

Financial Audits

**AUDIT OF
CLAPP AND MAYNE, INC.
Federal Contracts
May 1, 1990 to April 30, 1991**

Report No. 0-000-93-02-N
November 30, 1992



**CONTRACTOR INFORMATION CONTAINED IN THIS
REPORT MAY BE PRIVILEGED. THE RESTRICTIONS OF
18 USC 1904 SHOULD BE CONSIDERED BEFORE ANY
INFORMATION IS RELEASED TO THE PUBLIC.**





U.S. AGENCY FOR
INTERNATIONAL
DEVELOPMENT

November 30, 1992

MEMORANDUM FOR D/USAID/Dominican Republic, Raymond F. Rifenburg
D/USAID/Honduras, Marshall D. Brown
D/USAID/El Salvador, John Sanbrailo
FROM: *B. Howard*
IG/A/FA, Reginald Howard
SUBJECT: Audit of Clapp & Mayne, Incorporated

The accounting firm of Gardiner, Kanya & Associates performed a financial-related audit of U.S. Government contracts with Clapp and Mayne, Incorporated (C&M). Five copies of the report are enclosed for your information.

C&M provides professional assistance to third world countries in the fields of management consulting, economics, planning, marketing research, and statistical analysis.

The accounting firm audited direct and overhead costs incurred for five U.S. Government contracts. Contract expenditures for the audit period May 1, 1990 to April 30, 1991 totalled \$1.7 million.

The objectives of the audit were to determine whether: the Statement of Contract Expenditures was presented fairly in accordance with generally accepted accounting principles; the internal control structure was adequate; and C&M had complied with contract provisions, applicable laws and regulations.

The auditor determined that the Statement of Contract Expenditures was presented fairly in all material respects. With respect to C&M's internal control structure and compliance with contract provisions, applicable laws and regulations, no material weaknesses were noted. A minor improvement was needed in compliance and C&M management agreed to correct the problem.

This report therefore does not contain any recommendations for inclusion in the Office of the Inspector General's audit recommendation follow-up system.

CLAPP AND MAYNE , INC.
REPORT ON AUDIT OF U.S. GOVERNMENT CONTRACTS
FOR THE
OFFICE OF INSPECTOR GENERAL
U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

FOR THE PERIOD FROM MAY 1, 1990
TO APRIL 30, 1991

Gardiner, Kamy & Associates, P.C.

Management Consultants and Certified Public Accountants
Washington, D.C.

CLAPP AND MAYNE , INC.

REPORT ON AUDIT OF U.S. GOVERNMENT CONTRACTS

FOR THE PERIOD MAY 1, 1990
TO APRIL 30, 1991

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Gardiner, Kamy & Associates, P.C.

Management Consultants and Certified Public Accountants

1717 K Street, N.W., Suite 601. Washington, D.C. 20036

Phone: 202 857-1777

September 3, 1992

Mr. Reginald Howard
Director, Financial Audits
IG/A/FA SA-16 (RPE)
Room 514
Washington, D.C. 20523-1604

Dear Mr. Howard:

This report presents the results of our audit of Clapp and Mayne Inc.'s, United States Government Contracts, for the period from May 1, 1990 to April 30, 1991.

BACKGROUND

Clapp and Mayne provides professional assistance to third world countries in the fields of management consulting services, economics, planning, marketing research, and statistical analysis.

The following contracts were subject to testing:

- o AID 517-0236-C-00-9001-00, Dominican Republic Sugar Diversification
- o AID 517-0153-C-00-9100-00, Dominican Republic Health Systems Project II
- o AID 519-0308-C-00-8047-00, El Salvador Ministry of Health
- o AID 522-0273-C-00-7268-00, Honduras Primary Efficiency of Education
- o AID 522-0296-C-00-9119-00, Honduras Strengthening Democratic Institutions

Mr. Reginald Howard
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September 3, 1992

AUDIT OBJECTIVE AND SCOPE

The objective of our audit was to perform a financial audit of all U.S Government contracts received and administered by Clapp and Mayne.

We conducted our audit in accordance with generally accepted auditing standards and the Comptroller General's Government Auditing Standards and, accordingly, included such tests of the accounting records, internal control structure and other such accounting procedures as we considered necessary in the circumstances to determine whether:

1. The Statement of Contract Expenditures presents fairly the expenditures from May 1, 1990 to April 30, 1991, and whether costs claimed for reimbursement by Clapp and Mayne were reasonable, allowable, and allocable.
2. The direct and indirect costs claimed under the contracts are supported with proper documentation;
3. Clapp and Mayne's internal control structure was sufficient to record data under the contracts, and was adequate for maintaining compliance with the contracts;
4. Clapp and Mayne complied with U.S. Government regulations, U.S. laws, and the terms of the contracts.

Audit procedures conducted in order to meet the audit objectives included the testing of a sample of transactions incorporating the following:

Internal Control Structure

Studying and evaluating Clapp and Mayne's internal control structure relative to the contracts in order to assess control risks, as a basis for applying our auditing procedures.

Contract Provisions

Comparing costs to the approved budgets contained in the contracts.

Mr. Reginald Howard
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September 3, 1992

Direct Costs

Examining supporting documentation for selected expenses to determine allowability of expenditures and compliance with the terms of the contracts' applicable laws and regulations.

Indirect Costs

Reviewing the allocation of overhead costs and analyzing selected overhead charges to determine whether the charges were in accordance with the contracts' applicable laws and regulations.

RESULTS OF THE AUDIT

Statement of Contract Expenditures

We have audited the Statement of Contract Expenditures of Clapp and Mayne, Inc. for the period May 1, 1990 to April 30, 1991. The Statement of Contract Expenditures is the responsibility of Clapp and Mayne's management. Our responsibility is to express an opinion on the Statement of Contract Expenditures based on our audit. In our opinion, the Statement of Contract Expenditures is fairly presented, in all material respects, in conformity with generally accepted accounting principles.

Compliance with the Terms of the Contracts and Applicable Laws and Regulations

As part of our audit, we performed tests of Clapp and Mayne's compliance with certain provisions of the contracts and laws, regulations, and binding policies and procedures. We performed those tests of compliance as part of obtaining reasonable assurance about whether the Statement of Contract Expenditures is free of material misstatements; our objective was not to provide an opinion on compliance with such provisions.

The results of our tests of compliance indicate that with respect to the items tested, Clapp and Mayne complied, in all material respects, with the provisions of the contracts and laws, regulations, and binding policies and procedures. With respect to the items not tested, the extent of non-compliance noted in our testing indicates that there is a relatively low risk that Clapp and Mayne has violated the terms of the contracts or applicable laws and regulations.

Mr. Reginald Howard
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September 3, 1992

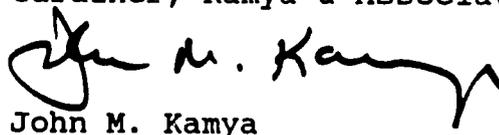
Internal Control Structure

We studied and evaluated Clapp and Mayne's internal control structure relative to the contracts in order to assess the control risks, so as to determine auditing procedures necessary for the purpose of expressing an opinion on the Statement of Contract Expenditures of Clapp and Mayne, and not to provide assurance on Clapp and Mayne's internal control structure taken as a whole. We noted no matters involving the internal control structure and its operations that we consider to be material weaknesses.

Management Comments

The finding included in this report has been presented to Clapp & and Mayne's management, and management has orally concurred with the factual accuracy of this finding.

Very truly yours,
Gardiner, Kamy & Associates, P.C.


John M. Kamy

Gardiner, Kamy & Associates, P.C.

Management Consultants and Certified Public Accountants

1717 K Street, N.W., Suite 601. Washington, D.C. 20036

Phone: 202 857-1777

CLAPP AND MAYNE, INC.

U.S GOVERNMENT CONTRACTS

STATEMENT OF CONTRACT EXPENDITURES

Independent Auditors' Report

We have audited the Statement of Contract Expenditures of Clapp and Mayne, Inc. for the period May 1, 1990 through April 30, 1991. The Statement of Contract Expenditures is management's responsibility. Our responsibility is to express an opinion on the Statement of Contract Expenditures based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Statement of Contract Expenditures. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the Statement of Contract Expenditures. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 7 to each of the accompanying statements, the statements only include Clapp & Mayne's expenditures and reimbursements with respect to U.S. Government contracts and are not intended to present Clapp & Mayne's overall financial position, results of its operations or changes in its fund balance in accordance with generally accepted accounting principles.

In our opinion, the Statement of Contract Expenditures referred to above is fairly presented, in all material respects, in conformity with generally accepted accounting principles.

Gardiner, Kamy & Associates, P.C.
September 3, 1992

**Clapp and Mayne, Inc.
Silver Spring, Maryland**

**STATEMENT OF REIMBURSABLE COSTS
BY CONTRACT FROM INCEPTION
THROUGH CONTRACTOR FISCAL YEAR (CFY)
ENDED 30 APRIL 1991**

Contract No. AID/517-0236-C-00-9001-00, Dominican Republic Sugar Diversification	SCHEDULE 1
Contract No. AID/517-0153-C-00-9100-00, Dominican Republic Health II	SCHEDULE 2
Contract No. AID/519-0308-C-00-8047-00, El Salvador Ministry of Health	SCHEDULE 3
Contract No. AID/522-0273-C-00-7268-00, Honduras Primary Efficiency of Education	SCHEDULE 4
Contract No. AID/522-0296-C-00-9119-00, Honduras Strengthening Democratic Institutions	SCHEDULE 5

Clapp & Mayne, Inc.
Silver Spring, Maryland

STATEMENT OF CONTRACT EXPENDITURES
FOR THE YEAR ENDED APRIL 30, 1991
CONTRACT NO. AID/517-0236-C-00-9001-00
DOMINICAN REPUBLIC SUGAR DIVERSIFICATION

	Results of Audit Review (Note 1)											Ref.
	Budget	Incurred Costs			Audit Recommended Costs			Questioned Costs			AID Reimbursement	
		Beg. Bal.	Current	Cumulative	Beg. Bal.	Current	Cumulative	Beg. Bal.	Current	Cumulative		
<u>Fiscal Year 1991</u>												
Direct Labor	\$ 451,499	\$ 253,433	\$ 120,596	\$ 374,029	\$ 253,433	\$ 120,596	\$ 374,029	\$	\$	\$	119,935	
Fringe Benefits	68,334	44,486	29,814	74,300	44,486	29,814	74,300				30,723	Note 8
Subtotal	519,833	297,919	150,410	448,329	297,919	150,410	448,329	0	0	0	150,658	
Overhead	296,305	193,647	97,766	291,413	193,647	97,766	291,413				121,676	Note 5
Subcontracts	97,801	86,875	10,535	97,410	86,875	10,535	97,410				10,535	
Travel & Transportation	38,806	16,015	5,727	21,742	16,015	5,727	21,742				4,047	
Allowances	150,618	54,430	28,435	82,865	54,430	28,435	82,865				27,819	
Other Direct Costs	11,700	11,976	1,322	13,298	11,976	2,543	14,519				1,321	Note 8
Total Costs	\$ 1,115,063	\$ 660,862	\$ 294,195	\$ 955,057	\$ 660,862	\$ 295,416	\$ 956,278	\$ 0	\$ 0	\$ 0	316,056	
Fixed Fees	89,205	50,826	25,677	76,503	50,826	25,677	76,503				25,346	Note 6
Grand Total	\$ 1,204,268	\$ 711,688	\$ 319,872	\$ 1,031,560	\$ 711,688	\$ 321,093	\$ 1,032,781	\$ 0	\$ 0	\$ 0	341,402	

The accompanying notes are an integral part of this Statement of Contract Expenditures.

Clapp and Mayne, Inc.
Notes to the Statement of Contract Expenditures
For the Year Ended April 30, 1991
Contract No. AID/517-0236-C-00-9001-00
Dominican Republic Sugar Diversification

Note 1 - Qualifications

The results of our audit are unqualified as discussed in the narrative portion of this report.

Note 2 - Incurred Costs

Incurred costs represent amounts as presented in the contractor's official books and records, not amounts as claimed on public vouchers.

Note 3 - Audit Recommended Direct Costs

- a. Audit recommended direct costs include direct labor, fringe benefits, subcontracts, travel and transportation, allowances, and other direct costs. Costs incurred through April 30, 1990 (i.e. beginning balances) represent amounts as presented in DCAA's Audit Report No. 1251-91F16990046-1-687, dated September 20, 1991.
- b. Costs incurred for the fiscal year ended April 30, 1991 represent amounts recorded in the contractor's books and records.

Note 4 - AID Reimbursement

AID reimbursement costs comprise the following:

1991 costs invoiced and paid in 1991	\$181,615
1991 costs invoiced and paid in 1992	132,290
1989 and 1990 overhead and related fixed fees invoiced in 1991 and paid in 1992	26,407
1990 costs invoiced and paid in 1991	<u>1,090</u>
	<u>\$341,402</u>

Clapp and Mayne, Inc.
Notes to the Statement of Contract Expenditures
For the Year Ended April 30, 1991
Contract No. AID/517-0236-C-00-9001-00
Dominican Republic Sugar Diversification

Note 5 - Audit Recommended Overhead Costs

- a. Audit recommended overhead costs incurred through April 30, 1990 (i.e., beginning balance) represent amounts as presented in DCAA's Audit Report No. 1251-91F16990046-1-687, dated September 20, 1991.
- b. Audit recommended overhead costs for the fiscal year ended April 30, 1991 were computed by applying the contract overhead ceiling rate of 65% to the sum of the audit recommended direct labor and fringe benefits (i.e., $65\% \times \$150,410 = \$97,766$).

Note 6 - Fixed Fees

Audit recommended fixed fees represent billings as presented in the contractor's records.

Note 7 - Basis of Presentation

The schedules only include Clapp & Mayne's expenditures and reimbursements related to U.S. Government contracts and are not intended to present Clapp & Mayne's overall financial position, results of its operations or changes in its fund balance in accordance with generally accepted accounting principles.

Note 8 - Budget Overruns

The contract agreement allows cost for an individual line item to exceed the budgeted amount by up to 15%. The additional costs incurred in this category do not exceed this allowable limit.

Clapp & Mayne, Inc.
Silver Spring, Maryland

STATEMENT OF CONTRACT EXPENDITURES
FOR THE YEAR ENDED APRIL 30, 1991
CONTRACT NO. AID/517-0153-C-00-9100-00
DOMINICAN REPUBLIC HEALTH II

Results of Audit Review (Note 1)

	Budget	Incurred Costs			Audit Recommended Costs			Questioned Costs			AID Reimbursement (Note 4)	Ref.
		Beg. Bal.	Current (Note 2)	Cumulative	Beg. Bal.	Current (Note 3)	Cumulative	Beg. Bal.	Current	Cumulative		
Fiscal Year 1991												
Direct Labor	\$188,170	\$141,053	\$47,117	\$188,170	\$141,053	\$47,117	\$188,170				\$47,117	
Fringe Benefits	40,470	24,904	15,566	40,470	24,904	15,566	40,470				15,748	
Subtotal	\$228,640	\$165,957	\$62,683	\$228,640	\$165,957	\$62,683	\$228,640	\$0	\$0	\$0	\$62,865	
Overhead	148,620	107,872	40,744	148,616	107,872	40,744	148,616				49,190	Note 5
Subcontracts	202,750	102,062	39,571	141,633	102,062	39,571	141,633				39,571	
Travel & Transportation	24,800	14,324	10,519	24,843	14,324	10,519	24,843				10,525	Note 8
Allowances	69,112	49,401	19,626	69,027	49,401	19,626	69,027				19,624	
Equipment	225,700	98,963	70,428	169,391	98,963	70,428	169,391				70,428	
Other Direct Costs	32,700	19,048	13,727	32,775	19,048	13,727	32,775				13,573	Note 8
Total Costs	\$932,322	\$557,627	\$257,298	\$814,925	\$557,627	\$257,298	\$814,925	\$0	\$0	\$0	\$265,776	
Fixed Fees	83,909	49,413	34,496	83,909	49,413	34,496	83,909				34,383	Note 6
Grand Total	<u>\$1,016,231</u>	<u>\$607,040</u>	<u>\$291,794</u>	<u>\$898,834</u>	<u>\$607,040</u>	<u>\$291,794</u>	<u>\$898,834</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$300,159</u>	

The accompanying notes are an integral part of this Statement of Contract Expenditures.

Clapp and Mayne, Inc.
Notes to the Statement of Contract Expenditures
For the Year Ended April 30, 1991
Contract No. AID/517-0153-C-00-9100-00
Dominican Republic Health II

Note 1 - Qualifications

See Schedule 1, Note 1.

Note 2 - Incurred Costs

See Schedule 1, Note 2.

Note 3 - Audit Recommended Direct Costs

See Schedule 1, Note 3.

Note 4 - AID Reimbursement

AID reimbursement costs comprise the following:

1991 costs invoiced and paid in 1991	\$289,799
1991 costs invoiced and paid in 1992	1,837
1989 and 1990 overhead and related fixed fees invoiced in 1991 and paid in 1992	8,298
1990 costs invoiced and paid in 1991	<u>225</u>
	<u>\$300,159</u>

Note 5 - Audit Recommended Overhead Costs

a. See Schedule 1, Note 5a.

Clapp and Mayne, Inc.
Notes to the Statement of Contract Expenditures
For the Year Ended April 30, 1991
Contract No. AID/517-0153-C-00-9100-00
Dominican Republic Health II

- b. Audit recommended overhead costs for the contractor's 1991 fiscal year were computed by applying the contract overhead ceiling rate of 65% to the sum of direct labor and fringe benefit (i.e., $65\% \times \$62,683 = \$40,744$).

Note 6 - Fixed Fee

See Schedule 1, Note 6.

Note 7 - Basis of Presentation

See Schedule 1, Note 7.

Note 8 - Budget Overruns

See Schedule 1, Note 8.

Clapp & Mayne, Inc.
Silver Spring, Maryland

STATEMENT OF CONTRACT EXPENDITURES
FOR THE YEAR ENDED APRIL 30, 1991
CONTRACT NO. AID/519-0308-C-00-8047-00
EL SALVADOR MINISTRY OF HEALTH

Fiscal Year 1991	Results of Audit Review (Note 1)											Ref.
	Budget	Incurred Costs			Audit Recommended Costs			Questioned Costs			AID Reimbursement	
		Beg. Bal.	Current	Cumulative	Beg. Bal.	Current	Cumulative	Beg. Bal.	Current	Cumulative		
Direct Labor	\$ 779,089	\$ 342,342	\$ 266,017	\$ 608,359	\$ 342,342	\$ 266,017	\$ 608,359	\$	\$	\$	266,016	
Fringe Benefits	156,215	76,703	41,275	117,978	76,703	41,275	117,978				40,548	
Subtotal	\$ 935,304	\$ 419,045	\$ 307,292	\$ 726,337	\$ 419,045	\$ 307,292	\$ 726,337	0 \$	0 \$	0 \$	306,564	
Overhead	604,080	286,331	237,261	503,592	286,331	237,261	523,592				207,575	Note 5
Subcontracts	1,115,328	898,836	127,670	1026506	898836	127670	1026506				127239	
Travel & Transportation	78,141	46,040	27,183	73,223	46,040	27,183	73,223				27,453	
Allowances	361,391	167,044	127,229	294,273	167,044	127,229	294,273				127,229	
Other Direct Costs	204,314	106,510	59,251	165,761	106,510	59,251	165,761				58,249	
Total Costs	\$ 3,298,558	\$ 1,923,806	\$ 885,886	\$ 2,789,692	\$ 1,923,806	\$ 885,886	\$ 2,809,692	0 \$	0 \$	0 \$	854,309	
Fixed Fees	261,599	154,189	68,381	222,570	154,189	68,381	222,570				68,345	Note 6
Grand Total	\$ 3,560,157	\$ 2,077,995	\$ 954,267	\$ 3,012,262	\$ 2,077,995	\$ 954,267	\$ 3,032,262	0 \$	0 \$	0 \$	922,654	

The accompanying notes are an integral part of this Statement of Contract Expenditures.

Clapp and Mayne, Inc.
Notes to the Statement of Contract Expenditures
For the Year Ended April 30, 1991
Contract No. AID/519-0308-C-00-8047-00
El Salvador Ministry of Health

Note 1 - Qualifications

See Schedule 1, Note 1

Note 2 - Incurred Costs

See Schedule 1, Note 2

Note 3 - Audit Recommended Direct Costs

See Schedule 1, Note 3.

Note 4 - AID Reimbursement

AID reimbursement costs comprise the following:

1991 costs invoiced and paid in 1991	\$656,596
1991 costs invoiced and paid in 1992	264,984
1990 costs invoiced and paid in 1991	<u>1,074</u>
	<u>\$922,654</u>

Note 5 - Audit Recommended Overhead Costs

- a. See Schedule 1, Note 5a.
- b. Audit recommended overhead costs for the 1991 fiscal year were computed by applying the USAID approved FY 1991 provisional overhead rate of 77.21% to the sum of the audit recommended direct labor and fringe benefits (i.e., $77.21\% \times \$307,292 = \$237,261$).

Note 6 - Fixed Fees

See Schedule 1, Note 6.

Note 7 - Basis of Presentation

See Schedule 1, Note 7.

Clapp & Mayne, Inc.
Silver Spring, Maryland

STATEMENT OF CONTRACT EXPENDITURES
FOR THE YEAR ENDED APRIL 30, 1991
CONTRACT NO. AID/522-0273-C-00-7268
HONDURAS PRIMARY EFFICIENCY OF EDUCATION PROJECT

Results of Audit Review (Note 1)

	<u>Budget</u>	<u>Incurred Costs</u>			<u>Audit Recommended Costs</u>			<u>Questioned Costs</u>			<u>AID Reimbursement</u>	<u>Ref.</u>
		<u>Beg. Bal.</u>	<u>Current</u> (Note 2)	<u>Cumulative</u>	<u>Beg. Bal.</u>	<u>Current</u> (Note 3)	<u>Cumulative</u>	<u>Beg. Bal.</u>	<u>Current</u>	<u>Cumulative</u>		
<u>Fiscal Year 1991</u>												
Direct Labor	\$ 164,556	\$ 145,190	\$ 0	\$ 145,190	\$ 145,190	\$ 0	\$ 145,190	\$	\$	\$		
Fringe Benefits	29,304	29,942	0	24,942	24,940	0	24,940					
Subtotal	\$ 193,860	\$ 175,132	\$ 0	\$ 170,132	\$ 170,130	\$ 0	\$ 170,130	\$ 0	\$ 0	\$ 0		0
Overhead	126,009	110,586	0	110,586	110,586	0	110,586					3,244 Note 5
Travel & Transportation	41,740	14,784	14,680	29,464	14,784	14,680	29,464					14,680
Allowances	73,112	64,305	705	65,010	64,305	705	65,010					705
Other Direct Costs	4,200	3,093	156	3,249	3,093	156	3,249					156
Total Costs	\$ 438,921	\$ 367,900	\$ 15,541	\$ 378,441	\$ 362,898	\$ 15,541	\$ 378,439	\$ 0	\$ 0	\$ 0		18,785
Fixed Fees	22,245	17,983	939	18,922	17,983	939	18,922					939 Note 6
Grand Total	\$ 461,166	\$ 385,883	\$ 16,480	\$ 397,363	\$ 380,881	\$ 16,480	\$ 397,361	\$ 0	\$ 0	\$ 0		19,724

The accompanying notes are an integral part of this Statement of Contract Expenditures.

Clapp and Mayne, Inc.
Notes to the Statement of Contract Expenditures
For the Year Ended April 30, 1991
Contract No. AID/522-0273-C-00-7268
Honduras Primary Efficiency of Education Project

Note 1 - Qualifications

See Schedule 1, Note 1.

Note 2 - Incurred Costs

See Schedule 1, Note 2.

Note 3 - Audit Recommended Direct Costs

See Schedule 1, Note 3.

Note 4 - AID Reimbursement

AID reimbursements comprise the following:

1991 costs invoiced and paid in 1991	\$ 16,317
1989 and 1990 overhead and related fixed fees invoiced in 1991 and paid in 1992	<u>3,407</u>
	<u>\$ 19,724</u>

Note 5 - Audit Recommended Overhead Costs

See Schedule 1, Note 5a.

Note 6 - Fixed Fees

See Schedule 1, Note 6.

Note 7 - Basis of Presentation

See Schedule 1, Note 7.

Clapp & Mayne, Inc.
Silver Spring, Maryland

STATEMENT OF CONTRACT EXPENDITURES
FOR THE YEAR ENDED APRIL 30, 1991
CONTRACT NO. AID/522-0296-C-00-9119-00
HONDURAS STRENGTHENING DEMOCRATIC INSTITUTIONS

Results of Audit Review (Note 1)

Fiscal Year 1991	Budget	Incurred Costs			Audit Recommended Costs			Questioned Costs			AID	Ref.
		Beg. Bal.	Current (Note 2)	Cumulative	Beg. Bal.	Current (Note 3)	Cumulative	Beg. Bal.	Current	Cumulative	Reimbursement (Note 4)	
Direct Labor	\$ 343,479	\$ 152,294	\$ 80,633	\$ 232,927	\$ 152,294	\$ 80,633	\$ 232,927	\$	\$	\$	80,782	
Fringe Benefits	68,895	23,412	14,242	37,654	23,412	14,242	37,654				14,247	
Subtotal	\$ 412,374	\$ 175,706	\$ 94,875	\$ 270,581	\$ 175,706	\$ 94,875	\$ 270,581	\$ 0	\$ 0	\$ 0	95,029	
Overhead	247,434	115,668	73,254	188,922	115,668	73,253	188,921				57,017	Note 5
Travel & Transportation	42,027	25,018	15,867	40,885	25,018	15,867	40,885				15,792	
Allowances	224,386	36,484	15,996	52,480	36,484	15,926	52,410				15,996	Note 7
Equipment	87,800	91,877	9,714	101,591	91,877	9,714	101,591				9,789	
Other Direct Costs	12,980	9,278	9,913	19,191	9,278	9,913	19,191				9,913	
Total Costs	\$ 1,027,001	\$ 454,031	\$ 219,619	\$ 673,650	\$ 454,031	\$ 219,548	\$ 673,579	\$ 0	\$ 0	\$ 0	203,536	
Fixed Fees	82,159	35,502	51,785	51,785	35,502	16,283	51,785				16,283	Note 6
Grand Total	\$ 1,109,160	\$ 489,533	\$ 271,404	\$ 725,435	\$ 489,533	\$ 235,831	\$ 725,364	\$ 0	\$ 0	\$ 0	219,819	
PSA Work												
Commodities & Related												
Services	1,661,409	553,279	73,437	626,716	553,279	73,437	626,716	0	0	0	73,437	
Fixed Fees	111,500	0	0	0	0	0	0	0	0	0	25,000	Note 6
	\$ 1,772,909	\$ 553,279	\$ 73,437	\$ 626,716	\$ 553,279	\$ 73,437	\$ 626,716	\$ 0	\$ 0	\$ 0	98,437	

The accompanying notes are an integral part of this Statement of Contract Expenditures.

Clapp and Mayne, Inc.
Notes to the Statement of Contract Expenditures
For the Year Ended April 30, 1991
Contract No. AID/522-0296-C-00-9119-00
Honduras Strengthening Democratic Institutions

Note 1 - Qualifications

See Schedule 1, Note 1.

Note 2 - Incurred Costs

See Schedule 1, Note 2.

Note 3 - Audit Recommended Direct Costs

- a. See Schedule 1, Note 3a.
- b. Costs incurred for the 1991 fiscal year represent amounts recorded in the contractor's books and records. Based on our review, except for the exception described in Note 7 below, we take no exception to the recorded amounts.

Note 4 - AID Reimbursement

AID reimbursement costs comprise the following:

1991 costs invoiced and paid in 1991	\$ 91,313
1991 costs invoiced and paid in 1992	<u>128,506</u>
	<u>\$219,819</u>

Note 5 - Audit Recommended Overhead Costs

- a. See Schedule 1, Note 5a.

Clapp and Mayne, Inc.
Notes to the Statement of Contract Expenditures
For the Year Ended April 30, 1991
Contract No. AID/522-0296-C-00-9119-00
Honduras Strengthening Democratic Institutions

- b. Audit recommended overhead costs for the 1991 fiscal year was computed by applying the USAID approved fiscal year 1991 provisional overhead rate of 77.21% to the sum of the audit recommended direct labor and fringe benefits (i.e., $77.21\% \times \$94,875 = \$73,253$).

Note 6 - Fixed Fees

See Schedule 1, Note 6.

Note 7 - Allowances

The contractor claimed \$70 in per diem costs which exceeded AID standardized rates. These costs were therefore ineligible. As of the date of this report, Clapp and Mayne management has agreed to reduce future billings by this amount.

Note 8 - AID Reimbursement - PSA Work

AID reimbursement costs comprise the following:

1991 costs invoiced and paid in 1991	\$72,149
1991 costs invoiced and paid in 1992	<u>26,288</u>
	<u>\$98,437</u>

Note 9 - Basis of Presentation

See Schedule 1, Note 7.

Gardiner, Kamyra & Associates, P.C.

Management Consultants and Certified Public Accountants

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CLAPP AND MAYNE, INC.

U.S. GOVERNMENT CONTRACTS

COMPLIANCE WITH THE TERMS OF THE CONTRACTS AND APPLICABLE

LAWS AND REGULATIONS

Independent Auditors' Report

We have audited the Statement of Contract Expenditures of Clapp and Mayne, Inc.'s U.S. Government contracts for the period May 1, 1990 to April 30, 1991, and have issued our report thereon dated September 3, 1992.

We conducted our audit in accordance with generally accepted auditing standards and the standards for financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Statement of Contract Expenditures is free of material misstatement.

Compliance with the terms of the contracts and the laws, regulations, and binding policies and procedures applicable to Clapp and Mayne is the responsibility of Clapp and Mayne's management. As part of our audit, we performed tests of Clapp and Mayne's compliance with certain provisions of the contracts and laws, regulations, and binding policies and procedures. However, it should be noted that we performed those tests of compliance as part of obtaining reasonable assurance about whether the Statement of Contract Expenditures is free of material misstatement; our objective was not to provide an opinion on compliance with such provisions.

The results of our tests of compliance indicate that with respect to the items tested Clapp and Mayne complied, in all material respects, with the provisions referred to in the third paragraph of this report. With respect to the items not tested, nothing came to our attention that caused us to believe that Clapp & Mayne had not complied in all material respects, with those provisions.

This report is intended solely for the use of the U.S. Agency for International Development and Clapp and Mayne. This restriction is not intended to limit the distribution of this report which, upon acceptance by the Office of the Inspector General, is a matter of public record.

Gardiner, Kanga & Associates
September 3, 1992

CLAPP AND MAYNE, INC.

U.S GOVERNMENT CONTRACTS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

According to A.I.D. applicable regulations, costs charged to a project must meet the following general criteria:

- a) Be reasonable for the performance of the project. A cost is reasonable if, in its nature or amount, it does not exceed that which would be incurred by a prudent person under the same circumstances.
- b) Be allocable to the project. A cost is allocable in accordance with the relative benefits received.
- c) Conform to any limitations or exclusions set forth in the contract and applicable laws and regulations.
- d) Be adequately documented.

Ineligible costs are all those costs unallocable and or unallowable in accordance with the terms of the contracts' applicable laws and regulations. Unsupported costs are costs not properly supported by the recipient, in excess of the budgeted amount per line item including allowable variances, and costs considered unreasonable under the circumstances.

The following costs were questioned because they were not adequately supported or were not in compliance with the contracts' applicable laws or regulations:

- CONDITION: Ineligible per diem costs of \$70 were billed to and reimbursed by AID.
- CRITERIA: Per diem costs claimed for reimbursement must not exceed the limits established by AID.
- CAUSE: a. A \$119 per diem allowance was paid to an employee, the maximum per diem rate at the time was \$94, thus resulting in an overpayment of \$25.
- b. A per diem allowance was paid to an employee at the rate of \$93 for 1 1/2 days, the correct rate was \$63, thereby resulting in an overpayment of \$45.

EFFECT: AID over-reimbursed Clapp and Mayne a total of \$70 in per diem allowances for FY 1991.

RECOMMENDATION: We recommend that USAID resolve the \$70 in questioned costs incurred under Clapp and Mayne, Inc., Contract No. 522-0296-C-00-9119-00, billed in excess of the allowed per diem rates.

SUBSEQUENT RESOLUTION: The management of Clapp and Mayne, Inc. agreed to reduce future billings to AID by this amount.

Gardiner, Kamyra & Associates, P.C.

Management Consultants and Certified Public Accountants

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CLAPP AND MAYNE, INC.

U.S. GOVERNMENT CONTRACTS

INTERNAL CONTROLS

Independent Auditors' Report

We have audited the Statement of Contract Expenditures of Clapp and Mayne, Inc. and their compliance with terms of their U.S. Government contracts for the period from May 1, 1990 to April 30, 1991, and have issued our report thereon dated September 3, 1992.

We conducted our audit in accordance with generally accepted auditing standards and the standards for financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Statement of Contract Expenditures is free of material misstatement.

In planning and performing our audit of Clapp and Mayne, we considered its internal control structure as a basis for our auditing procedures for the purpose of expressing our opinion on the Statement of Contract Expenditures and not to provide assurance on the internal control structure.

The management of Clapp and Mayne is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgements by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that the assets are safeguarded against loss from unauthorized use or disposition, and that the transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, the projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of

changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the purpose of this report, we have classified the significant internal control structure policies and procedures of Clapp and Mayne applicable to the contracts in the following categories:

- Accounting procedures
- Payroll procedures
- Allowance and differential procedures
- Travel and transportation procedures
- Procurement system

For all the control categories listed above, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control structure elements does not reduce to a relatively low level, the risk that errors or irregularities in amounts that would be material in relation to the statement of contract expenditures being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operations that we consider to be material weaknesses as defined above.

However, we noted certain other matters involving the internal control structure and its operation that we have reported to the management of Clapp & Mayne in a separate letter dated September 3, 1992.

This report is intended solely for the use of Clapp and Mayne and the U.S. Agency for International Development. This restriction is not intended to limit the distribution of this report which, upon acceptance by the Office of the Inspector General, is a matter of public record.

Gadiner, Kany & Associates, P.C.
September 3, 1992

APPENDIX A

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