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Contract Audit of

ROY LITTLEJOHN ASSOCIATES, INC.

Contract Nos.

AID/SOD/it-C-0008 and AID/DSAN-C-0040

Audit Report No. 0-000-84-07

October 20, 1983

Contract Audit of
ROY LITTLEJOHN ASSOCIATES, INC.

Contract Nos.
AID/SOD/it-C-0008 and AID/DSAN-C-0040

Audit Report No. O-000-84-07

Introduction

The Office of the Regional Inspector General for Audit, Washington (RIG/A/W) reviewed Report No. 6131-3B160.017 issued by the Defense Contract Audit Agency (DCAA). The report covered an examination of the above contracts with Roy Littlejohn Associates, Inc.

The DCAA examined the books and records of the contractor for Fiscal Years ended May 31, 1980, 1981 and 1982. The purposes of the review were to: (a) determine the acceptability of claimed direct and indirect costs; and (b) establish final negotiated indirect expense rates.

Contract Information

A summary of contract data is shown in Exhibit A. The status of contract funds is shown in Exhibit B. A summary of costs incurred, questioned, and accepted is shown in Exhibit C. A summary of the contractor's claimed indirect expense rates and results of review is shown in Exhibit D.

FINDINGS AND RECOMMENDATIONS

Contract Costs: AID/SOD/it-C-0008

The cost incurred under this contract for the three fiscal years under review is \$1,218,505, of which \$47,613 is questioned, and \$1,170,892 can be accepted.

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The questioned costs amounting to \$47,613 were due to the application of audited fringe benefit and overhead rates as shown in detail in Exhibit C. (Details of rates are shown in Exhibit D.)

Costs Incurred, Questioned, and Accepted

<u>Fiscal Years Ended</u>	<u>Incurred</u>	<u>Questioned</u>	<u>Accepted</u>
May 31, 1980	\$ 243,569	\$ 9,591	\$ 233,978
May 31, 1981	425,763	16,005	409,758
May 31, 1982	<u>549,173</u>	<u>22,017</u>	<u>527,156</u>
Total	<u>\$1,218,505</u>	<u>\$47,613</u>	\$1,170,892
Amount Reimbursed (Excluding Fee)			<u>1,000,890</u>
Amount Due Contractor			<u>\$170,002</u>

Recommendation No. 1

The Office of Contract Management (M/SER/CM) should: (a) take appropriate action to ensure settlement of questioned costs totaling \$47,613; and (b) finalize the audited indirect and fringe benefit rates as shown in Exhibit D.

Contract Costs: AID/DSAN-C-0040

Total cost incurred under this contract is \$41,589, including a fee of \$1,425. There were no questioned costs. As of October 10, 1979, a balance of \$2,422 was deobligated.

ROY LITTLEJOHN ASSOCIATES, INC.
Summary of Contract Data

Contract Number:	AID/SOD/it-C-0008
Contract Ceiling:	\$1,289,828
Expiration Date:	September 30, 1982
Project Number:	959-0041
Project Title:	Participant Training Services
Audit Period:	FY's Ended May 31, 1980, 1981 & 1982
Type of Audit:	Interim

Contract Number:	AID/DSAN-C-0040
Contract Ceiling:	\$44,011
Expiration Date:	December 31, 1978
Project Number:	931-0263.14
Project Title:	Nutrition Planning & Analysis
Audit Period:	FY Ended May 31, 1980
Type of Audit:	Final

ROY LITTLEJOHN ASSOCIATES, INC.
Status of Contract Funds

Contract No. AID/SOD/it-C-0008

Contract Ceiling		\$1,289,828
Amount Reimbursed/Costs Audited:		
Accepted Prior Audit	\$ -0-	
Accepted Current Audit	1,170,892	
Unaudited Costs	-0-	
Fee	70,062	
Subtotal	<u>\$1,240,954</u>	<u>1,240,954</u>
Amount Due Contractor	170,002	
Total Reimbursed	<u>\$1,070,952</u>	
Contract Balance		<u>\$48,874</u>

Contract No. AID/DSAN-C-0040

Contract Ceiling		\$44,011
Amount Reimbursed/Costs Audited:		
Accepted Prior Audit	\$16,088	
Accepted Current Audit	24,076	
Unaudited Costs	-0-	
Fee	1,425	
Subtotal	<u>\$41,589</u>	<u>41,589</u>
Amount Due Contractor	-0-	
Total Reimbursed	<u>\$41,589</u>	
Contract Balance		<u>\$2,422 1/</u>

1/ Deobligated October 10, 1979.

ROY LITTLEJOHN ASSOCIATES, INC.
 AID/SOD/it-C-0008
 Summary of Costs Incurred, Questioned & Accepted
FY Ended May 31, 1980

	<u>Incurred</u>	<u>Costs Questioned</u>	<u>Accepted</u>
Direct Labor	\$ 89,448	\$-0-	\$ 89,448
Fringe Benefits	<u>21,199</u>	<u>894</u> 1/	<u>20,305</u>
Subtotal	\$110,647	\$ 894	\$109,753
Overhead	126,901	8,697 2/	118,204
Other Direct Costs	<u>6,021</u>	<u>-0-</u>	<u>6,021</u>
Total	<u>\$243,569</u>	<u>\$9,591</u>	\$233,978
Amount Reimbursed			<u>207,421</u>
Amount Due Contractor			<u>\$26,557</u>

Explanatory Notes:

1/ Fringe Benefits Incurred		\$21,199
Fringe Benefits Accepted:		
Direct Labor	\$89,448	
Audited Fringe Benefit Rate	<u>X 22.7%</u>	<u>20,305</u>
Fringe Benefits Questioned		<u>\$894</u>
2/ Overhead Incurred		\$126,901
Overhead Accepted:		
Direct Labor & Fringe Benefits	\$109,753	
Audited Overhead Rate	<u>X 107.7%</u>	<u>118,204</u>
Overhead Questioned		<u>\$8,697</u>

ROY LITTLEJOHN ASSOCIATES, INC.
AID/SOD/it-C-0003
Summary of Costs Incurred, Questioned & Accepted
FY Ended May 31, 1981

	<u>Costs</u>		
	<u>Incurred</u>	<u>Questioned</u>	<u>Accepted</u>
Direct Labor	\$127,502	\$ -0-	\$127,502
Fringe Benefits	<u>30,065</u>	<u>2,219</u>	<u>27,846</u>
Subtotal	\$157,567	\$ 2,219 <u>1/</u>	\$155,348
Overhead	223,351	13,786 <u>2/</u>	209,565
Other Direct Costs	<u>44,845</u>	<u>-0-</u>	<u>44,845</u>
Total	<u>\$425,763</u>	<u>\$16,005</u>	\$409,758
Amount Reimbursed			<u>327,460</u>
Amount Due Contractor			<u>\$82,298</u>

Explanatory Notes :

<u>1/</u> Fringe Benefits Incurred		\$30,065
Fringe Benefits Accepted:		
Direct Salaries	\$127,502	
Audited Fringe Benefit Rate	<u>X 21.84%</u>	<u>27,846</u>
Fringe Benefits Questioned		<u>\$2,219</u>
<u>2/</u> Overhead Incurred		\$223,351
Overhead Accepted:		
Direct Labor & Fringe Benefits	\$155,348	
Audited Overhead Rate	<u>X 134.90%</u>	<u>209,565</u>
Overhead Questioned		<u>\$13,786</u>

ROY LITTLEJOHN ASSOCIATES, INC.
 AID/SOD/it-C-0008
 Summary of Costs Incurred, Questioned & Accepted
FY Ended May 31, 1982

	<u>Costs</u>		
	<u>Incurred</u>	<u>Questioned</u>	<u>Accepted</u>
Direct Labor	\$174,303	\$ -0-	\$174,303
Fringe Benefits	<u>43,489</u>	<u>(4,131)</u> 1/	<u>47,620</u>
Subtotal	\$217,792	\$(4,131)	\$221,923
Overhead	259,433	26,148 2/	233,285
Other Direct Costs	<u>71,948</u>	<u>-0-</u>	<u>71,948</u>
Total	<u>\$549,173</u>	<u>\$22,017</u>	\$527,156
Amount Reimbursed			<u>466,009</u>
Amount Due Contractor			<u>\$61,147</u>

Explanatory Notes:

<u>1/</u> Fringe Benefits Incurred		\$43,489
Fringe Benefits Accepted:		
Direct Labor	\$174,303	
Audited Fringe Benefit Rate	<u>X 27.32%</u>	<u>47,620</u>
Fringe Benefits Questioned		<u>\$(4,131)</u>
<u>2/</u> Overhead Incurred		\$259,433
Overhead Accepted:		
Direct Labor & Fringe Benefit Rate	\$221,923	
Audited Overhead Rate	<u>X 105.12%</u>	<u>233,285</u>
Overhead Questioned		<u>\$26,148</u>

Exhibit D

ROY LITTLEJOHN ASSOCIATES, INC.
Contract AID/SOD/it-C-0008

CONTRACTOR'S CLAIMED INDIRECT EXPENSE RATES
AND RESULTS OF REVIEW FOR FISCAL YEARS
1980, 1981, AND 1982

	<u>FISCAL YEAR 1980</u>		
	<u>Claimed</u>	<u>Accepted</u>	<u>Questioned</u>
Fringe Benefits	23.7 %	22.7 %	1.0 %
Overhead	114.69%	107.70%	6.99%

	<u>FISCAL YEAR 1981</u>		
	<u>Claimed</u>	<u>Accepted</u>	<u>Questioned</u>
Fringe Benefits	23.58%	21.84%	1.74%
Overhead	141.75%	134.90%	6.85%

	<u>FISCAL YEAR 1982</u>		
	<u>Claimed</u>	<u>Accepted</u>	<u>Questioned</u>
Fringe Benefits	24.95%	27.32%	(2.37%)
Overhead	119.12%	105.12%	14.00%

APR 1 10 05 AM '83

REPORT ON AUDIT OF INCURRED COSTS FOR FISCAL
YEARS ENDING MAY 31, 1980, 1981, and 1982
ROY LITTLEJOHN ASSOCIATES, INC.
WASHINGTON, D.C.

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 Roy Littlejohn Associates, Inc.

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 who will determine releasability and respond 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 for negotiating or administering its contract.

DEFENSE CONTRACT AUDIT AGENCY
PHILADELPHIA REGION
CAPITAL BRANCH OFFICE
ARLINGTON, VIRGINIA

AUDIT REPORT NO. 6131-3B160.017

DATE OF REPORT: March 31, 1983

FOR OFFICIAL USE ONLY

DECLASSIFIED
BY 60 2000
ON 11/21/07
INITIAL [Signature]

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DEFENSE CONTRACT AUDIT AGENCY

PHILADELPHIA REGION
CAPITAL BRANCH OFFICE
COMMONWEALTH BUILDING - 10TH FLOOR
1300 WILSON BOULEVARD
ARLINGTON, VIRGINIA 22209

IN REPLY
REFER TO

6131-B

March 31, 1983

SUBJECT: Report on Audit of Incurred Costs
For Fiscal Years Ending May 31, 1980,
1981 and 1982
Roy Littlejohn Associates, Inc.
Audit Report No. 6131-3B160.017

TO: Department of Health and Human Services
3535 Market Street, 10th Floor
Post Office Box 13716
Philadelphia, Pennsylvania 19101

ATTN: Mr. Gervus Rafalko, Regional Audit Director

I. PURPOSE AND SCOPE OF AUDIT.

We have examined the books and records of Roy Littlejohn Associates, Inc. for the fiscal years ended May 31, 1980, 1981, and 1982 to determine the acceptability of claimed direct and indirect costs and for the establishment of final negotiated indirect expense rates. The proposed indirect expense rates are for application to the cost reimbursable type contracts listed in Appendix 1.

Our 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 terms of the individual contracts and cost principles contained in the applicable Government procurement regulations were used as criteria in the determination of acceptable cost.

II. CONCLUSIONS.

Our detailed recommendations and conclusions are included in the Exhibits and Appendix to this report. We discussed the results of our review with Mr. John H. Nguyen-Long, Controller, who has concurred with our audit findings.

We will be pleased to furnish accounting counsel and any additional audit services which you may require. You may contact Mr. James Street, Supervisory Auditor, at (202) 694-8543.

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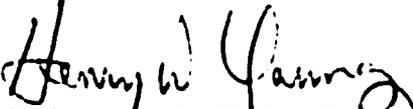
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Audit Report No. 6131-3B160.017

The data in this report is provided solely for the purpose of finalizing Roy Littlejohn Associates, Inc. direct and indirect costs for their fiscal years ended May 31, 1980, 1981 and 1982. We should be consulted regarding its use for any other purposes.

Upon final negotiations, please send us a copy of the negotiation memorandum.

DEFENSE CONTRACT AUDIT AGENCY


HENRY W. YOUNG, Branch Manager

Copy to:

➤ Department of State
Agency for International Development
Washington, D.C. 20523
ATTN: Mr. Charles Browne
Office of Regional Inspector
General/Audit/Washington

ACTION

Suite P-314

806 Connecticut Avenue, N.W.

Washington, D.C. 20525

ATTN: Mr. Joseph Radford, Contracting Officer

Audit Report No. 6131-3B160.017

Roy Littlejohn Associates, Inc.
Washington, D.C.

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STATEMENT OF CONTRACTOR'S CLAIMED DIRECT COST AND
RESULTS OF AUDIT REVIEW FOR FISCAL YEARS 1980, 1981 AND 1982

<u>Department of Health & Human Services</u>		FY 1980		FY 1981		FY 1982		<u>Notes</u>
		<u>Direct Labor</u>	<u>Other Dir. Cost</u>	<u>Direct Labor</u>	<u>Other Dir. Cost</u>	<u>Direct Labor</u>	<u>Other Dir. Cost</u>	
HEW105-77-1040	Claimed and Recommended	\$ 20,316	\$ 55	\$ -	\$ -	\$ -	\$ -	
HEW105-79-1019	Claimed and Recommended	55,121	17,631	22,878	8,078	-	-	
HHS105-80-C-037	Claimed and Recommended	-	-	59,294	26,209	23,960	4,879	
300-81-0061	Claimed and Recommended	-	-	15,609	304	31,753	8,865	
HHS105-81-C-022	Claimed	-	-	-	-	59,958	21,161	
	Questioned	-	-	-	-	173	0	1
300-77-0316	Claimed	<464>	<582>	0	8,520	0	78,400	
	Questioned	0	0	0	8,520	0	78,400	2
<u>ACTION</u>								
81-042-1005	Claimed and Recommended	-	-	25,891	76,938	-	-	
80-042-1002	Claimed	36,563	167,164	0	<499>	-	-	
	Questioned	0	0	0	200	-	-	3
<u>Agency for International Development</u>								
AID-SOD-IT-C-0008	Claimed and Recommended	89,448	6,021	127,502	44,845	174,303	71,948	
AID-A/SAN-C-0040	Claimed and Recommended	3,971	20,105	-	-	-	-	

() represents upward adjustment

Explanatory Notes.

1. The questioned cost represents indirect labor improperly charged as direct labor.

2. During the performance of Contract No. 300-77-0316, Roy Littlejohn Associates, Inc. (RLA) billed the DHHS for \$8,520 in FY 1981 and \$78,400 in FY 1982 for consultant costs incurred by Community Arts Association of Santa Barbara, California. The DHHS refused to pay RLA because of a dispute regarding incurrence of the cost in violation of a contractual provision. RLA was subsequently ordered by a court of law to pay Community Arts Association. RLA complied and "booked" the cost against the subject contract.

We consider the entire amount unallowable unless the contracting officer subsequently determines the cost to be allowable in accordance with the provisions of the applicable contract.

3. The claimed costs represent the contractor's adjustment for improperly charged direct costs. The questioned costs represent the reclassification of consulting costs from the overhead expense pool to direct cost.

Roy Littlejohn Associates, Inc.
Washington, D.C.

STATEMENT OF CONTRACTOR'S CLAIMED INDIRECT EXPENSE RATES
AND RESULTS OF AUDIT REVIEW FISCAL YEARS 1980 THROUGH 1982

	<u>Expense</u>	<u>Base (Note 1)</u>	<u>Rate</u>	<u>Note</u>
<u>Fiscal Year 1980</u>				
<u>Fringe Benefits</u>				
Claimed	\$108,170	\$456,413	23.7%	
Questioned	4,344	0	1.0%	2
Recommended	103,826	456,413	22.7%	
<u>Overhead</u>				
Claimed	415,830	362,581	114.69%	
Questioned	28,492	2,961	6.99%	2
Recommended	387,338	359,520	107.70%	
<u>Fiscal Year 1981</u>				
<u>Fringe Benefits</u>				
Claimed	122,090	517,823	23.58%	
Questioned	8,977	0	1.74%	2
Recommended	113,123	517,823	21.84%	
<u>Overhead</u>				
Claimed	559,337	394,600	141.75%	
Questioned	34,497	5,556	6.85%	2
Recommended	524,840	389,044	134.90%	
<u>Fiscal Year 1982</u>				
<u>Fringe Benefits</u>				
Claimed	136,135	545,703	24.95%	
Questioned	<12,942>	0	<2.37%>	2
Recommended	149,077	545,703	27.32%	
<u>Overhead</u>				
Claimed	542,557	455,486	119.12%	
Questioned	54,875	<8,422>	14.00%	2
Recommended	487,682	463,908	105.12%	

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Explanatory Notes.

1. The allocation bases are as follows:

Fringe Benefits - Total Labor
Overhead - Direct Labor Plus Fringe Benefits

2. The questioned costs represent out of period costs, mischarged direct costs, unsupported costs, and unallowable costs per the Federal Procurement Regulations. The details are not included in this report because the contractor concurs with our adjustments. They are available upon request.

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Roy Littlejohn Associates, Inc.
Washington, D.C.

GOVERNMENT COST TYPE CONTRACTS TO WHICH THE RATES APPLY

Department of Health & Human Services

HEW105-77-1040
HEW105-79-1019
HHS105-81-C-022 (1)
HHS105-80-C-037
300-81-0061 (2)
300-77-0316

ACTION

80-042-1002 (3)
81-042-1005 (4)

Agency for International Development

AID-SOD-IT-C-0008
AID/DSAN-C-0040

- (1) Contract has overhead ceiling rate of 104%.
- (2) Contract has overhead ceiling rate of 85% and fringe benefits rate of 23%.
- (3) Contract has overhead ceiling rate of 85% applied to direct labor only.
- (4) Contract has overhead ceiling rate of 85%.

ROY LITTLEJOHN ASSOCIATES, INC.

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/SOD	1
Office of Contract Management, CM/SOD/PDC	1
Office of Contract Management, CM/SOD/OSC	1
Office of Contract Management, SER/CM/COD	1
Office of Contract Management, CM/COD/AN	1
Office of the Inspector General, IG	1
DCAA, Capital Branch, Arlington	1
IG/II	1
IG/PPP	1
IG/EMS/C&R	16