<u>\$ -</u>	<u>\$415,037</u>

* AID has withheld \$6,902 of this claim because of the contract ceiling.

Explanatory Notes:

a/ Difference between cost of Direct Salaries incurred and billed \$ 2,996

Direct Salaries incurred after November 30, 1981, the completion date of the contract. (1,349)
Due IE/DI \$ 1,647

b/ Adjustment of provisional overhead costs to actual:

Overhead claimed				\$27,520
Overhead allowed:				
	<u>Fiscal Year ended September 30,</u>			
	<u>1980</u>	<u>1981</u>	<u>1982</u>	
Direct Salaries Accepted Audited Rates (see Exhibits G, H and I)	\$ 8,982	\$39,007	\$ 1,022	
	<u>37.65%</u>	<u>75.28%</u>	<u>105.67%</u>	
Overhead accepted	<u>\$ 3,382</u>	<u>\$29,365</u>	<u>\$ 1,080</u>	33,827
Difference due IE/DI				<u>\$ 6,307</u>

c/ Difference between Consultants costs incurred and billed \$ 535

Consultant costs incurred in excess of the amount allowed by the contract budget (Amendment 3, dated June 8, 1981)

Budget amount	\$ 7,800	
Costs incurred	(8,135)	
Questioned	<u> </u>	\$ (335)
Due IE/DI		<u>\$ 200</u>

Explanatory Notes (Cont'd)

d/ Difference between Subcontract costs incurred and billed \$(13,928)

Subcontractors salaries claimed for employees exceed rate for a FS-1.

<u>Subcontractor A</u>		
Amount claimed (44 days @ \$200)	\$8,800.00	
Authorized limit (44 days @ \$192.74)	8,480.56	
	319.44	
Load Factor	x2	
		(639)

<u>Subcontractor B</u>		
Amount claimed (40 days @ \$200)	\$8,000.00	
Authorized limit (40 days @ \$192.74)	7,709.60	
	290.40	
Load factor	68.40	
		(359)
Due AID		<u>\$(14,925)</u>

e/ Difference between Travel Transportation and Pier Dism costs incurred and billed \$ 17,500

Duplicated air travel costs includes charges by a travel agency and by an employee for the same trip to Indonesia began August 22, 1980 (2,081)

Travel costs of \$3,243.40 for Indonesia travel began January 30, 1981, should be \$2,168.74 chargeable to AID project. The difference of \$1,114.76 is due from an employee. (1,115)

Travel costs of \$3,922.15 for trip to Indonesia began June 15, 1981, includes costs for Class "C" airfare which exceeds class "Y" (economy) airfare for same journey:

Class "Y" airfare authorized	\$2,400	
Class "C" airfare claimed	(2,654)	
Questioned cost		(254)
Due IE/DI		<u>\$(14,050)</u>

Explanatory Notes (Cont'd)

f/ Difference between Other Direct Costs incurred and billed **\$ (9,399)**

g/ Adjustment of provisional G&A costs to actual:
G&A claimed **\$ 88,295**

G&A allowed:

	<u>Fiscal Year ended September 30,</u>			
	<u>1980</u>	<u>1981</u>	<u>1982</u>	
Total Direct Costs and Overhead Costs Accepted	\$48,444	\$240,753	\$13,744	
Audited G&A rates (see Exhibits G, H and J)	<u>58.07%</u>	<u>36.30%</u>	<u>41.80%</u>	
Total G&A accepted	<u>\$28,131</u>	<u>\$ 87,393</u>	<u>\$ 5,745</u>	<u>\$121,269</u>
Difference due IE/DI				<u>\$ 32,974</u>

INTERNATIONAL ENERGY/DEVELOPMENT, INC.

Contract No. DAN-1406-C-00-1046-00 (Jamaica)
Summary of Contract Costs Claimed and Accepted
through June 1, 1981

	<u>Cost Claimed</u>	<u>Costs Questioned</u>	<u>Costs Accepted</u>
Direct Labor	\$ 8,835	\$ 114 a/	\$ 8,949
Overhead (including Fringe Benefits)	6,149	588 b/	6,737
Subcontracts	20,169	117 a/	20,286
Travel, Transportation, Per Diem and Other Direct Costs	<u>5,447</u>	<u>(397) a/</u>	<u>5,050</u>
Subtotal	\$40,600	\$ 422	\$41,022
General and Administrative	5,507	905 c/	6,412
Fee	3,421	22 d/	3,443
Deduct: Cost Overrun	<u>-</u>	<u>(1,037)</u>	<u>(1,037)</u>
Total	<u>\$49,528</u>	<u>\$ 312</u>	<u>\$49,840</u>

Explanatory Notes:

a/ Differences between direct costs incurred and billed. These differences net to \$166 due AID.

b/ Adjustment of Provisional Overhead costs to actual:

Overhead claimed	\$6,149
Overhead allowed:	
Direct Labor accepted - Fiscal Year 1981	\$ 8,949
Audited Rate (see Exhibit H)	<u>75.28%</u>
Overhead accepted	<u>6,737</u>
Difference due IE/DI	<u>588 b/</u>

Explanatory Notes (Cont'd)

c/ Adjustment of Provisional G&A costs to actual:	
G&A claimed	\$5,507
G&A accepted (line item ceiling \$5,576x115%)	<u>6,412</u> *
Difference Due IE/DI	<u>\$ 905</u>

***Accepted amount is less than the accepted base times the audited rate.**

Accepted base	\$41,022
Audited rate (see Exhibit H)	x36.30%
Total	<u>\$14,890</u>

d/ Fixed Fee Contracted	\$3,443
Fixed Fee Claimed	3,421
Difference due IE/DI	<u>\$ 22</u>

INTERNATIONAL ENERGY/DEVELOPMENT, INC.

Project No. 615-0205 - The Government of Kenya Contract

**Summary of Contract Costs Claimed and Accepted
Through September 30, 1983**

	<u>Costs Claimed</u>	<u>Costs Questioned</u>	<u>Costs Suspended</u>	<u>Costs Accepted</u>
Direct Salaries - Domestic	\$ 42,102	\$ (2,265) <u>a/</u>	\$ -	\$ 39,837
Direct Salaries - Overseas	229,778	49 <u>b/</u>	-	229,827
Overhead - Domestic	28,749	6,401 <u>c/</u>	-	35,150
Overhead - Overseas	74,609	(28,606) <u>d/</u>	-	46,003
Consultants - Short-term	37,191	1,887 <u>e/</u>	-	39,078
Subcontracts	70,047	(9,974) <u>f/</u>	-	60,073
Allowances	231,480	(47,586) <u>g/</u>	-	183,894
Travel	66,361	(876) <u>h/</u>	-	65,485
Other Direct Costs	68,266	(4,055) <u>i/</u>	(41,318) <u>l/</u>	22,893
Billing Difference	<u>(161)</u>	<u>161</u> <u>j/</u>	<u>-</u>	<u> </u>
Subtotal	<u>\$848,422</u>	<u>\$(84,864)</u>	<u>\$(41,318)</u>	<u>\$ 722,240</u>
General and Administrative	186,652	83,586 <u>k/</u>	-	270,238
Fee (8%)	<u>84,781</u>	<u> </u>	<u> </u>	<u>84,781</u>
Grand Total	<u>\$1,119,855</u>	<u>\$(1,278)</u>	<u>\$(41,318)</u>	<u>\$1,077,259</u>

Explanatory Notes

a/ Difference between cost of Direct Salaries incurred and billed Amount is due AID \$ (2,265)

b/ Difference between cost of Direct Salaries - Overseas incurred and billed. IE/DI plans to claim this difference in 1984 \$ 49

c/ Adjustments of provisional overhead costs to actual:

Overhead claimed - Domestic \$28,749

Overhead allowed:

	<u>Fiscal Year ended September 30,</u>			
	<u>1981</u>	<u>1982</u>	<u>1983</u>	
Direct Salary accepted Audited Rates (see Exhibits H, I, & K)	<u>\$ 317</u>	<u>\$20,485</u>	<u>\$19,035</u>	
	<u>75.28%</u>	<u>105.67%</u>	<u>69.69%</u>	
Overhead accepted	<u>\$ 239</u>	<u>\$21,646</u>	<u>\$13,265</u>	<u>35,150</u>
Difference due IE/DI				<u>\$ 6,401</u>

d/ Adjustment of provisional overhead costs to actual:

Overhead claimed - Overseas \$ 74,609

Overhead allowed:

	<u>Fiscal Year ended September 30,</u>			
	<u>1981</u>	<u>1982</u>	<u>1983</u>	
Direct Salaries accepted Audited Rates (see Exhibits H, I & K)	<u>\$ 1,667</u>	<u>\$104,821</u>	<u>\$123,339</u>	
	<u>75.28%</u>	<u>15.51%</u>	<u>23.10%</u>	
Difference due AID	<u>\$ 1,255</u>	<u>\$ 16,257</u>	<u>\$ 28,491</u>	<u>46,003</u> <u>\$(28,606)</u>

e/ Difference between costs incurred for short-term consultants and amount billed. IE/DI plans to claim this difference in 1984. \$ 1,887

Explanatory Notes (Cont'd)

f/	Difference between costs incurred for subcontracts per employee and costs billed. Amount is due AID	<u>\$ (9,974)</u>
g/	Difference between costs incurred for employee allowances and amount billed. Amount is due AID	<u>\$(47,586)</u>
h/	Difference between costs incurred for travel and amount billed.	\$ (695)
	Unallowable expenses of entertainment	(181)
	Due AID	<u>\$(876)</u>
i/	Difference between Other Direct Costs incurred and billed	\$ 6,380
	Costs reported by IE/DI field office in Kenya without adequate documentation on file at IE/DI business office in New York to support purchase and receipt of commodity or service:	
	-Purchase of office machinery. Documentation available indicates a deposit of \$2,700 on a personal computer and a pro forma invoice for \$4,995 without complete description and receiving report.	(7,745)
	-Construction of nursery shed. Documentation available consists an IE/DI field voucher for 10,000 Kenyan shillings (\$725) payable to an individual and a cancelled check (No. A 132606) dated September 7, 1983 payable to the P.S. Ministry of Energy.	(725)
	Duplicate charge for on field voucher No. 224 posted twice to project ledger.	(1,231)
	G&A expenses incorrectly posted as other direct costs in the project ledger. Reclassified	(639)
	Unidentified difference on field voucher No. 427	(95)
	Due AID	<u>\$ (4,055)</u>

Explanatory Notes (Cont'd)

j/ Difference between sum of IE/DI claims for costs and year to date total of these claims. Amount is due IE/DI. **\$ 161**

k/ Adjustment of provisional G&A costs to actual

G&A claimed **\$186,652**

G&A allowed:

	<u>Fiscal Year ended September 30,</u>			
	<u>1981</u>	<u>1982</u>	<u>1983</u>	
Total Direct Costs and Overhead Costs accepted	\$3,478	\$332,664	\$386,098	
Audited G&A rates (see Exhibits H, J, & L)	<u>36.30%</u>	<u>41.80%</u>	<u>33.65%</u>	
Total G&A accepted	<u>\$1,263</u>	<u>\$139,053</u>	<u>\$129,922</u>	270,238
Difference due IE/DI				<u>\$ 83,586</u>

l/ Costs claimed by IE/DI for project materials, including as diesel fuel hardware, timber, sheeting, paint, doors, pipe signs, gates and food, that are not specifically authorized by the contract agreement. Although AID has no objection in principle for project material being charged to the project, the contract needs to be amended to include such costs, if such costs are to be allowed to the contractor. Therefore, we are suspending direct costs incurred of \$41,318 in equivalent dollars. **\$ 41,318 l/**

EXHIBIT D

INTERNATIONAL ENERGY/DEVELOPMENT, INC.

Indefinite Quantity Contract No. AID/PDC-1406-I-00-2175-00

Summary of Contract Costs Claimed and Accepted
through September 30, 1983

<u>Work Order</u>	<u>Location</u>	<u>Total Claimed</u>	<u>Costs Questioned</u>	<u>Costs Accepted</u>
1	Haiti	\$ 7,709	\$ -	\$ 7,709
2	Togo	61,447	(7,868) a/	53,579
3	Tunisia	4,488	-	4,488
4	Liberia	8,637	-	8,637
5	Roston, Va.	12,489	-	12,489
6	(Not Issued)			
7	Sri Lanka	<u>11,665</u>	<u>-</u>	<u>11,665</u>
		<u>\$106,435</u>	<u>\$ (7,868)</u>	<u>\$ 98,567</u>

Explanatory Notes

a/ The number of person days claimed for the Senior Engineer position exceeded the 84 days authorized in Work Order No. 2:

Person days claimed	100 *	
Person days authorized	84	
	<u>16</u> days @ \$480 =	\$ (7,680)

*Of these 100 days claimed, 97-1/2 days were actual days worked. Of the 97-1/2 days worked, five days was performed after the termination date of the Work Order, April 15, 1983.

The fixed daily rate claimed for the Policy Analyst exceeded the Work Order No. 2 maximum rate established for the position.

Rate claimed	\$576.93	
Rate authorized	530.00	
	<u>\$ 46.93</u> x 4 days	<u>(188)</u>
Due AID		<u>\$ (7,868)</u>

INTERNATIONAL ENERGY/DEVELOPMENT, INC.

Contract No. DAN-5728-C-00-2112-00 (Microcomputer)

**Summary of Contract Costs Claimed and Accepted
through April 30, 1983**

	<u>Costs Claimed</u>	<u>Costs Questioned</u>		<u>Costs Accepted</u>
Direct Salaries	\$ 9,205	\$ 939 a/		\$10,144
Overhead and Fringe Benefits	6,534	535 b/		7,069
Consultants	1,105	-		1,105
Travel and Transportation	1,222	(23) c/		1,199
Other Direct Costs	<u>57</u>	<u>-</u>		<u>57</u>
Subtotal	\$18,123	\$ 1,451		\$19,574
General and Administrative	6,556	31 d/		6,587
Fee	1,991	-		1,991
Deduct: Cost Overrun	<u>-</u>	<u>(1,268)</u>		<u>(1,268)</u>
Total	<u>\$26,670</u>	<u>\$ 214</u>		<u>\$26,884</u>

Explanatory Notes:

a/ Differences between Direct Salaries incurred and billed \$ 939

b/ Adjustment of Provisional Overhead costs to actual:

Overhead claimed \$ 6,534

Overhead allowed:

Direct Labor accepted-Fiscal Year 1983 \$10,144
Audited Rate (see Exhibit K) 69.69%

Overhead accepted 7,069
Difference due IE/DI 535

Explanatory Notes (Cont'd)

c/ Differences between Travel costs incurred and billed \$ (23)

d/ Adjustment of Provisional G&A costs to actual:

G&A claimed \$ 6,556

G&A allowed:

Total Base accepted-Fiscal Year 1983 \$19,574

Audited Rate (see Exhibit L) 33.65%

Total G&A accepted \$ 6,587

Difference due IE/DI 31

INTERNATIONAL ENERGY/DEVELOPMENT, INC.

Contract No. AFR-0424-C-00-2079

**Summary of Contract Costs Claimed and Accepted
through September 30, 1983**

	<u>Costs Claimed</u>	<u>Costs Questioned</u>	<u>Costs Suspended</u>	<u>Costs Accepted</u>
Direct Salaries	\$161,274	\$ (249) <u>a/</u>	\$ -	\$161,025
Overhead	85,344	963 <u>b/</u>	-	86,307
Consultants	33,923	(1,283) <u>c/</u>	(3,116) <u>h/</u>	29,524
Subcontracts	111,327	-	(17,550) <u>i/</u>	93,777
Allowances	86,299	185 <u>d/</u>	-	86,484
Travel	34,510	(2,022) <u>e/</u>	-	32,488
Participant Training	-	-	-	-
Other Direct Costs	<u>83,365</u>	<u>(8,411) f/</u>	<u>-</u>	<u>74,954</u>
Subtotal	\$596,042	\$(10,817)	\$(20,666)	\$564,559
General and Administrative	214,575	(24,601) <u>g/</u>	-	189,974
Fee (8%)	<u>65,422</u>	<u>-</u>	<u>-</u>	<u>65,422</u>
Grand Total	<u>\$876,039</u>	<u>\$(35,418)</u>	<u>\$(20,666)</u>	<u>\$819,955</u>

Explanatory Notes:

a/ Difference between costs incurred for direct salaries and amount billed.

\$ (249)

Explanatory Notes (Cont'd)

b/ Adjustment of provisional overhead costs to actual:

Overhead claimed **\$ 85,344**

Overhead allowed:

	Fiscal Year Ended September 30, 1983		
	Domestic	Overseas	
Direct Salaries accepted	\$105,410	\$ 55,614	
Audited Rates (see Exhibit K)	69.69%	23.10%	
Overhead accepted	\$ 73,460	\$ 12,847	86,307
Difference due IE/DI			\$ 963

c/ Difference between costs incurred for consultants and amount billed.

\$ (1,283)

d/ Difference between costs per bodies incurred for employee allowances and amount billed.

\$ 285

Difference between amount claimed for weight sent by unaccompanied baggage air freight to post and the cost of 600 lbs that are allowable for an employee with two dependents.

(100)

Due IE/DI

\$ 185

e/ Difference between costs incurred for travel and amount billed.

\$ (1,207)

Explanatory Notes (Cont'd)

e/ Continued

Difference between economy Class "Y" airfare allowed and Class "J" and "C" airfare claimed for employee round trip travel from Washington, D.C. to Nairobi during November and December 1982:

	Cost of air travel claimed	\$3,111	
	Less-Economy Class "Y" airfare	<u>2,296</u>	<u>(815)</u>
Due AID			<u>\$ (2,022)</u>

f/ Difference between other direct costs incurred and amount billed. \$ (6,853)

Balance of order for computer equipment claimed but not yet ordered as of audit field work date (1,558)

Due AID \$ (8,411)

g/ Adjustment of Provisional G&A costs to actual:

G&A claimed \$214,575

G&A allowed:

Total Base accepted-Fiscal Year 1983	\$564,559
Audited Rate (see Exhibit L)	<u>33.65%</u>

Total G&A accepted 189,974
 Difference due AID. \$ (24,601)

h/ Cost incurred for Consultant services that lack AID Contracting Office approval required by Article XII A5 of the contract. \$ (3,116)

i/ Cost incurred for Subcontractor services that lack AID Contracting Office approval required by General Provision Clause 18. \$ (17,550)

EXHIBIT G**INTERNATIONAL ENERGY/DEVELOPMENT, INC.****Computation of Overhead and General
and Administration (G&A) Rates for the
Fiscal Year ended September 30, 1980**

<u>Expenses</u>	<u>Revised Contractor's Proposal</u>	<u>Costs Questioned</u>	<u>Costs Accepted</u>
<u>Overhead</u>			
Indirect Labor	\$ 13,707	\$ -	\$ 13,707
Fringe Benefits	33,624	-	33,624
Other	649	-	649
	<u>\$ 47,980</u>	<u>\$ -</u>	<u>\$ 47,980</u>
Direct Labor	<u>\$127,441</u>	<u>\$ -</u>	<u>\$127,441</u>
Overhead Rate	<u>37.65%</u>		<u>37.65%</u>
<u>G&A</u>			
Indirect Labor	\$ 48,204	\$ -	\$ 48,204
Fringe Benefits	46,319	-	46,319
Consultants	11,004	-	11,004
Travel	8,788	-	8,788
Office Supplies & Books	7,779	-	7,779
Rent	11,399	(675) a/	10,724
Telephone	9,715	-	9,715
Printing & Postage	5,711	-	5,711
Depreciation	1,648	-	1,648
Taxes		3,477 b/	3,477
Miscellaneous	83	-	83
	<u>\$150,650</u>	<u>\$ 2,802</u>	<u>\$153,452</u>
Total Cost Input Base	<u>\$264,246</u>	<u>\$ -</u>	<u>\$264,246</u>
G&A Rate	<u>57.01%</u>		<u>58.07%</u>

Explanatory Notes:

a/ Rent income from sublet office space is applied to reduce rent expenses.

\$ (675)

b/ Allowable costs of state income and franchise taxes, omitted from claim is reclassified from unallowable to allowable costs. (FPR 1-15-205.41)

\$ 3,477

INTERNATIONAL ENERGY/DEVELOPMENT, INC.
 Computation of Overhead and General
 and Administrative (G&A) Rates
 for the Fiscal Year ended September 30, 1981

<u>Expenses</u>	<u>Revised Contractor's Proposal</u>	<u>Costs Questioned</u>	<u>Costs Accepted</u>
<u>Overhead</u>			
Indirect Labor	\$ 76,237	\$ -	\$ 76,237
Fringe Benefits	77,775	-	77,775
Other	6,001	-	6,001
	<u>\$160,013</u>	<u>\$ -</u>	<u>\$160,013</u>
Direct Labor	<u>\$212,568</u>	<u>\$ -</u>	<u>\$212,568</u>
Overhead Rate	<u>75.28%</u>		<u>75.28%</u>
<u>G&A</u>			
Indirect Labor	\$ 89,176	\$ -	\$ 89,176
Fringe Benefits	61,249	-	61,249
Consultants & Subcontractors	5,752	-	5,752
Travel	32,827	-	32,827
Office Supplies	13,341	-	13,341
Rent	17,585	(5,250) a/	12,335
Telephone	22,525	-	22,525
Printing	6,540	-	6,540
Postage & Books	9,127	-	9,127
Depreciation	1,742	-	1,742
Legal & Accounting	8,700	-	8,700
Bank Charges, Dues, Subscriptions	1,235	-	1,235
Taxes	-	6,824 b/	6,824
Other	417	-	417
	<u>\$270,216</u>	<u>\$ 1,574</u>	<u>\$271,790</u>
Total Cost Input Base	<u>\$747,463</u>	<u>\$ 1,368 c/</u>	<u>\$748,831</u>
G&A Rate	<u>36.15%</u>		<u>36.30%</u>

Explanatory Notes:

- | | |
|---|------------------------|
| <u>a/</u> Rent income from a sublet office should be used to reduce rent expense. | <u>\$ 5,250</u> |
| <u>b/</u> Allowable costs of state income and franchise taxes are added to the costs proposed (FPR 1-15-205.41). | <u>\$ 6,824</u> |
| <u>c/</u> Proposed base is adjusted to include Defense Base Act insurance costs omitted from proposal. | <u>\$ 1,368</u> |

INTERNATIONAL ENERGY/DEVELOPMENT, INC.
Computation of Domestic and Overhead Rates
for the Fiscal Year ended September 30, 1982

<u>Expenses</u>	<u>Contractor's Proposal</u>	<u>Costs Questioned</u>	<u>Costs Accepted</u>
<u>Domestic Overhead</u>			
Indirect Labor	\$107,912	\$ -	\$107,912
Fringe Benefits	58,314	-	58,314
Other	5,457	(4,560) a/	897
	<u>\$171,683</u>	<u>\$ (4,560)</u>	<u>\$167,123</u>
Direct Labor - Domestic Staff	<u>\$156,650</u>	<u>\$ 1,510 b/</u>	<u>\$158,160</u>
Domestic Overhead Rate	<u>109.60%</u>		<u>105.67%</u>
<u>Overseas Overhead</u>			
Fringe Benefits	\$ 10,133	\$ -	\$ 10,133
Administrative Services	3,281	3,060 c/	6,341
Other	46	-	46
	<u>\$13,460</u>	<u>\$ 3,060</u>	<u>\$16,520</u>
Direct Labor - Overseas Staff	<u>\$102,595</u>	<u>\$ 3,892 d/</u>	<u>\$106,487</u>
Overseas Overhead Rate	<u>13.12%</u>		<u>15.51%</u>

Explanatory Notes:

a/ Costs of administrative services performed at field offices are reclassified to the Overseas overhead expense pool. (see Note c) \$ (3,060)

Direct costs for the Somalia contract included in overhead are reclassified from Domestic Overhead to the Somalia contract. (1,500)
\$ (4,560)

b/ Base is adjusted for salary costs that charged to Domestic Overhead (\$1,193) and to G&A (\$317) instead directly to the Kenya contract. \$ 1,510

Explanatory Notes (Cont'd)

- c/** Costs of administrative services are reclassified from Domestic Overhead. (see Note a) **\$ 3.060**
- d/** Base is adjusted for direct salaries for the Kenya contract that were reclassified from the Other Direct Costs (\$2,225) and from G&A (\$1,667). **\$ 3.892**

INTERNATIONAL ENERGY/DEVELOPMENT, INC.

Computation of General and Administrative Rates (G&A)
for the Fiscal Year ended September 30, 1982

<u>Expenses</u>	<u>Contractor's Proposal</u>	<u>Costs Questioned</u>	<u>Costs Accepted</u>
Indirect Labor	\$142,189	\$ -	\$142,189
Fringe Benefits	31,667	-	31,667
Consultants & Subcontractors	18,791	(2,400) a/	16,391
Travel	25,575	-	25,575
Office Supplies	23,342	-	23,342
Rent	46,553	-	46,553
Heat, Light, Power, Repairs & Maintenance	2,851	-	2,851
Telephone	29,452	-	29,452
Printing	12,922	-	12,922
Postage & Books	10,315	-	10,315
Depreciation	5,995	-	5,995
Legal & Accounting	17,043	-	17,043
Bank Charges, Dues, Subscriptions	1,851	-	1,851
Insurance	2,907	-	2,907
Taxes	1,291	-	1,291
	<u>\$372,744</u>	<u>\$ (2,400)</u>	<u>\$370,344</u>
 Total Cost Input Base	 <u>\$869,995</u>	 <u>\$ 16,022</u> b/	 <u>\$886,017</u>
 G&A Rate	 <u>42.84%</u>		 <u>41.80%</u>

Explanatory Notes:

a/ Reclassification of direct costs for the Tunisia (\$400) and the Benin (\$2,000) contracts from G&A to Direct Costs

\$ (2,400)

b/ Base is adjusted for Fiscal Year 1981, (\$1,984) and 1982 (\$4,808) direct costs that were expensed in the wrong accounting year and for direct costs that were charged incorrectly to G&A (\$2,688) and to non allowable costs (\$6,542)

\$ 16,011

INTERNATIONAL ENERGY/DEVELOPMENT, INC.

**Computation of Domestic and Overseas Overhead Rates
for the Fiscal Year ended September 30, 1983**

<u>Expenses</u>	<u>Contractor's Proposal</u>	<u>Costs Questioned</u>	<u>Costs Accepted</u>
Domestic Overhead			
Indirect Labor	\$131,157	\$ -	\$131,157
Fringe Benefits	61,807	(946) a/	60,861
Travel and other	(977)	(607) b/	(1,584)
	<u>\$191,987</u>	<u>(1,553)</u>	<u>\$190,434</u>
Direct Labor - Domestic Staff	<u>\$273,255</u>		<u>\$273,255</u>
Domestic Overhead Rate	<u>70.26%</u>		<u>69.69%</u>
Overseas Overhead			
Fringe Benefits	\$ 39,254	\$ (564) c/	\$ 38,690
Administrative Services	6,840	-	6,840
Travel	2,087	-	2,087
Other	83	-	83
	<u>\$ 48,264</u>	<u>\$ (564)</u>	<u>\$ 47,700</u>
Direct Labor - Overseas Staff	<u>\$206,454</u>	<u>\$ -</u>	<u>\$206,454</u>
Overseas Overhead Rate	<u>23.38%</u>		<u>23.10%</u>

Explanatory Notes:

a/ Reallocation of costs of a first quarter hospital and health insurance costs that were not properly allocated between overhead and G&A expense. \$ (946)

b/ Represents the duplicate travel costs that had been expensed previously. \$ (607)

Explanatory Notes (Cont'd)

c/ Vacation, sick leave, and pension liabilities were incorrectly calculated for overseas personnel for Fiscal Year 1983 and the following were overstated:

Vacation/Sick Leave Costs	\$ (471)
Pension Costs	(93)
Total overstatement	<u>\$ (564)</u>

INTERNATIONAL ENERGY/DEVELOPMENT, INC.

**Computation of General and Administrative Rates (G&A)
for the Fiscal Year ended September 30, 1983**

<u>Expenses</u>	<u>Contractor's Proposal</u>	<u>Costs Questioned</u>	<u>Costs Accepted</u>
Indirect Labor	\$ 165,658	\$	\$ 165,658
Fringe Benefits	96,939	946 a/	97,885
Consultants	6,188	-	6,188
Subcontractors	15,659	(1,833) b/	13,826
Travel	44,447	-	44,447
Insurance	3,282	-	3,282
Telephone	32,591	-	32,591
Office Supplies	33,215	-	33,215
Books & Publications	2,262	-	2,262
Dues, Licenses & Subscriptions	1,895	-	1,895
Postage & Courier	11,179	-	11,179
Rent	57,749	(1,833) c/	55,916
Repairs & Maintenance	4,608	-	4,608
Bank Charges	1,171	-	1,171
Printing	6,676	-	6,676
Interest	1,641	(1,641) d/	-
Legal	10,918	(1,620) e/	9,298
Accounting	13,483	(1,500) f/	11,983
Data Processing	6,360	-	6,360
Heat, Light & Power	2,399	-	2,399
Equipment Rental	2,824	-	2,824
Depreciation	10,733	-	10,733
Taxes	11,285	-	11,285
Miscellaneous	2,029	639 g/	2,668
	<u>\$ 545,191</u>	<u>\$ (6,842)</u>	<u>\$ 538,349</u>
 Total Costs Input Base	 <u>\$1,604,215</u>	 <u>\$ (4,501) h/</u>	 <u>\$1,599,714</u>
 G&A Rate	 <u>33.98%</u>		 <u>33.65%</u>

Explanatory Notes:

a/ Reclassification of G&A health insurance costs charge to overhead.

\$ 946

b/ Represents a travel cost that had been expensed a second time.

\$ (1,833)

Explanatory Notes (Cont'd)

- c/ Rent income from sublet office space. \$ (1,833)**
- d/ Interest is a cost of financing and therefore is not an allowable cost (FPR 1-15.205-17) \$ (1,641)**
- e/ Legal costs incurred in connection with the proposed issue of debentures are unallowable financing costs (FPR 1-15-205-23). \$ (1,620)**
- f/ Consulting services provided in connection with present debenture issuance are allowable financing costs (FPR 1-15-205-23). \$ (1,500)**
- g/ Represents miscellaneous G&A expenses included incorrectly as direct costs for the Kenya contract.**
- h/ Base is adjusted for Fiscal Year 1982 direct costs of \$4,808 that were expensed incorrectly as Fiscal Year 1983* less an overhead cost of \$946 that was incorrectly included in G&A expenses. \$ (4,501)**

*G&A costs of \$639 that were expended incorrectly as direct costs,

Review of
INTERNATIONAL ENERGY/DEVELOPMENT, INC.

List of Report Recipients

Assistant to the Administrator for Management, AA/M	1
Mission Director, USAID/Kenya	2
Associate Assistant to the Administrator for Management, M/AAA/SER	1
Assistant Administrator, Bureau for Africa	1
Audit Liaison Office, M/AAA/SER	1
Director, Office of Contract Management, M/SER/CM	1
Office of Contract Management, CM/ROD/AFR	1
Office of Contract Management, CM/ROD/ASIA	1
Office of Contract Management, CM/COD/AN	2
Office of Contract Management, CM/SOD/PDC	1
Office of Contract Management, CM/SOD/OSC	1
Office of Development Information and Utilization, PPC/E/DIU	2
Office of Financial Management, M/FM/ASD	2
Office of the General Counsel, GC	1
Office of External Affairs, XA	1
Office of the Inspector General, IG	1
AIG/II	1
AIG/A	1
RIG/PPP	1
RIG/A/Nairobi	1
IG/EMS/C&R	16