

Financial Audits

**AUDIT OF
RESOURCE MANAGEMENT ASSOCIATES
Federal Contracts
July 1, 1990 to June 30, 1992**

Report No. 0-000-93-04-N
January 29, 1993



**"CONTRACTOR INFORMATION CONTAINED IN THIS
REPORT MAY BE PRIVILEGED. THE RESTRICTIONS OF
18 USC 1905 SHOULD BE CONSIDERED BEFORE ANY
INFORMATION IS RELEASED TO THE PUBLIC."**

**INSPECTOR
GENERAL**

U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT



U.S. AGENCY FOR
INTERNATIONAL
DEVELOPMENT

January 29, 1993

MEMORANDUM FOR FA/OP, Frederick A. Will
FROM: IG/A/FA, *R. Howard* Reginald Howard
SUBJECT: Audit of Resource Management Associates

The accounting firm Deloitte & Touche performed a financial audit of all Federal contracts with Resource Management Associates (RMA). Five copies of the report are enclosed for your action.

RMA provides management services, economic development projects, recruitment, personnel support and procurement services to third world countries.

Deloitte & Touche audited RMA's direct and indirect costs, totaling \$3.2 million for the period July 1, 1990 through June 30, 1992. These costs were associated with four A.I.D. contracts and one Department of Transportation/Federal Highway Administration contract.

The audit objectives were to determine whether: the Statement of Federal Contract Expenditures was presented fairly in accordance with contract terms; the overhead rates for each year of the audit period were reasonable; the internal control structure was adequate; and RMA had complied with contract provisions and applicable laws and regulations.

Deloitte & Touche determined that RMA's Statement of Federal Contract Expenditures was presented fairly in all material respects. The audit determined indirect cost rates for the period July 1, 1990 through June 30, 1992 and questioned no costs.

With respect to RMA's internal control structure and compliance with contract provisions and applicable laws and regulations, the auditors did not identify material weaknesses or reportable conditions.

We are including a recommendation in the Office of the Inspector General's audit recommendation system:

Recommendation No. 1: We recommend that the Agency's Office of Procurement (FA/OP) finalize the indirect cost rates with Resource Management Associates for the period July 1, 1990 through June 30, 1992. (report, page 7)

Within 30 days, please provide this office with the status of actions planned or taken to resolve and close the recommendation.

**Deloitte &
Touche**



2 Hopkins Plaza
Baltimore, Maryland 21201-2983

Telephone: (410) 576-6700
Facsimile: (410) 837-0510
ITT Telex: 4995614

RESOURCE MANAGEMENT ASSOCIATES
REPORT ON AUDIT OF U.S. GOVERNMENT CONTRACTS
FOR THE PERIOD FROM JULY 1, 1990
TO JUNE 30, 1992

- C -

RESOURCE MANAGEMENT ASSOCIATES
REPORT ON AUDIT OF U.S. GOVERNMENT CONTRACTS
FOR THE PERIOD FROM JULY 1, 1990
TO JUNE 30, 1992

TABLE OF CONTENTS

	<u>Page</u>
Transmittal Letter	1
Federal Contract Expenditures:	
Independent Auditor's Report	4
Schedule of Federal Contract Expenditures	5
Schedule of Indirect Cost Rates	7
Compliance with the Terms of the Contract and Applicable Laws and Regulations:	
Independent Auditors' Report	9
Internal Controls	
Independent Auditors' Report	10
Other Observations	12

d-



November 16, 1992

Reginald Howard, Director
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 Resource Management Associates (RMA), United States Government contracts, for the period from July 1, 1990 to June 30, 1992 (the Contracts).

BACKGROUND

RMA of Madison, Wisconsin provides aid to third world countries in the form of management services, economic development projects, recruitment, personnel support, and procurement services.

The following contracts were subject to testing:

EUR-0015-C-00-1006-00
CCS-0002-C-00-2008-00
PDC-0249-I-00-0091-00
492-0381-C-00-7002-00
DTFH61-91-P-01345

AUDIT OBJECTIVE AND SCOPE

The objective of our audit was to perform a financial audit of all the U.S. Government Contracts administered by RMA.

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 such other auditing procedures as we considered necessary in the circumstances to determine whether:

1. The Schedule of Federal Contract Expenditures presents fairly the expenditures from July 1, 1990 to June 30, 1992 according to the Contracts and whether costs claimed for reimbursement by RMA were reasonable, allowable and allocable, and to examine documentation supporting such direct and indirect costs.
2. RMA's internal control structure was sufficient to record data under the contract, and was adequate for compliance with the Contracts.
3. RMA complied with U.S. Government regulations, U.S. laws, and the terms of the Contracts.

11

**Mr. Howard
November 16, 1992
Page 2**

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 RMA's internal control structure relative to the Contracts in order to assess control risks and as a basis for our auditing procedures.

Contract Provisions

Comparing costs to the contracted budgets.

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

Schedule of Federal Contract Expenditures

We have audited the Schedule of Federal Contract Expenditures of RMA for the period from July 1, 1990 to June 30, 1992. The Schedule of Federal Contract Expenditures is the responsibility of RMA's management. Our responsibility is to express an opinion on the Schedule of Federal Contract Expenditures based on our audit.

In our opinion the Schedule of Federal Contract Expenditures is fairly presented, in all material respects, in conformity with generally accepted accounting principles.

Schedule of Indirect Cost Rates

We have audited the Schedule of Indirect Cost Rates of RMA for the period from July 1, 1990 to June 30, 1992. The Schedule of Indirect Cost Rates is the Responsibility of RMA's management. Our responsibility is to express an opinion on the Schedule of Indirect Cost Rates based on our audit.

✓

Mr. Howard
November 16, 1992
Page 3

In our opinion the Schedule of Indirect Cost Rates is fairly presented, in all material respects, in conformity with generally accepted accounting principles.

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

As part of our audit, we performed tests of RMA's compliance with certain provisions of the Contracts and laws, regulations, grants, 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 schedules are 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, RMA complied, in all material respects, with the provisions of the Contracts and laws, regulations, grants, 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 RMA may have violated the terms of the Contracts or applicable laws and regulations.

Internal Control Structure

We studied and evaluated RMA's internal control structure relative to the Contracts in order to assess the control risks and in order to determine our auditing procedures for the purpose of expressing an opinion on the schedules of RMA and not to provide assurance on RMA'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 a material weakness.


William E. Kuntz, Partner
Deloitte & Touche



RESOURCE MANAGEMENT ASSOCIATES
U.S. GOVERNMENT CONTRACTS
SCHEDULE OF FEDERAL CONTRACT EXPENDITURES
SCHEDULE OF INDIRECT COST RATES

Independent Auditors' Report

We have audited the Schedule of Federal Contract Expenditures of Resource Management Associates (RMA) and the related Schedule of Indirect Cost Rates for the period from July 1, 1990 through June 30, 1992. These Schedules are the responsibility of RMA's management. Our responsibility is to express an opinion on these schedules based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the reporting standards contained in Government Auditing Standards (1988 Revision) issued by the Comptroller General of the United States. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the schedules are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the schedules. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall presentation of the schedules. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, such schedules referred to above are fairly presented, in all material respects, in conformity with generally accepted accounting principles.

As described in the Note to the Schedule of Federal Contract Expenditures and the Note to the Schedule of Indirect Cost Rates, the accompanying schedules only include RMA's federal contract expenditures and information about its indirect cost rates and are not intended to present RMA's financial position, results of its operations or changes in its fund balance in accordance with generally accepted accounting principles.

This report is intended solely for the use of the U.S. Agency for International Development and RMA. 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.

Deloitte & Touche

November 11, 1992

RESOURCE MANAGEMENT ASSOCIATES
U.S. GOVERNMENT CONTRACTS
SCHEDULE OF FEDERAL CONTRACT EXPENDITURES
FOR THE PERIOD JULY 1, 1990 TO JUNE 30, 1992

<u>Expenditures</u>	<u>1991</u>	<u>1992</u>	<u>TOTAL</u>
Salaries and Wages	\$ 247,938	\$ 258,377	\$ 506,315
Travel and Transport	151,450	272,308	423,758
Non-expendable Equipment	163,761	645,155	808,916
Subcontracts - Labor	183,980	314,463	498,443
Subcontracts - Other	15,943	6,412	22,355
Other Direct Costs	<u>47,483</u>	<u>83,189</u>	<u>130,672</u>
Total Direct Costs	810,555	1,579,904	2,390,459
Overhead	320,653	366,646	687,299
G & A	<u>29,731</u>	<u>58,281</u>	<u>88,012</u>
Total Costs	<u>\$ 1,160,939</u>	<u>\$ 2,004,831</u>	<u>\$ 3,165,770</u>

See note to the Schedule of Federal Contract Expenditures.

RESOURCE MANAGEMENT ASSOCIATES

U.S. GOVERNMENT CONTRACTS

NOTE TO THE SCHEDULE OF FEDERAL CONTRACT EXPENDITURES

NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- a) Resource Management Associates of Madison, Wisconsin provides aid to third world countries in the form of management services, economic development projects, recruitment, personnel support, and procurement services.
- b) Expenditures are related to the disbursing of funds provided by USAID to accomplish the objectives of the projects discussed above. Expenditures are recognized as incurred, in accordance with generally accepted accounting principles.
- c) The Schedule of Federal Contract Expenditures includes only those expenditures incurred under federally funded contracts and awards. The schedule is not intended to present RMA's financial position, results of its operations or changes in its fund balance in accordance with generally accepted accounting principles.
- d) The Overhead and G&A expenditures included in the Schedule of Federal Contract Expenditures represent actual overhead costs as opposed to costs computed at the provisional indirect cost rates.

RESOURCE MANAGEMENT ASSOCIATES

U.S. GOVERNMENT CONTRACTS

SCHEDULE OF INDIRECT COST RATES

<u>Period</u>	<u>Type</u>	<u>Provisional</u>	<u>Actual</u>	<u>Audit Determined</u>	<u>Ceiling</u>
July 1, 1990 - June 30, 1991	Overhead	112%	113%	113%	112%
July 1, 1990 - June 30, 1991	G&A	15%	16.2%	16.2%	15%
July 1, 1991 - June 30, 1992	Overhead	122%	128%	128%	122%
July 1, 1991 - June 30, 1992	G&A	17%	18.3%	18.3%	17%

See note to the Schedule of Indirect Cost Rates.

RESOURCE MANAGEMENT ASSOCIATES

U.S. GOVERNMENT CONTRACTS

NOTE TO THE SCHEDULE OF INDIRECT COST RATES

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- a) **General** - The General Provisions clause of RMA's USAID contracts states that final indirect cost rates shall be established for each of the contractor's accounting periods. This schedule provides the necessary information to establish final rates for the period July 1, 1990 through June 30, 1992. RMA's accounting system has been established to be compatible with general procedures laid out in the Federal Acquisition Regulations. Direct expense allocation to individual projects and proportional allocation of overhead and general and administrative costs to those projects form the basis for recovery of indirect costs associated with a project.
- b) **Overhead Rate** - RMA's labor-based overhead multiplier, (OH), is calculated as follows:
- $$\text{OH} = \text{overhead costs/direct labor costs}$$
- c) **G&A Rate** - RMA's G&A multiplier, (GA), is calculated as follows:
- $$\text{GA} = \text{G\&A costs/subcontract labor costs}$$
- d) The Schedule of Indirect Cost Rates presents information necessary to finalize RMA's indirect cost rates for 1991 and 1990. The schedule is not intended to present RMA's financial position, results of its operations or changes in its fund balance in accordance with generally accepted accounting principles.

**RESOURCE MANAGEMENT ASSOCIATES****U.S. GOVERNMENT CONTRACTS****COMPLIANCE WITH THE TERMS OF THE CONTRACTS AND APPLICABLE
LAWS AND REGULATIONS****Independent Auditors' Report**

We have audited the Schedule of Federal Contract Expenditures of Resource Management Associates (RMA) and the related Schedule of Indirect Cost Rates for the period from July 1, 1990 to June 30, 1992, and have issued our report thereon dated November 11, 1992.

We conducted our audit in accordance with generally accepted auditing standards and the standards for financial audits contained in Government Auditing Standards (1988 Revision) 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 schedules are free of material misstatement.

Compliance with the terms of the Contracts and the laws, regulations, grants, and binding policies and procedures applicable to RMA is the responsibility of RMA's management. As part of our audit, we performed tests of RMA's compliance with certain provisions of the Contracts and laws, regulations, grants 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 schedules are 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, RMA complied, in all material respects, with the provisions referred to in the third paragraph of this report. 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 RMA may have violated the terms of the Contracts or applicable laws and regulations.

This report is intended solely for the use of the U.S. Agency for International Development and RMA. 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.

November 11, 1992

**RESOURCE MANAGEMENT ASSOCIATES****U.S. GOVERNMENT CONTRACTS****INTERNAL CONTROLS****Independent Auditors' Report**

We have audited the Schedule of Federal Contract Expenditures of Resource Management Associates (RMA), the related Schedule of Indirect Cost Rates, and their compliance with terms of their Contracts with the United States Agency for International Development (USAID) for the period from July 1, 1990 to July 30, 1992, and have issued our report thereon dated November 11, 1992.

We conducted our audit in accordance with generally accepted auditing standards and the standards for financial audits contained in Government Auditing Standards (1988 Revision) 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 schedules are free of material misstatement.

In planning and performing our audit of RMA we considered its internal control structure as a basis for our auditing procedures for the purpose of expressing our opinion on the schedules and not to provide assurance on the internal control structure.

The management of RMA is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments 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 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, 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 RMA applicable to the Contracts in the following categories:

- Revenue/receipts
- Purchases/disbursements
- Payroll/personnel
- General ledger

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 schedules 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 operation that we consider to be material weaknesses as defined above.

This report is intended solely for the use of RMA 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.

Deloitte & Touche

November 11, 1992

RESOURCE MANAGEMENT ASSOCIATES
REPORT ON AUDIT OF U.S. GOVERNMENT CONTRACTS
OTHER OBSERVATIONS

1. During our audit of the indirect cost rates for RMA for the year ended June 30, 1991 we noted one contract, number 492-0381-C-00-7002-00, contained a clause (Article III - Establishment of Indirect Cost Rates) establishing an indirect cost rate different than the other RMA contracts. However, no ceiling or provision for final reimbursement was indicated. This rate was not used in the calculations of the indirect cost rates on page 7 of this report. We recommend that AID resolve this issue and establish one overall indirect cost rate for RMA.

REPORT DISTRIBUTION LIST

	<u>No. of Copies</u>
Director, Office of Procurement, FA/OP	5
Director, USAID/Philippines	1
Acting Assistant Administrator, Bureau for Asia, AA/ASIA	2
Acting Assistant Administrator, Bureau for Europe, AA/EUR	2
Associate Administrator, Directorate for Finance and Administration, AA/FA	1
Associate Administrator for Operations, AA/OPS	1
Office of Financial Management, FA/FM/CONT	1
Office of External Affairs, XA/PR	1
Bureau for Legislative Affairs, LEG	1
Office of the General Counsel, GC	1
Philippines Desk, ASIA/EA/PHIL	1
Center for Development Information and Evaluation, POL/CDIE	3
Management Control Staff, FA/MCS	1
IG	1
AIG/A	1
AIG/I&S	1
IG/LC	1
D/AIG/A	1
IG/A/PPO	1
IG/A/PSA	2
RIG/A/B	1
RIG/A/C	1
RIG/A/D	1
RIG/A/N	1
RIG/A/S	1
RIG/A/T	1
RIG/A/EUR/W	1
RAO/M	1
IG/RM/C&R	5