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CONTRACT AUDIT OF
SPECTRAL DATA CORPORATION

AUDIT REPORT NO. 0-000-84-10

November 4, 1983

Contract Audit of
SPECTRAL DATA CORPORATION
Contract Nos. AID/afr-C-1521,
AID/DSAN-C-0033 and AID/afr-C-1483

Audit Report No. 0-000-84-10

Introduction

The Office of the Regional Inspector General for Audit/Washington (RIG/A/W) reviewed two reports issued by the Defense Contract Audit Agency (DCAA) on an examination of the above contracts with Spectral Data Corporation (SD).

The purposes of the reviews were to determine whether claimed costs were allowable and to audit indirect cost rates.

Contract Information

A summary of contract data are shown in Exhibit A, the status of contract funds are shown in Exhibit B, and costs claimed and questioned are shown in Exhibits C, D and E.

FINDINGS AND RECOMMENDATIONS

Contract Costs

During the period under review costs were claimed, questioned and accepted, as follows:

<u>Exhibit</u>	<u>Contract</u>	<u>Claimed</u>	<u>Questioned</u>	<u>Accepted</u>
C	AID/afr-C-1521	\$ 592,373	\$ (13,968)	\$ 606,341
D	AID/DSAN-C-0033	658,247	(27,380)	685,627
E	AID/afr-C-1483	74,565	-	74,565
Total		<u>\$1,325,185</u>	<u>\$ (41,348)</u>	<u>\$1,366,533</u>

The additional costs due Spectral Data Corporation represents the difference between indirect costs claimed and the amount recommended for acceptance. Audited indirect cost rates recommended by DCAA follow:

	<u>Fiscal Year</u>	
	<u>1981</u>	<u>1982</u>
Field Labor Overhead	72.78%	69.99%
Home Office Overhead	153.13%	189.23%
G&A Expense	25.03%	27.55%

Recommendation No. 1

The Office of Contract Management (M/SER/CM) should (a) take appropriate action to finalize the indirect cost rates recommended by DCAA and (b) ensure settlement of the \$41,348 additional costs due the contractor.

SPECTRAL DATA CORPORATION

Summary of Contract Data

Contract Number : AID/afr-C-1521
Contract Ceiling: \$1,135,992
Expiration Date : June 30, 1983
Project Number : 698-0420
Project Title : Remote Sensing (Upper Volta)
Audit Period : 10/1/80-9/30/82
Type of Audit : Interim

Contract Number : AID/DSAN-C-0033
Contract Ceiling: \$1,475,000
Expiration Date : February 26, 1983
Project Number : 698-0414
Project Title : Remote Sensing (Kenya)
Audit Period : 10/1/80-9/30/82
Type of Audit : Interim

Contract Number : AID/afr-C-1483
Contract Ceiling: \$442,817
Expiration Date : November 13, 1981
Project Number : 660-0071
Project Title : ERTS Zaire
Audit Period : 10/1/80-9/30/81
Type of Audit : Final

SPECTRAL DATA CORPORATION
Status of Contract Funds

AID/afr-C-1521

Contract Ceiling		\$1,135,992
Amount Audited		
Costs Audited-		
Approved Prior Audit	\$ 314,034	
Approved Current Audit	606,341	
Subtotal	<u>\$ 920,375</u>	<u>920,375</u>
Amount Questioned	<u>(13,968)</u>	
Total Reimbursed	*	
Contract Balance Remaining		<u><u>\$ 215,617</u></u>

AID/DSAN-C-0033

Contract Ceiling		\$1,475,000
Amount Audited		
Costs Audited-		
Approved Prior Audit	\$ 649,331	
Approved Current Audit	691,848	
Subtotal	<u>\$1,341,179</u>	<u>1,341,179</u>
Amount Questioned	<u>(33,601)</u>	
Total Reimbursed	*	
Contract Balance Remaining		<u><u>\$ 133,821</u></u>

AID/afr-C-1483

Contract Ceiling		\$ 442,817
Amount Audited		
Costs Audited-		
Approved Prior Audit	\$ 368,252	
Approved Current Audit	74,565	
Subtotal	<u>\$ 442,817</u>	<u>442,817</u>
Amount Questioned	-	
Total Reimbursed	*	
Contract Balance Remaining		<u><u>\$ -</u></u>

We did not verify reimbursements on these mission funded contracts because financial information was not available in AID/W.

EXHIBIT C

SPECTRAL DATA CORPORATION
 AID/afr-C-1521 (Upper Volta)
 Summary of Costs Claimed and Questioned
October 1, 1980 through September 30, 1982

	<u>Costs Previously Accepted</u>	<u>10/1/80 - 9/30/82</u>		<u>Costs Accepted to 9/30/82</u>
		<u>Costs Claimed</u>	<u>Costs Questioned</u>	
Direct Salaries				
Field Staff	\$ 81,304	\$147,957 <u>1/</u>	\$ -	\$ 229,261
Home Office	-	-	-	-
Overhead				
Field Staff	55,464	115,384	9,700 <u>2/</u>	161,148
Home Office	-	-	-	-
Other Direct Cost	78,109	106,122	-	184,231
Subtotal	<u>\$ 214,877</u>	<u>\$369,463</u>	<u>\$ 9,700</u>	<u>\$ 574,640</u>
G&A Expenses	54,510	70,911	(23,668) <u>3/</u>	149,089
Equipment	26,680	121,172	-	147,852
Fee	17,967	30,827	-	48,794
Total	<u>\$ 314,034</u>	<u>\$592,373</u>	<u>\$ (13,968)</u>	<u>\$ 920,375</u>

Explanatory Notes:

1/ Spectral Data's controller stated this was the amount of field staff salaries.

	<u>FY 81</u>	<u>FY 82</u>	<u>Total</u>
<u>2/</u> Represents overhead adjustment for Fiscal Years 1981 and 1982.			
Overhead Claimed	<u>\$ 64,243</u>	<u>\$ 51,141</u>	\$115,384
Direct Salaries	<u>\$ 76,298</u>	<u>\$ 71,659</u>	
Audited Overhead Rates	<u>x72.78%</u>	<u>x69.99%</u>	
Overhead Accepted	<u>\$ 55,530</u>	<u>\$ 50,154</u>	105,684
Overhead Adjustment	<u>\$ 8,713</u>	<u>\$ 987</u>	<u>\$ 9,700</u>

<u>3/</u> Represents G&A adjustment for Fiscal Years 1981 and 1982.			
G&A Claimed	<u>\$ 36,212</u>	<u>\$ 34,699</u>	\$ 70,911
Total Costs Except for Equipment and G&A	<u>\$180,022</u>	<u>\$179,741</u>	
Audited G&A Rates	<u>x25.03%</u>	<u>x27.55%</u>	
G&A Accepted	<u>\$ 45,060</u>	<u>\$ 49,519</u>	94,579
G&A Adjustment	<u>\$ (8,848)</u>	<u>\$ (14,820)</u>	<u>\$ (23,668)</u>

EXHIBIT D

SPECTRAL DATA CORPORATION
 AID/DSAN-C-0033 (Kenya)
 Summary of Costs Claimed and Questioned
 October 1, 1980 through September 30, 1982

	Costs Previously Accepted	10/1/80 - 9/30/82		Costs Accepted to 9/30/82
		Costs Claimed	Costs Questioned	
Direct Salaries				
Field Staff	\$ 121,158	\$172,435	\$ -	\$ 293,593
Home Office	8,681	2,175	-	10,856
Overhead				
Field Staff	81,969	120,959	(1,956) 1/	204,884
Home Office	11,797	5,936	2,605 2/	15,128
Other Direct Cost	187,927	152,522	-	340,449
Subtotal	\$ 411,532	\$454,027	\$ 649	\$ 864,910
G&A Expenses	107,594	92,025	(28,029) 3/	227,648
Equipment	84,322	61,455	-	145,777
Fee	45,883	50,740	-	96,623
Total	\$ 649,331	\$658,247	\$ (27,380)	\$1,334,958

Explanatory Notes:

	<u>FY 81</u>	<u>FY 82</u>	<u>Total</u>
1/ Represents field staff overhead adjustment for Fiscal Years 1981 and 1982.			
Overhead Claimed	\$ 55,950	\$ 65,009	\$120,959
Direct Salaries	\$ 79,831	\$ 92,604	
Audited Overhead Rates	x72.78%	x69.99%	
Overhead Accepted	\$ 58,101	\$ 64,814	122,915
Overhead Adjustment	\$ (2,151)	\$ 195	\$ (1,956)
2/ Represents home office overhead adjustment for Fiscal Years 1981 and 1982.			
Overhead Claimed	\$ 5,936	\$ -	\$ 5,936
Direct Salaries	\$ 2,175	\$ -	
Audited Overhead Rates	x153.13%	-	
Overhead Accepted	\$ 3,331	\$ -	3,331
Overhead Adjustment	\$ 2,605	\$ -	\$ 2,605
3/ Represents G&A adjustment for Fiscal Years 1981 and 1982.			
G&A Claimed	\$ 41,901	\$ 50,124	\$ 92,025
Total Costs Except for equipment and G&A	\$192,506	\$260,872	
Audited G&A Rates	x25.03%	x27.55%	
G&A Accepted	\$ 48,184	\$ 71,870	120,054
G&A Adjusted	\$ (6,283)	\$ (21,746)	\$ (28,029)

SPECTRAL DATA CORPORATION
 Contract No. AID/afr-C-1483 (Zaire)
 Summary of Costs Claimed and Questioned
October 1, 1980 through September 30, 1981

	Costs Previously Accepted	<u>10/1/80 - 9/30/81</u>		1/ Costs Accepted to 9/30/81
		Costs Claimed	Costs Questioned	
Direct Salaries				
Field Staff	\$ 59,853	\$ 21,038	\$ -	\$ 80,891
Home Office	-	-	-	-
Overhead				
Field Staff	39,866	14,724	(587) 2/	55,177
Home Office	-	-	-	-
Other Direct Cost	121,343	21,390	-	142,733
Subtotal	<u>\$ 221,062</u>	<u>\$ 57,152</u>	<u>\$ (587)</u>	<u>\$ 278,801</u>
G&A Expense	74,846	11,109	(3,343) 3/	89,298
Equipment	47,647	1,001	-	48,648
Fee	24,697	5,303	-	30,000
Subtotal	<u>\$ 368,252</u>	<u>\$ 74,565</u>	<u>\$ (3,930)</u>	<u>\$ 446,747</u>
Contract Cost Overrun	-	-	3,930	(3,930)
Total	<u>\$ 368,252</u>	<u>\$ 74,565</u>	<u>\$ -</u>	<u>\$ 442,817</u>

Explanatory Notes:

1/ The expiration of this contract was November 13, 1981; however, this is the final audit because costs were not incurred after September 30, 1981.

2/ Represents overhead adjustment for Fiscal Year 1981.

Overhead Claimed		\$ 14,724
Direct Salaries	\$ 21,038	
Audited Overhead Rate	x72.78%	
Overhead Accepted	<u>\$ 15,311</u>	15,311
Overhead Adjustment		<u>\$ (587)</u>

3/ Represents G&A adjustment for Fiscal Year 1981.

G&A Claimed		\$ 11,109
Total Costs Except for equipment and G&A (\$57,152 + \$587)	\$ 57,739	
Audited G&A Rate	x25.03%	
G&A Accepted	<u>\$ 14,452</u>	14,452
G&A Adjustment		<u>\$ (3,343)</u>

SPECTRAL DATA CORPORATION
List of Report Recipients

Associate Assistant to the Administrator for Management Services, M/AAA/SER	1
Audit Liaison Office, M/AAA/SER	1
Assistant Administrator, Bureau for Africa, AA/AFR	3
Audit Liaison Office, AFR/PMR/EMS	1
Office of Financial Management, M/FM/ASD	2
Office of Contract Management, M/SER/CM	1
Office of Contract Management, SER/CM/ROD	1
Office of Contract Management, CM/ROD/AFR	1
Office of Contract Management, CM/SD/SUP	1
Office of the Inspector General, IG	1
Mission Director, Upper Volta	1
Mission Director, USAID/Kenya	1
RIG/A/Dakar	1
DCAA, Garden City, NY	1
AIG/II	1
IG/PPP	1
IG/EMS/C&R	16

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AUDIT REPORT ON INCURRED COSTS
AND BURDEN RATES
SUBMITTED BY
SPECTRAL DATA CORPORATION
HAUPPAUGE, NEW YORK

The Defense Contract Audit Agency has no objection to the release of this report at the discretion of the Contracting Officer, to the duly authorized representatives of Spectral Data Corp.

Under the provisions of Title 32, Code of Federal Regulations, Part 290.26(b)(2) (as amended August 10, 1977), all Freedom of Information Act requests for audit reports received by DCAA will be referred to the cognizant contracting officer for determination as to releasability and a direct response to the requestor.

Contractor information contained in this audit report may be confidential. The restrictions of 18 USC 1905 should be considered before this information is released to the public.

This report may not be released to any Federal agency outside the Department of Defense without the approval of Headquarters, DCAA, except to an agency requesting the report in negotiating or administering its contract.

DEFENSE CONTRACT AUDIT AGENCY
BOSTON REGION
LONG ISLAND BRANCH OFFICE
GARDEN CITY, NEW YORK 11530

AUDIT REPORT NO. 2201-2B-160.465

DATE OF REPORT APR 29 1982

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Per GC Memo
of 11/21/07
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DEFENSE CONTRACT AUDIT AGENCY
 BOSTON REGION
 LONG ISLAND BRANCH OFFICE
 605 STEWART AVENUE
 GARDEN CITY, NEW YORK 11530

IN REPLY REFER TO

APR 29 1982

SUBJECT: Audit Report on Incurred Costs
 and Burden Rates submitted by
 Spectral Data Corporation.
 Hauppauge, New York
 Audit Report No. 2201-2B-160.465

TO : Department of State
 Agency for International Development
 Office of the Regional Inspector General for Audit
 Washington, D.C. 20523
 Attn: Mr. Brown

1. Purpose and Scope of Audit.

a. As requested in your letter dated 26 February 1982, we have performed an evaluation of burden rates for the contractor's fiscal year ended 30 September 1981 applicable to the contracts listed below.

b. The evaluation was performed in accordance with generally accepted auditing standards and included such tests of the contractor's data and records and such other auditing procedures as were considered necessary in the circumstances. The cost principles contained in FPR Part 1-15, were used as criteria in the evaluation of proposed costs.

2. Summary of Audit.

a. Our determined rates for fiscal year ended 30 September 1981 are as follows:

<u>Category</u>	<u>Rate</u>	<u>Applicable to</u>
Field Labor	72.78%	Direct Field Labor
Home Office	153.13%	Direct Domestic Labor
G&A Expense	25.03%	Total Cost Input, exclusive of equipment and G&A expense

b. Per telephone conversation with Mr. R. Billig of your office on 26 April 1982, we are furnishing the determined incurred direct costs for the following contracts from 1 October 1980 through 30 September 1981 as summarized below:

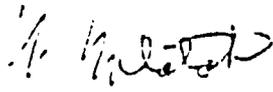
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Auditable Contracts

	<u>AID/afr-C-1483</u>	<u>AID/afr-C-1521</u>	<u>AID/DSAN-C-0033</u>
Labor:			
Field	\$ 21,038	\$ 70,080	\$ 79,831
Domestic		5,584	2,175
Equipment	1,001	12,914	20,140
ODC	<u>21,390</u>	<u>48,194</u>	<u>73,920</u>
Total Direct Costs	\$ <u>43,429</u>	\$ <u>136,772</u>	\$ <u>176,066</u>

c. This report is for use only in connection with the subject matter and should not be used for any other purposes without prior consultation with this office.

Defense Contract Audit Agency


for H. J. BROUILLARD, Branch Manager

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AUDIT REPORT ON INCURRED COSTS
AND BURDEN RATES
SUBMITTED BY
SPECTRAL DATA CORPORATION
HAUPPAUGE, NEW YORK

The Defense Contract Audit Agency has no objection to the release of this report at the discretion of the Contracting Officer, to the duly authorized representatives of Spectral Data Corporation.

Under the provisions of Title 32, Code of Federal Regulations, Part 290.26(b)(2) (as amended August 10, 1977), all Freedom of Information Act requests for audit reports received by DCAA will be referred to the cognizant contracting officer for determination as to releasability and a direct response to the requestor.

Contractor information contained in this audit report may be confidential. The restrictions of 18 USC 1905 should be considered before this information is released to the public.

This report may not be released to any Federal agency outside the Department of Defense without the approval of Headquarters, DCAA, except to an agency requesting the report in negotiating or administering its contract.

DEFENSE CONTRACT AUDIT AGENCY
BOSTON REGION
LONG ISLAND BRANCH OFFICE
GARDEN CITY, NEW YORK 11530

AUDIT REPORT NO. 2201-3B-160.414

DATE OF REPORT 10 Feb 83

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FOR GC MEMO
of 11/01/07
Initial *seb*



DEFENSE CONTRACT AUDIT AGENCY
 BOSTON REGION
 LONG ISLAND BRANCH OFFICE
 605 STEWART AVENUE
 GARDEN CITY, NEW YORK 11530

IN REPLY REFER TO

2200

10 Feb 83

SUBJECT: Audit Report on Incurred Costs and
 Burden Rates for Fiscal Year Ended 30 September 1982
 Submitted by Spectral Data Corporation
 Hauppauge, NY
 Audit Report No. 2201-3B-160.414

TO: Department of State
 Agency for International Development
 Office of Regional Inspector General for Audit
 Washington, D.C. 20523
 ATTN: Mr. R. Billig

1. Purpose and Scope of Audit.

a. As requested in your letter dated 17 January 1983, we have performed an evaluation of burden rates for the contractor's fiscal year ended 30 September 1982, applicable to the contracts listed below.

b. The evaluation was performed in accordance with generally accepted auditing standards and included such tests of the contractor's data and records and such other auditing procedures as were considered necessary in the circumstances. The cost principles contained in FPR Part 1-15 were used as criteria in the evaluation of proposed costs.

2. Results of Audit.

a. The determined rates for fiscal year ended 30 September 1982 are as follows:

<u>Category</u>	<u>Rate</u>	<u>Applicable to</u>
Field Labor	69.99%	Direct Field Labor
Home Office	189.23%	Direct Domestic Labor
G&A Expense	27.55%	Total Cost Input, exclusive of equipment and G&A Expense

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b. We are furnishing the determined incurred direct costs for the following contracts from 1 October 1981 through 30 September 1982 as summarized below:

	<u>Auditable Contracts</u>	
	<u>AID/afr-C-1521</u>	<u>AID/DSAN-C-0033</u>
Labor:		
Domestic	\$ 412	\$ -
Field	76,831	92,604
Equipment	108,258	6,397
ODC	<u>57,928</u>	<u>103,454</u>
 Total Direct Labor	 <u>\$243,429</u>	 <u>\$202,455</u>

c. This report is for use only in connection with the subject matter and should not be used for any other purposes without prior consultation with this office.

Defense Contract Audit Agency

H. J. BROUILLARD, Branch Manager