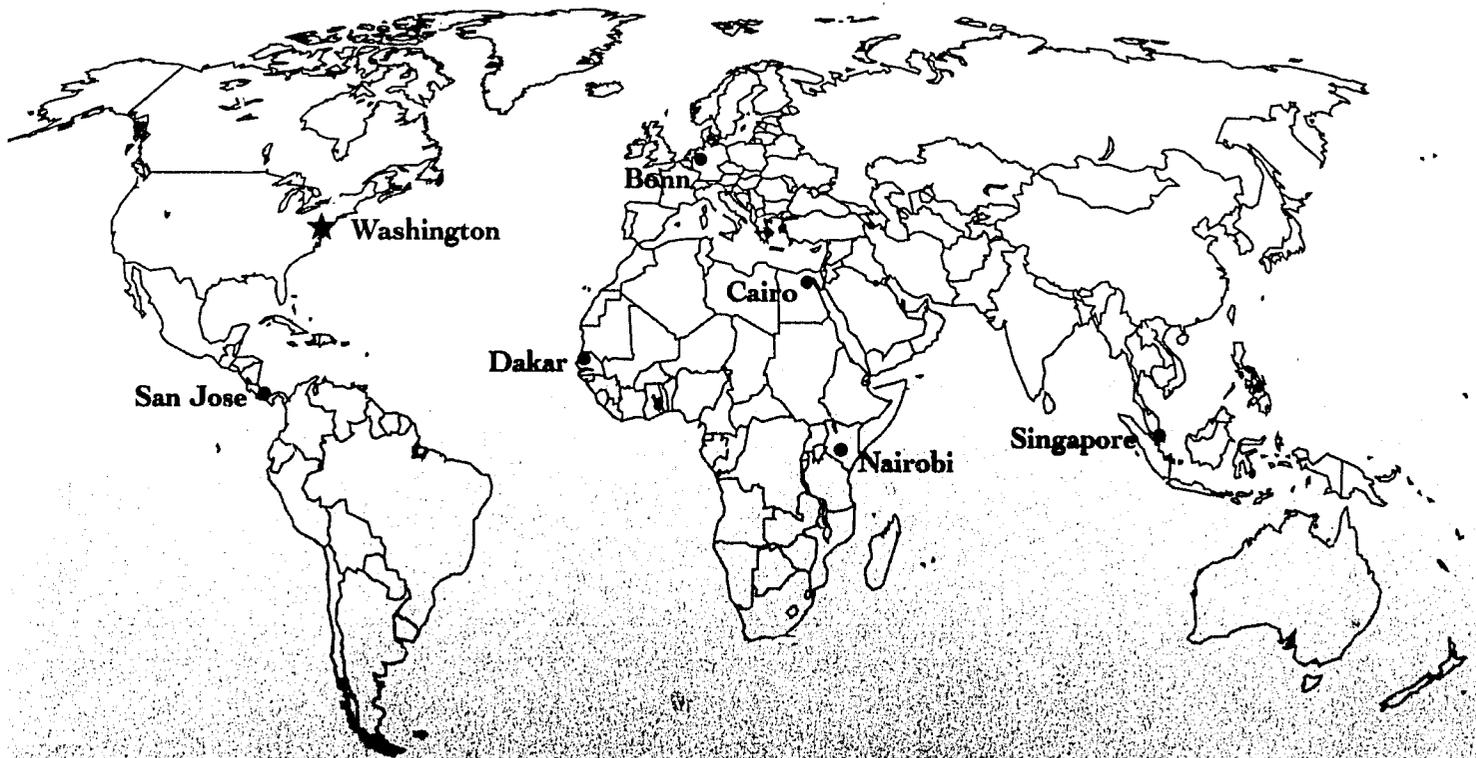


**Regional Inspector General for Audit
Singapore**

**Audit of Louis Berger International, Inc.'s
Contract Numbers 492-0420-ENG-01-8001-0, 492-0452-C-00-
0099-00, 492-0456-C-00-2014-00, 492-0444-C-00-1136-00,
492-0343-C-00-1218-00, and 492-0420-C-00-2173-00 with
USAID/Philippines**

**Audit Report No. 5-492-96-004-N
December 4, 1995**





U.S. AGENCY FOR
INTERNATIONAL
DEVELOPMENT

December 4, 1995

TO: Kenneth G. Schofield, Mission Director, USAID/Philippines

FROM: Richard C. Thabet, RIG/A/Singapore *Richard C. Thabet*

SUBJECT: Audit of Louis Berger International, Inc.'s Contract Numbers 492-0420-ENG-01-8001-0, 492-0452-C-00-0099-00, 492-0456-C-00-2014-00, 492-0444-C-00-1136-00, 492-0343-C-00-1218-00, and 492-0420-C-00-2173-00 with USAID/Philippines
Audit Report No. 5-492-96-004-N

Enclosed are five copies of the subject audit report (prepared by the accounting firm, Sycip Gorres Velayo & Co., Manila) for your action. The audit covered different time periods for each of the six contracts. During these periods, Louis Berger International Inc. reported that it received a total of \$27,606,325 and spent \$28,200,369 under the six contracts with USAID/Philippines.

The audit objectives were: (1) to express an opinion on whether the Fund Accountability Statement for USAID/Philippines' Contracts with Louis Berger International Inc. presents fairly, in all material respects, the receipts and locally incurred disbursements for the periods under audit; (2) to report on the contractor's system of internal controls; (3) to report on the contractor's compliance with applicable laws, regulations, terms of the agreement, and binding policies and procedures; (4) to audit the various overhead cost rates; and (5) to followup on prior audit recommendations.

The auditors concluded that except for questioned costs amounting to \$107,404 (Pesos 2,796,164) the Fund Accountability Statement presents fairly, in all material respects, the receipts and costs incurred in the Philippines for the periods audited.

We are making two recommendations to be included in the Office of the Inspector General's recommendation follow-up system.

R

Recommendation No. 1: We recommend that USAID/Philippines:

- 1.1 resolve the questioned cost of \$107,404 (Pesos 2,796,164, all ineligible) and recover any unallowable amount due;**
- 1.2 collect the estimated \$341,510 paid in excess of the ceiling overhead rate on the Philippines Assistance Program Support Project (492-0452) and collect any other overhead amounts paid in excess of the ceiling rates for the other projects audited; and**
- 1.3 collect the \$826 in Value-Added Tax paid under the Rural Infrastructure Fund Project (492-0420) that was questioned in a prior audit.**

Recommendation No. 2: We recommend that USAID/Philippines:

- 2.1 ensure that Louis Berger International Inc. obtains all necessary audited overhead rates from subcontractors in order that subcontractor indirect cost rates can be finalized; and**
- 2.2 finalize the local fringe benefit overhead rates under the various contracts with Louis Berger International Inc.**

We appreciate the courtesies and cooperation USAID/Philippines and Sycip, Gorres, Velayo & Co. extended to the auditors and our staff during the course of this audit.

Please advise me within 30 days of any actions planned or taken to close the above recommendation.

Attachment: a/s

**FINANCIAL AUDIT OF THE USAID CONTRACTS WITH
LOUIS BERGER INTERNATIONAL, INC.
DECEMBER 31, 1994**

TABLE OF CONTENTS

	Page
Transmittal Letter	1
Report on the Fund Accountability Statement	6
Fund Accountability Statement	8
Notes to Fund Accountability Statement	11
Summary of Questioned Costs	13
Report on Internal Controls	16
Report on Compliance with Agreement Terms and Applicable Laws and Regulations	19
Report on Overhead Rates Computation	21
Schedule of Fringe Benefits Overhead Rates	23
Schedule of Main Contract Overhead Rates	24
Schedule of Findings on Noncompliance with Agreement Terms and Applicable Laws and Regulations	Annex A
Status of Prior Audit Findings and Recommendations	Annex B
Full Text of Management Comments	Annex C
Negotiated Indirect Cost Rate Agreements	Annex D

C



1
SGV & CO.
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May 31, 1995

Mr. Thomas Egan
Regional Inspector General for Audit/Singapore
United States Agency for International Development
302 Orchard Road
#03-01 Tong Building
Singapore 0923

Dear Mr. Egan:

This report presents the results of our financial audit of the following United States Agency for International Development (USAID) contracts with Louis Berger International, Inc. (LBII):

<u>Contract Number</u>	<u>Project Title</u>
492-0420-ENG-01-8001-0	Rural Infrastructure Fund
492-0452-C-00-0099-00	Philippine Assistance Program Support
492-0456-C-00-2014-00	Mindanao Growth Plan
492-0444-C-00-1136-00	Natural Resources Management Program
492-0343-C-00-1218-00	Mount Pinatubo Emergency
492-0420-C-00-2173-00	CADD Mapping and Data Management System

I. Background

A. The Implementing Organization

LBII is a multi-disciplinary organization of more than 1,600 professionals trained and organized into resource groups to meet the broadening range of today's technological and social concerns. By drawing on the imagination, experience, intelligence, and versatility of its staff, LBII has developed innovative solutions to difficult and exacting problems. LBII's professional practices include the following areas: architecture, livestock and aquaculture, airport planning and design, construction management, economic planning, port planning and design, water resource, irrigation and water management, etc.

B. The Projects

LBII is the recipient of the following contracts from the USAID:

Contract Number	Project Title	Obligated Contract Amount	Contract Period	
			Effective Date	Completion Date
492-0420-ENG-01-8001-0	Rural Infrastructure Fund	\$17,141,647	September 7, 1989	June 30, 1995
492-0452-C-00-0099-00	Philippine Assistance Program Support	7,982,737	June 19, 1990	March 31, 1994
492-0456-C-00-2014-00	Mindanao Growth Plan	5,793,503	November 18, 1991	June 30, 1995
492-0444-C-00-1136-00	Natural Resources Management Program	5,687,475	June 17, 1991	March 31, 1995
492-0343-C-00-1218-00	Mount Pinatubo Emergency	3,799,337	August 30, 1991	March 31, 1994
492-0420-C-00-2173-00	CADD Mapping and Data Management System	797,640	August 31, 1992	December 31, 1993

The purposes of “**Rural Infrastructure Fund (RIF)**” are to expand the construction and to improve the maintenance of rural transport facilities including roads, bridges, ports and airports. The project aims to provide engineering and technical services to feasibility studies, engineering design, contract award, and administration and supervision of construction services. The Government of the Philippines’ Department of Public Works and Highways (DPWH) implements the construction or improvement of roads, bridges and ports.

The purpose of “**Philippine Assistance Program Support (PAPS)**” is to achieve a broadly based, sustainable economic growth in the Philippines through an active partnership of public and private interests. The project aims to assist the Philippines to develop and implement high-priority development projects associated with the Philippine Assistance Program (PAP), also known as the Multi-Lateral Assistance Initiative (MAI). These projects, when implemented, will increase economic and employment opportunities for Filipinos, particularly in areas outside the National Capital Region. Further, these projects will provide basic infrastructure or other incentives to encourage private investments.

The purpose of “**Mindanao Growth Plan (MGP)**” is to support the private sector-led growth in General Santos City and the South Cotabato province special development demonstration area, in consonance with the U. S. - Philippine MAI/PAP objectives. The project aims to concentrate and accelerate specified infrastructure improvements in General Santos City and the South Cotabato provincial areas, to increase economic growth and to encourage maximum private sector participation in new investments.

The purpose of “**Natural Resources Management Program (NRMP)**” is to support the development of ecologically-sound long-term economic growth of the Philippine forest and wood products industries. NRMP will assist the Government of the Philippines’ Department of Environment and Natural Resources in the implementation of policy reforms that are expected to arrest the rapid degradation of forest resources through improved management practices, conservation of biological resources and improved efficiency of the wood processing industry.

The purpose of the “**Mount Pinatubo Emergency (MPE)**” is to provide technical services to manage the infrastructure repair and reconstruction efforts in selected areas within the 50 kilometer radius of the Mount Pinatubo Volcano.

The purpose of “**CADD Mapping and Data Management System (CADD)**” is to enable the RIF-Project Management Office (PMO) to computerize maps of the transportation network of the Philippines, with associated data field which can be systematically updated and analyzed by the trained DPWH staff. Furthermore, it aims to install computer hardware and integrate software systems on computer mapping in DPWH RIF-PMO and train personnel on the use of the installed computer systems with concentration on CADD Geographic Information System Mapping and Data Management with continuous update of technology.

II. Audit Objectives

The objectives of our work are as follows:

- To express an opinion on whether the Fund Accountability Statement for the USAID contracts with LBII presents fairly, in all material respects, receipts and locally incurred disbursements for the period under audit in accordance with generally accepted accounting principles.
- To report on LBII's internal control structure as it relates to the auditors' gaining an understanding of the internal control structure and assessing control risk.
- To report on LBII's compliance, in all material respects, with agreement terms and applicable laws and regulations and express positive assurance on those items tested and negative assurance on those items not tested.
- To perform an audit of the overhead cost rates.
- To determine if LBII has taken adequate corrective actions on prior audit report recommendations (applicable only to the Rural Infrastructure Fund project).

III. Audit Scope

The projects and the period covered by our audit are as follows:

<u>Contract Number</u>	<u>Period Covered by Audit</u>
492-0420-ENG-01-8001-0	January 1, 1992 to December 31, 1994
492-0452-C-00-0099-00	June 19, 1990 to March 31, 1994
492-0456-C-00-2014-00	November 18, 1991 to December 31, 1994
492-0444-C-00-1136-00	June 17, 1991 to December 31, 1994
492-0343-C-00-1218-00	August 30, 1991 to March 31, 1994
492-0420-C-00-2173-00	August 31, 1992 to December 31, 1993

Our work consisted of the following:

- Examination of documents supporting receipts and locally-incurred disbursements in accordance with the contract agreements;

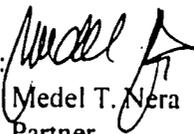
- Evaluation of the adequacy of LBII's internal controls and procedures relevant to the projects:
- Review of contracts, pertinent documents, and other applicable laws and regulations related to the projects; and
- Review of status of actions taken on findings and recommendations reported in the prior audit.

IV. Acknowledgement

We would like to take this opportunity to express our gratitude for the assistance given to us by the management and staff of LBII during the course of our audit.

Very truly yours,

SGV & Co.

By: 
Medel T. Nera
Partner



SGV & CO.
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**INDEPENDENT AUDITORS' REPORT ON THE
FUND ACCOUNTABILITY STATEMENT**

Regional Inspector General for Audit/Singapore
United States Agency for International Development
302 Orchard Road
#03-01 Tong Building
Singapore 0923

We have audited the fund accountability statement of Louis Berger International, Inc. as of and for the following periods then ended:

<u>Contract Number</u>	<u>Period Ended</u>
492-0420-ENG-01-8001-0	December 31, 1994
492-0452-C-00-0099-00	March 31, 1994
492-0456-C-00-2014-00	December 31, 1994
492-0444-C-00-1136-00	December 31, 1994
492-0343-C-00-1218-00	March 31, 1994
492-0420-C-00-2173-00	December 31, 1993

The fund accountability statement is the responsibility of Louis Berger International, Inc.'s management. Our responsibility is to express an opinion on the fund accountability statement for locally incurred disbursements based on our audit.

Except as discussed in the following paragraph, we conducted our audit of the fund accountability statement in accordance with U. S. 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 fund accountability statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the fund accountability statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

We did not have an external quality control review by an unaffiliated audit organization as required by Chapter 3, par. 46 of U.S. Government Auditing Standards, since no such program is offered by professional organizations in the Philippines. We believe that the effects of this departure from U.S. Government Auditing Standards is not material because we participate in the Arthur Andersen & Co. worldwide internal quality control review program which requires our office to be subjected, every three years, to an extensive quality control review by partners and managers from other affiliate offices.

As described in Note 1, the fund accountability statement was prepared on the cash basis of accounting, which is recognized as a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the fund accountability statement referred to above presents fairly, in all material respects, the receipts and disbursements for the periods then ended in accordance with the terms of the agreement and in conformity with the basis of accounting described in Note 1 to the fund accountability statement.

The results of our tests disclosed questioned costs amounting to \$107,404 (₱2,796,164). The full details of these costs are included in this report as an Appendix to Fund Accountability Statement. This report is intended for the information of Louis Berger International, Inc. and the United States Agency for International Development (A.I.D.). However, upon acceptance by the A.I.D. Office of the Inspector General, this report is a matter of public record and its distribution is not limited.



Manila, Philippines
May 31, 1995

**FINANCIAL AUDIT OF THE USAID CONTRACTS WITH
LOUIS BERGER INTERNATIONAL, INC.
FUND ACCOUNTABILITY STATEMENT
DECEMBER 31, 1994**

	Budget (Note 4)		Actual Disbursements			Questioned Cost (See Summary of Questioned Cost)	
	USDollar	Pesos	Local	Dollar	Total	USDollar	Pesos
			USDollar	USDollar	USDollar		
Receipts							
Rural Infrastructure Fund Philippine Assistance	6,046,235	100,191,339	3,856,429	1,782,482	5,638,911	-	-
Program Support	7,982,738	105,690,506	4,071,283	3,910,654	7,981,937	-	-
Mindanao Growth Plan	5,793,500	49,208,486	1,936,290	3,390,350	5,326,640	-	-
Natural Resources							
Management Program	5,687,475	60,018,220	2,325,406	2,061,620	4,387,026	-	-
Mount Pinatubo Emergency	3,799,336	45,340,858	1,777,439	1,794,157	3,571,596	-	-
CADD Mapping and Data Management System	797,640	6,924,809	252,856	447,359	700,215	-	-
Total Receipts	30,106,924	367,374,218	14,219,703	13,386,622	27,606,325	-	-
Disbursements							
Salaries and Wages							
Rural Infrastructure Fund Philippine Assistance	1,879,388	31,582,364	1,211,023	669,172	1,880,195	-	-
Program Support	986,902	-	-	1,057,498	1,057,498	-	-
Mindanao Growth Plan	1,128,041	4,218,724	163,971	892,741	1,056,712	-	-
Natural Resources							
Management Program	965,513	5,009,125	195,135	692,934	888,069	-	-
Mount Pinatubo Emergency	734,517	2,071,503	80,981	557,435	638,416	-	-
CADD Mapping and Data Management System	190,330	475,042	17,420	159,702	177,122	10	266
	5,884,691	43,356,758	1,668,530	4,029,482	5,698,012	10	266
Travel and Transportation							
Rural Infrastructure Fund Philippine Assistance	727,635	7,824,919	299,279	317,691	616,970	-	-
Program Support	1,236,375	24,184,284	931,598	326,893	1,258,491	-	-
Mindanao Growth Plan	881,445	19,223,579	744,057	96,640	840,697	-	-
Natural Resources							
Management Program	484,414	11,353,012	442,268	13,907	456,175	301	7,727
Mount Pinatubo Emergency	782,776	12,551,797	490,688	156,530	647,218	-	-
CADD Mapping and Data Management System	101,035	1,642,313	60,224	53,504	93,728	-	-
	4,213,680	76,779,904	2,968,114	945,165	3,913,279	301	7,727
Consultants' Allowances							
Mindanao Growth Plan Natural Resources	205,587	2,140,878	79,604	100,923	180,527	-	-
Management Program	149,346	1,348,333	52,526	74,230	126,756	-	-
Mount Pinatubo Emergency	133,576	823,693	32,201	107,040	139,241	-	-
	488,509	4,312,904	164,331	282,193	446,524	-	-
Procurement of Property and Equipment							
Rural Infrastructure Fund Philippine Assistance	29,880	634,241	25,965	(7,592)	18,373	326	8,437
Program Support	664,702	16,065,034	618,838	56,587	675,425	-	-
Mindanao Growth Plan	280,743	3,160,628	138,331	138,792	277,123	-	-
Natural Resources							
Management Program	177,200	2,482,990	96,727	29,423	126,150	-	-
CADD Mapping and Data Management System	141,467	2,177,158	79,837	21,932	101,769	-	-
	1,293,992	24,520,051	959,698	239,142	1,198,840	326	8,437

(Forward)

4

	Budget	Actual Disbursements			Questioned Cost (See Summary of Questioned Cost)		
		Local		Dollar	Total	USDollar	Pesos
		USDollar	Pesos	USDollar	USDollar		
Research and Training							
Mindanao Growth Plan Natural Resources Management Program	172,596	4,334,251	165,011	-	165,011	-	-
	1,396,629	18,483,749	720,053	64,410	784,463	(254)	(6,521)
	1,569,225	22,818,000	885,064	64,410	949,474	(254)	(6,521)
Environmental Assessment							
Natural Resources Management Program	479,523	1,432,945	55,822	434,792	490,614	-	-
	479,523	1,432,945	55,822	434,792	490,614	-	-
Other Direct Costs							
Rural Infrastructure Fund Philippine Assistance Program Support	360,537	7,064,905	273,119	28,129	301,248	500	12,899
Mindanao Growth Plan Natural Resources Management Program	771,835	19,133,688	737,045	45,798	782,843	102,498	2,660,848
Mount Pinatubo Emergency CADD Mapping and Data Management System	324,595	6,688,724	266,966	32,144	299,110	-	-
	144,803	2,531,190	98,605	16,136	114,741	13	334
	398,282	8,116,835	317,312	43,394	360,706	490	12,534
	41,041	783,445	28,729	17,024	45,753	-	-
	2,041,093	44,318,787	1,721,776	182,625	1,904,401	103,501	2,686,615
Subcontracts							
Rural Infrastructure Fund Philippine Assistance Program Support	34,300	(396,507)	(14,310)	-	(14,310)	-	-
Mindanao Growth Plan Natural Resources Management Program	2,225,596	36,699,263	1,413,685	618,486	2,032,171	-	-
Mount Pinatubo Emergency CADD Mapping and Data Management System	980,949	5,288,770	215,876	734,644	950,520	-	-
	387,292	4,658,722	181,485	147,627	329,112	-	-
	587,101	17,294,672	681,028	27,697	708,725	-	-
	59,056	1,027,797	36,611	-	36,611	-	-
	4,274,294	64,572,717	2,514,375	1,528,454	4,042,829	-	-
Overhead Costs							
Rural Infrastructure Fund Philippine Assistance Program Support	2,581,657	49,599,939	1,917,923	693,507	2,611,430	-	-
Mindanao Growth Plan Natural Resources Management Program	1,397,021	-	-	1,475,202	1,475,202	15,459	404,931
Mount Pinatubo Emergency CADD Mapping and Data Management Systems	1,415,347	2,072,606	81,986	1,247,981	1,329,967	-	-
	1,146,241	13,004,011	506,584	539,987	1,046,571	(2,181)	(55,986)
	890,209	1,310,259	51,222	753,193	804,415	(9,983)	(255,365)
	198,453	250,529	9,187	169,787	178,974	173	4,714
	7,628,928	66,237,344	2,566,902	4,879,657	7,446,559	3,468	98,294

(Forward)

	Budget	Actual Disbursements				Questioned Cost (See Summary of Questioned Cost)	
		Local		Dollar		USDollar	Pesos
		USDollar	Pesos	USDollar	USDollar		
Fixed Fees							
Rural Infrastructure fund Philippine Assistance	432,838	5,920,415	226,773	166,761	393,534	52	1,346
Program Support	700,307	9,608,237	370,117	330,190	700,307	-	-
Mindanao Growth Plan	404,197	3,364,692	133,097	249,439	382,536	-	-
Natural Resources							
Management Program	356,514	4,522,797	176,190	118,137	294,327	-	-
Mount Pinatubo Emergency	272,875	3,172,099	124,007	148,868	272,875	-	-
CADD Mapping and Data							
Management System	66,258	568,525	20,848	45,410	66,258	-	-
	2,232,989	27,156,765	1,051,032	1,058,805	2,109,837	52	1,346
Total Disbursements	30,106,924	375,506,175	14,555,644	13,644,725	28,200,369		
Excess of Disbursements over Receipts (Note 5)	-	8,131,957	335,941	258,103	594,044	107,404	2,796,164

See accompanying Notes to Fund Accountability Statement.

**FINANCIAL AUDIT OF THE USAID CONTRACTS WITH
LOUIS BERGER INTERNATIONAL, INC.**

NOTES TO FUND ACCOUNTABILITY STATEMENT

1. Basis of Accounting

The fund accountability statement was prepared on the cash basis of accounting, which in accordance with AICPA standards, is recognized as a comprehensive basis of accounting other than generally accepted accounting principles.

2. Translation of Philippine Peso to US Dollar

The fund accountability statement includes receipts and locally incurred disbursements in Philippine Peso which have been translated into US dollar for purposes of financial reporting using the average exchange rates of receipts from AID. The exchange rates used are as follows:

<u>Contract Number</u>	<u>Foreign Exchange Rate Used (P:\$1)</u>
492-0420-ENG-01-8001-0	25.88
492-0452-C-00-0099-00	25.96
492-0456-C-00-2014-00	25.28
492-0444-C-00-1136-00	25.67
492-0343-C-00-1218-00	25.58
492-0420-C-00-2173-00	27.27

3. Period Covered by the Audit

Listed below are the periods covered by the audit for the different contracts:

<u>Contract Number</u>	<u>Period Covered by Audit</u>
492-0420-ENG-01-8001-0	January 1, 1992 - December 31, 1994
492-0452-C-00-0099-00	June 19, 1990 - March 31, 1994
492-0456-C-00-2014-00	November 18, 1991 - December 31, 1994
492-0444-C-00-1136-00	June 17, 1991 - December 31, 1994
492-0343-C-00-1218-00	August 30, 1991 - March 31, 1994
492-0420-C-00-2173-00	August 31, 1992 - December 31, 1993

4. Budget

The budgeted amounts represent total budget per contract, except for Rural Infrastructure Fund (Contract No. 492-0420-ENG-01-8001-0) which represents the remaining budget after deducting from the total budget the accumulated actual disbursements as of December 31, 1991.

5. Excess of Disbursements Over Receipts As of December 31, 1994

This is composed of receivables from USAID as of December 31, 1994, as follows:

Project	Amount
Natural Resources Management Program	\$269,952
Rural Infrastructure Fund	168,529
Mindanao Growth Plan	155,563
Total	\$594,044

**FINANCIAL AUDIT OF THE USAID CONTRACTS WITH
LOUIS BERGER INTERNATIONAL, INC.**

**SUMMARY OF QUESTIONED COSTS
FOR THE PERIOD JUNE 19, 1999 TO DECEMBER 31, 1994**

Line Item	Particulars	Unsupported		Ineligible		Total		Reference
		In USD	In Pesos	In USD	In Pesos	In USD	In Pesos	
<i>Salaries</i>								
CADD Mapping and Data Management System	Vacation leave of local support staff	-	-	10	266	10	266	
		-	-	10	266	10	266	
<i>Travel and Transportation</i>								
Natural Resources Management Program	Value added tax	-	-	301	7,727	301	7,727	Annex A, No. 1
		-	-	301	7,727	301	7,727	
<i>Procurement of Property and Equipment</i>								
Rural Infrastructure Fund	Value added tax	-	-	326	8,437	326	8,437	Annex B, No. 1
		-	-	326	8,437	326	8,437	
<i>Research and Training</i>								
Natural Resources Management Program	Error in computation	-	-	123	3,150	123	3,150	
	Effect on administration cost due to error in computation	-	-	21	539	21	539	
	Adjustment for billed administration cost of PARFFI - Almaciga Project	-	-	(398)	(10,210)	(398)	(10,210)	
		-	-	(254)	(6,521)	(254)	(6,521)	

(Forward)

- 14 -

Line Item	Particulars	Unsupported		Ineligible		Total		Reference
		In USD	In Pesos	In USD	In Pesos	In USD	In Pesos	
<i>Other Direct Costs</i>								
Rural Infrastructure Fund	Value added tax	-	-	500	12,899	500	12,899	Annex B. No. 1
Philippine Assistance Program Support	Overhead cost of local support staff	-	-	102,498	2,660,848	102,498	2,660,848	Annex A. No. 5
Natural Resources Management Program	Value added tax	-	-	13	334	13	334	Annex A. No. 1
Mount Pinatubo Emergency	Value added tax	-	-	490	12,534	490	12,534	Annex A. No. 1
		-	-	103,501	2,686,615	103,501	2,686,615	
<i>Overhead Costs</i>								
Philippine Assistance Program Support	Unauthorized cost due to contractual nature of employment	-	-	4,872	130,067	4,872	130,067	Annex A. No. 4
	Billed fringe benefit rates in excess of provisional rates	-	-	15,513	402,717	15,513	402,717	Annex A. No. 6
	Underbilling of indirect cost	-	-	(4,926)	(127,853)	(4,926)	(127,853)	Annex A. No. 6
Natural Resources Management Program	Underbilling of indirect cost	-	-	(2,181)	(55,986)	(2,181)	(55,986)	Annex A. No. 6
Mount Pinatubo Emergency	Underbilling of overhead cost	-	-	(9,983)	(255,365)	(9,983)	(255,365)	Annex A. No. 6

(Forward)

- 15 -

Line Item	Particulars	Unsupported		Ineligible		Total		Reference
		In USD	In Pesos	In USD	In Pesos	In USD	In Pesos	
CADD Mapping and Data Management System	Billed overhead rates in excess of provisional rates	-	-	168	4,581	168	4,581	Annex A. No. 6
	Overhead cost related to vacation leave of local support staff	-	-	5	133	5	133	
		-	-	3,468	98,294	3,468	98,294	
Fixed Fees								
Rural Infrastructure Fund	Value added tax	-	-	52	1,346	52	1,346	
		-	-	52	1,346	52	1,346	
Total		-	-	107,404	2,796,164	107,404	2,796,164	



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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROLS

Regional Inspector General for Audit/Singapore
United States Agency for International Development
302 Orchard Road
#03-01 Tong Building
Singapore 0923

We have audited the fund accountability statement of Louis Berger International, Inc. as of and for the following periods then ended and have issued our report thereon dated May 31, 1995:

<u>Contract Number</u>	<u>Period Ended</u>
492-0420-ENG-01-8001-0	December 31, 1994
492-0452-C-00-0099-00	March 31, 1994
492-0456-C-00-2014-00	December 31, 1994
492-0444-C-00-1136-00	December 31, 1994
492-0343-C-00-1218-00	March 31, 1994
492-0420-C-00-2173-00	December 31, 1993

Except for not having an external quality control review by an unaffiliated audit organization (as described in our report on the fund accountability statement), we conducted our audit in accordance with U.S. 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 fund accountability statement is free of material misstatement.

In planning and performing our audits of the fund accountability statement of Louis Berger International, Inc., we considered the internal control structure related to the A.I.D.-funded projects in order to determine our auditing procedures for the purpose of expressing our opinion on the fund accountability statement and not to provide assurance on the internal control structure.

The management of Louis Berger International, Inc. 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; transactions are executed in accordance with management's authorization and in accordance with the terms of the agreements; and transactions are recorded properly to permit the preparation of the fund accountability statement in conformity with the basis of accounting described in Note 1 to the fund accountability statement. 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 in the following categories:

- Procurement and Disbursement
- Property Management
- Payroll
- Financial Reporting

For all of the internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures and determined 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 reportable condition in which the design or operation of one or more of the 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 fund accountability statement 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.

However, we noted certain matters involving the internal control structure and its operation that we have reported to the management of Louis Berger International, Inc. in a separate letter dated May 31, 1995.

This report is intended for the information of Louis Berger International, Inc., and the U. S. Agency for International Development (A.I.D.). However, upon acceptance by the A.I.D. Office of the Inspector General, this report is a matter of public record and its distribution is not limited.

Manila, Philippines
May 31, 1995





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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH AGREEMENT TERMS AND APPLICABLE LAWS AND REGULATIONS**

Regional Inspector General for Audit/Singapore
United States Agency for International Development
302 Orchard Road
#03-01 Tong Building
Singapore 0923

We have audited the fund accountability statement of Louis Berger International, Inc. as of and for the following periods then ended and have issued our report thereon dated May 31, 1995:

<u>Contract Number</u>	<u>Period Ended</u>
492-0420-ENG-01-8001-0	December 31, 1994
492-0452-C-00-0099-00	March 31, 1994
492-0456-C-00-2014-00	December 31, 1994
492-0444-C-00-1136-00	December 31, 1994
492-0343-C-00-1218-00	March 31, 1994
492-0420-C-00-2173-00	December 31, 1993

Except for not having an external quality control review by an unaffiliated organization (as described in our report on the fund accountability statement), we conducted our audit in accordance with U.S. 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 fund accountability statement is free of material misstatement.

Compliance with agreement terms and laws and regulations applicable to Louis Berger International, Inc. is the responsibility of Louis Berger International, Inc.'s management. As part of obtaining reasonable assurance about whether the fund accountability statement is free of material misstatement, we performed tests of Louis Berger International, Inc.'s compliance with certain provisions of agreement terms and applicable laws and regulations. However, our objective was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

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

We noted certain instances of noncompliance, the effects of which are shown as questioned costs in the fund accountability statement and further details are provided in Annex A and Annex B of this report.

This report is intended for the information of Louis Berger International, Inc. and the U. S. Agency for International Development (A.I.D.). However, upon acceptance by the A.I.D. Office of the Inspector General, this report is a matter of public record and its distribution is not limited.



Manila, Philippines
May 31, 1995



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REPORT ON OVERHEAD RATES COMPUTATION

Regional Inspector General for Audit/Singapore
United States Agency for International Development
302 Orchard Road
#03-01 Tong Building
Singapore 0923

Our audit was made for the purpose of forming an opinion on the fund accountability statement of Louis Berger International, Inc. taken as a whole and have issued our report thereon dated May 31, 1995. The Schedules of Main Contracts Overhead Rates for Professional Staff and Fringe Benefits Overhead Rates for Local Support Staff contained on pages 23 to 25, are presented for purposes of additional analysis and are not a required part of the fund accountability statement.

The main contract overhead rates for professional staff used by the organization are being retroactively adjusted based on the established Negotiated Indirect Cost Rate Agreements (NICRAs - see Annex D). The NICRAs are computed by the organization's Home Office in East Orange, New Jersey based on its worldwide indirect cost charges. With respect to main contract overhead rates, our examination was limited to the comparison of the actual rates used from the prescribed overhead rates in the NICRAs. Therefore, we are unable to express, and we do not express an opinion on the said information.

The fringe benefits overhead rates ranging from 40% to 50% for local support staff are provided in the main contract, except for Philippine Assistance Program Support (PAPS). We made a comparison of actual fringe benefits incurred by the Organization for the period covered. The prescribed rates used by the Organization as reimbursements from USAID are lower than the actual amount of fringe benefits incurred by the Organization. However, PAPS used the NICRA rates which are higher than

the amount actually paid by the Organization. The amount of PAPS reimbursements in excess of the actual fringe benefits incurred is \$102,498 (₱2,660,848) (see Annex A, finding no. 5).

A handwritten signature in black ink, reading "Felix Gomez Valera Jr." in a cursive script.

Manila, Philippines
May 31, 1995

**FINANCIAL AUDIT OF THE USAID CONTRACTS WITH
LOUIS BERGER INTERNATIONAL, INC.**

**SCHEDULE OF FRINGE BENEFITS OVERHEAD RATES
FOR THE PERIOD JUNE 19, 1990 TO DECEMBER 31, 1994**

	Projects		
	CADD NRMP MGP RIF	PAPS	MPE
Direct Labor	₱16,468,038	₱3,326,385	₱1,970,838
Actual fringe benefits:			
Overtime pay	2,028,848	475,216	324,320
13th month pay	1,309,621	342,549	177,768
Performance bonus	1,215,824	354,714	120,939
Vacation leave	935,684	189,000	111,980
SSS employer's share	701,638	149,028	92,231
Overtime meals and transportation	566,225	115,425	65,678
Sick leave	311,895	63,000	37,327
Social recreational	289,331	106,691	22,615
Group medical insurance	174,685	73,521	13,276
Severance pay	115,170	-	-
Group accident insurance	27,096	1,912	3,684
	7,676,017	1,871,056	969,818
Actual fringe benefit rate	46.61%	56.25%	49.21%
Rates used and billed to USAID	20%-40%	131.50%-143.10%	40%
Ceiling rate	-	-	40%
Overbilling: In percentage	-	75.25%-86.85%	-
Amount	-	₱2,660,848	-

FINANCIAL AUDIT OF THE USAID CONTRACTS WITH
 LOUIS BERGER INTERNATIONAL, INC.
 SCHEDULE OF MAIN CONTRACT OVERHEAD RATES (%)
 FOR THE PERIOD JUNE 19, 1990 TO DECEMBER 31, 1994

Project Name	Period	Professional Staff						Local Support Staff						Reference			
		Ceiling			Provisional			Ceiling			Provisional				Actual Rates Used		
		Fringe Benefits	Indirect Costs	Total	Fringe Benefits	Indirect Cost	Total	Fringe Benefits	Indirect Cost	Total	Fringe Benefits	Indirect Cost	Total		Fringe Benefit	Indirect Costs	Total
Rural Infrastructure Fund																	
EBI	January 1992 - June 1992				33 10	110 00	143 10				20 00	120 00	140 00	20 00	120 00	140 00	
	July 1992 - June 1993				28 30	107 70	136 00				20 00	120 00	140 00	20 00	120 00	140 00	
	July 1993 - June 1994				28 80	113 60	142 40				20 00	120 00	140 00	20 00	120 00	140 00	
	July 1994 - December 31, 1994				28 80	113 60	142 40				20 00	120 00	140 00	20 00	120 00	140 00	
TCCI Engineers	January 1992 - December 1994				49 38	103 33	152 71				20 00	120 00	140 00	20 00	120 00	140 00	Note 3
Philippine Assistance Program Support	July 1990 - June 1991		118 00	118 00										27 10	107 90	135 00	Annex A, No 5, Note 2
	July 1991 - March 1992		118 00	118 00	33 10	110 00	143 10							27 10	107 90	135 00	Annex A, No 5
	April 1992 - June 1992		118 00	118 00	33 10	110 00	143 10							27 60	103 90	131 50	- do -
	July 1992 - June 1993		118 00	118 00	28 30	107 70	136 00							27 60	103 90	131 50	Annex A, Nos 5 and 6
	July 1993 - March 1994		118 00	118 00	28 80	113 60	142 40							31 10	110 00	143 10	- do -
Mindanao Growth Plan	January 1992 - June 1992	28 80	112 80	141 60	33 10	110 00	143 10				40 00	10 00	50 00	40 00	10 00	50 00	Note 4 b
	July 1992 - June 1993			145 80	28 30	107 70	136 00				40 00	10 00	50 00	40 00	10 00	50 00	- do -
	July 1993 - June 1994			150 20	28 80	113 60	142 40				40 00	10 00	50 00	40 00	10 00	50 00	- do -
	July 1994 - December 1994			154 70	28 80	113 60	142 40				40 00	10 00	50 00	40 00	10 00	50 00	- do -

(Forward)

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Project Name	Period	Professional Staff						Local Support Staff						Reference				
		Ceiling			Provisional			Ceiling			Provisional				Actual Rates Used			
		Fringe Benefits	Indirect Costs	Total	Fringe Benefits	Indirect Cost	Total	Fringe Benefits	Indirect Cost	Total	Fringe Benefits	Indirect Cost	Total		Fringe Benefit	Indirect Costs	Total	
Natural Resources Management Program	July 1991 - June 1992	28.80	112.80	141.60	33.10	110.00	143.10					40.00		40.00	40.00	40.00	40.00	Note 4 b
	July 1992 - June 1993			145.80	28.30	107.70	136.00					40.00		40.00	40.00	40.00	40.00	- do -
	July 1993 - September 1994			154.70	28.80	113.60	142.40					40.00		40.00	40.00	40.00	40.00	- do -
	October 1994 - December 1994			154.70	28.80	113.60	142.40					40.00		40.00	40.00	40.00	40.00	Annex A, No 6, Note 4 b
Mount Pinatubo Emergency	September 1991 - June 1992	28.80	112.80	141.60	33.10	110.00	143.10	40.00	10.00	50.00	40.00	10.00	50.00	40.00	10.00	50.00	50.00	Annex A, No 6
	July 1992 - August 1992			145.80	28.30	107.70	136.00	40.00	10.00	50.00	40.00	10.00	50.00	40.00	10.00	50.00	50.00	- do -
	September 1992 - June 1993			145.80	28.30	107.70	136.00	40.00	10.00	50.00	40.00	10.00	50.00	40.00	10.00	50.00	50.00	- do -
	July 1993 - March 1994				28.80	113.60	142.40	40.00	10.00	50.00	40.00	10.00	50.00	40.00	10.00	50.00	50.00	Annex A, No 6, Note 4 a
CAAD Mapping & Data Management Systems	September 1992 - June 1993	27.60	103.90	131.50	28.30	107.70	136.00					40.00	10.00	50.00	40.00	10.00	50.00	Note 4
	July 1993 - August 1993	27.60	103.90	131.50	28.30	113.60	142.40					40.00	10.00	50.00	40.00	10.00	50.00	- do -
	September 1993 - December 1993				28.30	113.60	142.40					40.00	10.00	50.00	40.00	10.00	50.00	Annex A, No 10, Note 4

See accompanying Notes to Schedule of Manpower Overhead Rates

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**FINANCIAL AUDIT OF THE USAID CONTRACTS WITH
LOUIS BERGER INTERNATIONAL, INC.**

NOTES TO SCHEDULES OF OVERHEAD RATES

1. General

Contract agreements of U.S. Agency for International Development (USAID) and Louis Berger International, Inc. (LBII) state that the latter is entitled to reimbursements for overhead costs (fringe benefits and indirect costs) based on established overhead rates applied to a certain base. Final overhead rates shall be established for each accounting period, subject to limitations on ceiling rates of the contract. Pending establishment of final overhead rates, negotiated provisional rates will be applied to the contracts subject to adjustments upon determination of the final overhead rates.

2. Final Rate

A final overhead rate of 131.50% had been established per Negotiated Indirect Cost Rate Agreement (NICRA) dated May 12, 1993 covering the period July 1, 1990 to June 30, 1991. The final overhead rate of 131.50% is broken down into fringe benefits rate of 27.60% and indirect cost rate of 103.90%. Overhead rates subsequent to June 30, 1991 are still at provisional rates.

3. Provisional Rates

Except for TCGI Engineers (in joint venture with LBII for the Rural Infrastructure Fund project), provisional rates for the period July 1, 1991 to December 31, 1994 were based on the NICRA dated October 31 and August 9, 1994.

Provisional rates applied by TCGI Engineers for the period January 1, 1992 to December 31, 1994 were based on the final overhead rate established as a result of the prior audit covering the period September 7, 1989 to December 31, 1991. TCGI Engineers subsequently submitted the proposed final overhead rates covering calendar years ended December 31, 1993 and 1992 as required in Article VII, Sections 7.6 and 7.7 of the contract.

4. Others

- a. No ceiling rates were specified in the main contracts of Mount Pinatubo Emergency and CADD Mapping & Data Management Systems projects subsequent to June 30, 1993 and August 31, 1993, respectively, due to subsequent modifications to extend the terms of the contracts.
- b. Contract agreements of LBII and USAID for Mindanao Growth Plan, Natural Resources Management Program and CADD Mapping and Data Management System projects do not specify overhead rates to be applied for the local support staff. The details of these overhead rates (fringe benefits and indirect cost) were obtained from the "Best and Final Cost" proposal of LBII submitted to USAID.

**FINANCIAL AUDIT OF THE USAID DIRECT CONTRACTS WITH
LOUIS BERGER INTERNATIONAL, INC.
DECEMBER 31, 1994**

**SCHEDULE OF FINDINGS
COMPLIANCE WITH AGREEMENT TERMS AND
APPLICABLE LAWS AND REGULATIONS**

1. Failure to Update Value Added Tax (VAT) Report

Condition

During our review of project expenses (for projects other than Rural Infrastructure Fund), we noted that a total of \$804 (₱20,595) was reimbursed by USAID representing VAT paid by LBII. The said amount represents the minimum VAT expenses paid by LBII based on the samples of expenses examined. Per discussion with LBII, no VAT report was submitted to USAID covering the above taxes.

Criteria

Under the provisions of contract agreements between the Government of the United States and the Government of the Philippines (GOP), U.S. Government assistance funds may not be used to pay for taxes charged by the recipient government. Specifically, the agreement states that if taxes must be paid, they must be paid by the Government of the Philippines.

In a letter dated October 1993, USAID expressly noted that the above provision has created a situation where many of the Contractors under USAID projects have been required to pay VAT on procurement, and have not been able to obtain an exemption. As the GOP is still searching for ways to handle the VAT issue, USAID had taken steps to temporarily remedy the situation. All Contractors under USAID projects are required to report all VAT paid and billed to USAID. USAID will then prepare a billing to the GOP consolidating all VAT paid by the different Contractors. The letter also specifically states that if an audit disclosed that VAT have been billed and paid by USAID, and the Contractor did not advise USAID of these, the amount is to be

deducted from future billing to USAID and the Contractor is required to either absorb the VAT or take steps to recover the amount from the appropriate entity.

Effect

Based on the expenses reviewed, a total of \$804 (₱20,595) VAT were billed and paid by USAID but not reported by LBII. To date, several projects have not submitted an updated VAT report to USAID, as follows:

Projects	Latest VAT Report
Philippine Assistance Program Support (PAPS)	September 1993
Mindanao Growth Plan (MGP)	June 1994
Natural Resources Management Program (NRMP)	June 1994
CADD Mapping and Data Management System (CADD)	-
Mount Pinatubo Emergency (MPE)	-

Recommendation

We recommend that LBII determine the actual amount of VAT expenses paid but not yet reported to USAID. As required by USAID, LBII should submit a regular VAT report for all taxes paid so that this can be collected from the GOP.

To prevent future disallowance on VAT charges, we recommend that LBII designate a responsible officer to ensure compliance with all VAT reporting requirements for all projects.

Management Response

Up to October 1993, USAID policy on VAT was to obtain exemption of VAT from suppliers based upon the supposition that USAID contractors were tax exempt. Subsequently, USAID changed the policy and the contractors had to file a statement of VAT paid. However, some old suppliers still understood the USAID contractors to be VAT-exempt and did not show VAT on the invoice. Subsequent audit report concluded that VAT was inputted in all VAT-registered companies whether stated or not.

MGP project had already submitted its updated report for VAT to USAID on May 29, 1995 effecting its August 1, 1994 to April 1995 transactions. For PAPS and NRMP, we will update our value added tax reports and submit them to USAID. No value added tax report had ever been submitted for MPE and CADD projects since the respective Project Managers did not receive any letter from USAID and maybe, the reason was that the said projects were about to end at the time of the circulation of the letter. However, as recommended, we will prepare VAT report for MPE and CADD projects for submission to USAID.

The exception noted amounting to ₱20,595 represents VAT inputed in the suppliers' invoices.

2. Failure of Subcontractors to Submit Audited Overhead Costs

Condition

During our review of LBII's subcontract agreements, we noted that several Subcontractors have not complied with the contract provision requiring them to submit yearly audited overhead rates to support the overhead rates they are charging to the projects. These Subcontractors are as follows:.

- *CADD Mapping and Data Management System*
Certeza Surveying and Aerophoto, Inc.
- *Natural Resources Management Program*
Integrated Community Resources Development Foundation
Paper Industries Corporation of the Philippines
South East Consortium for International Development
Trans-Asia Consulting Group, Inc.
- *Philippine Assistance Program Support*
Chemical Systems, Inc.
Ernst and Young
Globetrotters Engineering Corporation
Lockwood Greene International, Inc.
Trans-Asia (Philippines), Inc.

Criteria

Paragraph 8 of the above subcontract agreements states that, "the Subcontractor agrees to furnish yearly to the Contractor a certified audit report which will certify the overhead rate it is charging for the year in question, subject to the maximum limitations in the Client Contract, and which overhead will be in conformity with all the requirements of the Federal Acquisition Register." The Subcontractors' audited overhead rates will serve as the basis in the determination of the final overhead rates to be applied to the projects.

Effect

Overhead rates applied by the Subcontractors to the above projects are still at provisional rates. As of this date, overhead rates of the above subcontracts cannot be finalized due to the absence of pertinent information.

Recommendation

It is imperative that LBII communicate to the Subcontractors their noncompliance with the requirement in Paragraph 8 of the subcontract agreement. As soon as the Subcontractors have submitted the audited financial statements, final overhead rates should be determined and any over or underapplication of the overhead costs to the projects should be adjusted accordingly.

Management Response

We are amenable that we have overlooked to follow-up our subcontractors to submit their audited overhead financial statements on a yearly basis, although we had done this before for PAPS and RIF projects in early years. We have sent letters to subcontractors to follow-up their audited overhead financial statements. Some subcontractors had already responded to our request. We will keep on following up other subcontractors for their reply and we will inform USAID as soon as we have obtained them.

3. Inconsistency in the Subcontract Agreements

Condition

During our review of LBII's subcontract agreements, we noted that several contracts did not contain a provision requiring the Subcontractors to submit a certified audit report on overhead rates to support the overhead rates they are charging for the projects. These subcontract agreements are as follows:

- *Mindanao Growth Plan*
Access Asia (Philippines)
Dames and Moore
Globetrotters Engineering Corporation
Urban Integrated Consultants, Inc.
- *Mount Pinatubo Emergency*
Globetrotters Engineering Corporation
Punongbayan & Araullo
TCGI Engineers
Woodfields Consultants, Inc.

In addition to the above, we noted that the subcontract agreement of LBII with Dames and Moore (D & M) for the MGP project provides for the computation of indirect cost using direct labor and fringe benefits as the base. This is inconsistent with other subcontract agreements of LBII which provide for the computation of indirect cost using only direct labor as the base.

Criteria

LBII's subcontract agreements for other projects (see Finding No. 2) contain a provision requiring the Subcontractors to furnish LBII a certified audit report to support the overhead rates they are charging to the projects. Paragraph 8 of these subcontract agreements specifically states that, "the Subcontractor agrees to furnish yearly to the Contractor a certified audit report which will certify the overhead rate it is charging for the year in question, subject to the maximum limitations in the Client Contract, and which overhead will be in conformity with all the

requirements of the FAR.” The audited overhead rates will serve as the basis for determining the final overhead rates to be applied to the projects.

Normally, subcontract agreements of LBII provide for direct labor as the base in the computation of indirect cost to be applied to the projects. However, the subcontract agreement of LBII and D & M for the MGP project provides for the computation of indirect cost using direct labor and fringe benefits as the base.

Effect

The inconsistency in the manner with which the subcontract agreements have been written might result in different interpretations as to the application of overhead rates, when in fact, these subcontract agreements call for the same treatment.

Subcontract agreements which do not contain a provision requiring Subcontractors to submit a yearly audited overhead rates call for treatment of the overhead rates stated in the contract to be the final overhead rates to be used for the projects, while those subcontract agreements which contain a provision requiring Subcontractors to submit yearly audited overhead rates imply that overhead rates to be used by the Subcontractors are still at provisional rates to be finalized later upon the submission of the required audited overhead rates by the Subcontractors.

Recommendation

We recommend that LBII review all subcontract agreements to determine which other subcontract agreements call for different treatment or application of overhead rates. We also recommend that LBII form a committee to review all current contracts and proposals to ensure consistency in the wording and execution of all subcontract agreements, as well as, ensure that these subcontract agreements conform with the provisions and limitations of the main contract (i.e., contract between LBII and USAID).

32

Management Response

Although no specific provision for the submission of an audited overhead rate was included in our subcontract agreements under MGP and MPE projects, there was a provision in the agreement wherein the Subcontractor is bound with the terms, conditions and provisions of the Contract between prime Contractor and the Client, in which case, the provision requiring the submission of the audited overhead cost was already included.

For Dames and Moore (D & M) subcontract agreement, D & M uses both direct labor and fringe benefit as factors in determining indirect cost rate so it is imperative that this rate should also apply on direct labor and fringe benefits. This treatment had been explained/documentated by D & M when they had been requested by USAID, during the proposal stage of MGP project, to explain why they have so high fringe benefit rate.

4. Charging of Overhead Cost for Contractual Employees

Condition

During our review of billings of LBII to USAID for Philippine Assistance Program Support (PAPS) project, we noted that LBII billed USAID fringe benefit costs for local employees hired on a contractual basis.

Criteria

Contract of work agreement between LBII and the above local employees includes a provision stating that, "as this is a short-term assignment, there will be no provisions for usual employee benefits such as health care, sick leave, or vacation leave". LBII did not grant any fringe benefits to these employees due to the contractual nature of their services.

Since the nature of the contract of LBII and USAID is cost reimbursement, LBII is entitled only to reimbursements from USAID for costs which it actually incurred.

Effect

LBII charged USAID fringe benefit costs for these local hired employees amounting to \$4,872 (P130,067).

Recommendation

Since LBII did not incur fringe benefit costs for these local hired employees, the Organization is not entitled to any reimbursement from USAID. LBII should reimburse USAID the cost paid by the latter relating to the fringe benefits of these local hired employees in the amount of \$4,872 (P130,067).

Management Response

We overlooked this matter. The exception noted pertained only to one project and this was just an isolated case relating to a contractual employee not eligible for fringe benefit. We will make the necessary adjustment for this.

5. Overhead Cost Charged for Local Support Staff

Condition

We noted that for the PAPS project, LBII charged overhead costs (fringe benefits and indirect cost) at rates ranging from 135.50% to 143.10% for its local support staff. In comparison with other USAID projects, LBII charged an overhead rate of 50% (40% for fringe benefits and 10% for indirect cost) for CADD and MGP projects and an overhead rate of 40% (fringe benefit only) for the NRMP project.

Criteria

Based on the computation submitted by LBII, actual fringe benefit rate of LBII for the PAPS project for the years 1990 to 1994 is 56.25%.

Local indirect cost rate for PAPS and other projects cannot be obtained due to unavailability of required information.

Effect

LBII charged overhead cost for the PAPS project in excess of the actual fringe benefits cost amounting \$102,498 (P2,660,848).

Recommendation

We recommend that LBII justify the basis for the overhead rates used for the local support staff under the PAPS project.

Management Response

Typically, LBII uses uniform prescribed fringe and overhead rates which are applied on base salary for all its staff for its USAID projects. Thus, the same rates of fringe and overhead were used for PAPS project. However, for competitive reason, a lower overhead is applied to local support staff depending on environment. In which case an overhead rate of 40% and an indirect cost of 10% were established and being applied for local support staff on those projects succeeding PAPS.

6. Deviation of Actual Rates Used from Prescribed Overhead Rates

Condition

During our audit, we noted that some of the overhead rates used by LBII deviated from the ceiling rates or the provisional rates prescribed in the Negotiated Indirect Cost Rate Agreements (NICRA) dated October 13 and August 9, 1994.

Criteria

In NICRA dated October 13 and August 9, 1994, the following are the provisional overhead rates to be applied by LBII for the USAID contracts:

35

Effective Period	Fringe Benefits	Indirect Cost	Total
July 1, 1991 - June 30, 1992	33.10%	110.00%	143.10%
July 1, 1992 - June 30, 1993	28.30%	107.70%	136.00%
July 1, 1993 - until amended	28.80%	113.60%	142.40%

The overhead rates to be applied to the projects is subject to the limitations of the ceiling rates as prescribed in the contract agreements.

Effect

There was a net underbilling by LBII to USAID in the amount of \$1,409, the details of which are as follows:

Project/ Period Covered	Rates		Base	Difference		
	Actual Used	Should Be		Fringe Benefits	Indirect Cost	Total
MAIN CONTRACTOR (LBII)						
MPE						
September 1991 - June 1992	131.50%	141.60%	\$223,875	(\$2,561)	(\$18,995)	(\$21,556)
July 1992 - August 1992	131.50%	141.60%	44,956	(312)	(1,695)	(2,007)
September 1992 - June 1993	143.10%	136.00%	179,173	8,600	4,121	12,721
July 1993 - March 1994	143.10%	142.40%	122,645	5,274	(4,415)	859
CADD						
September 1993- December 1993	143.10%	142.40%	24,004	1,032	(864)	168
NRMP						
October 1994 - December 1994	107.70%	113.60%	36,962	-	(2,181)	(2,181)
PAPS						
July 1992 - June 1993	143.10%	136.00%	127,587	6,124	2,934	9,058
July 1993 - March 1994	143.10%	142.40%	218,340	9,389	(7,860)	1,529
Total				\$27,546	(\$28,955)	(\$1,409)

Recommendation

Pending the establishment of final overhead rates, we suggest that LBII adjust its books and reimburse from USAID the net underbilling of overhead costs in the amount of \$1,409.

Management Response

Typically, LBII is adjusting its billings to effect new overhead rates based on the prescribed overhead indicated in the NICRA; however, since PAPS, MPE and CADD projects were already completed at the time of the implementation of the new prescribed provisional overhead rates,

LBI has decided not to adjust the billings for fringe benefits and indirect cost based on the new rates since the rates are still provisional and still subject to final adjustment upon approval of the final negotiated rates. However, if at this point in time, USAID feels that an adjustment is necessary, we will adjust them.

For NRMP project, the noted discrepancies were adjusted in its March 1995 billing.

**FINANCIAL AUDIT OF THE USAID DIRECT CONTRACTS WITH
LOUIS BERGER INTERNATIONAL, INC.
DECEMBER 31, 1994**

STATUS OF PRIOR AUDIT FINDINGS AND RECOMMENDATIONS

All questioned costs noted in our audit of Rural Infrastructure Fund (RIF) project as of December 31, 1991 have been resolved by LBII with USAID. All recommendations of the prior audit for the RIF project were implemented by LBII, except for the following:

1. Value Added Tax - Rural Infrastructure Fund

Condition

Our examination disclosed that value added taxes (VAT) totaling \$826 (P21,336) was paid by LBII and reimbursed by USAID under the RIF project.

Criteria

Article XIV, Sections 14.1 and 14.4 of the contract provide that the Contractor and those of its employees who are not residents of the Philippines shall be exempt from all taxes, fees, and other impositions imposed under laws in effect in the Philippines with respect to any and all payments made in connection with the services performed under the contract and if the Contractors and their foreign personnel are for any reasons compelled to pay such taxes, the Contracting Agency (DPWH) shall immediately reimburse the Contractor and its foreign personnel.

Cause

The VAT was paid by LBII during the first half of 1992 . During that time, LBII was not yet knowledgeable on how VAT operates under the Philippine tax system. The VAT paid by LBII pertains to the imputed VAT on the suppliers' invoices and not as a separate item on the suppliers' invoices. Philippine tax law specifically states that if the VAT is not billed separately or billed

erroneously in the invoice, the VAT shall be determined by multiplying the gross receipts or sales by 1/11.

This issue has been dealt with in the previous audit report. However, because a certain period elapsed before the final report was released, LBII was not able to appropriately adjust the VAT paid during that period.

Effect

The expenses reimbursed by USAID were overstated by \$826 (P21,336) pertaining to tax payments which should have been shouldered by the Contracting Agency (DPWH).

Recommendation

We recommend that LBII return to USAID the amount of taxes that the latter inappropriately reimbursed. Such amount must be reported to DPWH for reimbursement to LBII.

Management Response

We are amenable with the finding and we will make the necessary adjustment.

2. Failure of the Contractor to Submit Proposed Final Overhead Rate

Condition

TCGI Engineers, one of the two principals of the joint venture for the RIF project, did not submit the proposed final indirect and social charges rates for local currency component of the contract covering calendar years ended December 31, 1993 and 1992. This is a major finding in the prior audit covering the period September 7, 1989 to December 31, 1991. As a result of such finding, a final overhead rate of 152.71% was established covering the period September 7, 1989 to December 31, 1991. TCGI Engineers, however, continued to use the 152.71% overhead rate subsequent to December 31, 1991 up to the present.

Criteria

Article VII, Sections 7.6 and 7.7 of the contract entitle the contractor to reimbursement for all indirect costs and social charges based on provisional rates applied to direct salaries on local and foreign currency components of the contract pending establishment of the final overhead rates. The Contractor shall submit to the Contracting Agency (DPWH) proposed final indirect and social charge rates for the period, together with supporting cost data, not later than six months after the close of each fiscal year during the term of the contract.

Effect

The expenses in the Fund Accountability Statement might be understated or overstated because of the nonsubmission of TCGI Engineers of its final indirect and social charge rates in accordance with the provision of the contract.

Recommendation

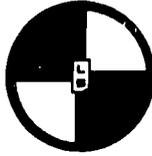
We recommend that the Contractor submit its proposed final indirect and social charge rates for the local currency components to enable the Contracting Agency (DPWH) to determine the final rates for indirect and social charges to be applied to the project.

Management Response

After constant follow-ups, TCGI had submitted to us their audited indirect and social charge rates for the period ended 1992-1994 which we then submitted to DPWH for further approval and endorsement to USAID. Based on the reports, it appears that the new rates are higher compared to the rates presently used in our billings.

LOUIS BERGER INTERNATIONAL, INC.

TM-8910, Mile Long Center
Amorsolo St., Legaspi Village
Makati, Metro Manila, PHILIPPINES



Architects • Engineers • Economists • Planners

Telephone: 63 (2) 812-35-56 to 58
Telefax: 63 (2) 819-3965

ANNEX C

LETTER/ACCTG-95/040-95

July 28, 1995

SYCIP GORRES VELAYO & CO.

6760 Ayala Avenue Makati
Metro Manila

Attention: **Mr. Medal T. Nera**
Partner

Gentlemen:

Please find herewith our management response on your findings and recommendations in connection with your financial audit of our direct contracts with USAID. Please note that this response is based on the latest report you have sent us on July 19, 1995.

Very truly yours,
LOUIS BERGER INTERNATIONAL, INC.

DAVID G. WALLACE
Country Manager

NLY
encl: as stated

LOUIS BERGER INTERNATIONAL, INC.
MANAGEMENT RESPONSE
AUDIT FINDINGS

ANNEX A - SCHEDULE OF FINDINGS COMPLIANCE WITH AGREEMENT TERMS AND APPLICATION LAWS AND REGULATIONS:

A-1. **FINDING** - Failure to Update Value Added Tax (VAT) Report

RESPONSE - Up to October 1993, USAID policy on VAT was to obtain exemption of VAT from suppliers based upon the supposition that USAID contractors were tax exempt. Subsequently, USAID changed the policy and the contractors had to file a statement of VAT paid. However, some old suppliers still understood the USAID contractors to be VAT exempt and did not show VAT on the invoice. Subsequent audit report concluded that VAT was inputted in all VAT registered companies whether stated or not.

MGP project had already submitted its updated report for VAT to USAID on May 29, 1995 effecting its August 1, 1994 to April 1995 transactions. For PAPS and NRMP, we will update our value added tax reports and submit them to USAID. No value added tax report had ever been submitted for MPE and CADD projects since the respective Project Manager did not receive any letter from USAID and maybe the reason was that the said projects were about to end at the time of the circulation of the letter. However, as recommended, we will prepare VAT report for MPE and CADD projects for submission to USAID.

The exception noted amounting to P 20,595 represents VAT inputted in the suppliers' invoices.

A-2. **FINDING** - Failure of Subcontractors to Submit An Audited Overhead Costs

RESPONSE - We are amenable that we have overlooked to follow-up our subcontractors to submit their audited overhead statements on a yearly basis, although we had done this before for PAPS and RIF projects in early years. We have sent letter to subcontractors to follow-up their audited overhead statements. Some subcontractors had already responded to our request. We will keep on following up other subcontractors for their reply and we will inform USAID as soon as we have obtained them.

A-3. **FINDING** - Inconsistency in the Subcontract Agreements

RESPONSE - Although no specific provision for the submission of an audited overhead rate was included in our subcontractor's agreements under MGP and MPE projects, however there was a provision in the agreement wherein the Subcontractor is bound with to the

terms, conditions and provisions of the Contract between prime Contractor and the Client in which case the provision requiring the submission of the audited overhead cost was already included.

For Dames and Moore (D&M) subcontract agreement, D&M uses both direct labor and fringe benefit as factors in determining indirect cost rate so it is imperative that this rate should also apply on direct labor and fringe benefit. This treatment had been explained/documentated by D&M when they had been requested by USAID, during the proposal stage of MGP project, to explain why they have so high fringe benefit rate.

A-4. FINDING - Charging of Overhead Cost for Contractual Employees

RESPONSE - We overlooked this matter. The exception noted pertained only to one project and this was just an isolated case relating to a contractual employee not eligible for fringe benefit. We will make the necessary adjustment for this.

A-5. FINDING - Overhead Cost Charged for Local Support Staff

RESPONSE - Typically, LBII for its USAID projects is using uniform prescribed fringe and overhead rates which are applied on base salary for all its staff. Thus, the same rates of fringe and overhead were used for PAPS project. However, for competitive reason, a lower overhead is applied to local support staff depending on environment. In which case an overhead rate of 40% and an indirect cost of 10% were established and being applied for local support staff on those projects succeeding PAPS.

Since in PAPS contract, there was no specific rate of fringe and indirect cost that should apply for local support staff, an actual fringe benefit given to employees should be the one reimbursed.

A-6. FINDING - Deviation of Actual Rates Used from Prescribed Overhead Rates.

RESPONSE - Typically, LBII is adjusting its billings to effect new overhead rates based on the prescribed overhead indicated in the NICRA, however, since PAPS, MPE and CADD projects were already completed at the time of the implementation of the new prescribed provisional overhead rates, LBII has decided not to adjust the billings for fringe benefits and indirect cost based on the new rates since the rates are still provisional and still subject to final adjustment upon approval of the final negotiated rates. However, if at this point in time USAID feels that an adjustment is necessary, we will adjust them.

For NRMP project the noted discrepancies were adjusted in its March 1995 billing.

ANNEX B - STATUS OF PRIOR AUDIT FINDINGS AND RECOMMENDATIONS

B-1. FINDING - Value Added Tax- Rural Infrastructure Fund

RESPONSE - We are amenable with the finding and we will make necessary adjustment.

B-2. FINDING - Failure of the Contractor to Submit Proposed Final Overhead Rate

RESPONSE - After constant follow-ups, TCGI had submitted to us their audited audited indirect and social charge reates for the period ended 1992-1994 which then submitted to DPWH for further approval and endorsement to USAAID. Based on the reports, it appears that the new rates are higher compared to the rates presently used in our billings.

C. - SUMMARY OF COMMENTS, RECOMMENDATIONS AND MANAGEMENT RESPONSES.

C-1. FINDING - Cancellation of Supporting Documents

RESPONSE - Check voucher itself is not usually cancelled (stamped "PAID) since this document has already contained the information about the check number and the date of payment. What we usually cancelled are the documents supporting the check voucher. Exceptions noted were an oversight, we will ensure to strictly enforce the policy.

C-2 FINDING - Acknowledgment of Receipt of Payroll Checks

RESPONSE - It is our policy to require payees to acknowledge check voucher, however for payroll disbursements, check voucher is not usually signed instead receipt of payroll is being acknowledged through individual payroll stub or payroll register. As recommended, we will strictly enforce the acknowledgement of check voucher for payroll disbursements. Due to limited personnel, payroll disbursement can not be assigned to other as recommended. However, we are considering the other recommendation to have our payroll payments through automated teller machines.



U.S. AGENCY FOR
INTERNATIONAL
DEVELOPMENT

ANNEX D

NEGOTIATED INDIRECT COST RATE AGREEMENT

Date: October 13, 1994

SUBJECT: Indirect Cost Rates for Use in Cost Reimbursement Type Agreements
With the Agency for International Development (AID)

REFERENCE: Contractor's Submissions dated October 4, 1994

CONTRACTOR: Louis Berger International, Inc.
or
100 Halsted Street
GRANTEE: P.O. Box 270
East Orange, NJ 07019

PART I- NEGOTIATED INDIRECT COST RATES (%)

Type	Effective Period		Overhead
	From	Through	
Provisional	07/01/93	06/30/94	142.4 ✓
Provisional	07/01/94	Until Amended	142.4

Base of Application

Direct labor dollars.

DATA CONTAINED ON THIS SHEET IS RESTRICTED, AND
SHALL NOT BE DUPLICATED, REPRODUCED OR DISCLOSED IN WHOLE
OR IN PART FOR ANY PURPOSE OTHER THAN AUDIT.

Acceptance of the rate(s) agreed to herein is predicated upon the conditions: (1) that no costs other than those incurred by the grantee/contractor were included in its indirect cost rate proposal and that such costs are legal obligations of the grantee/contractor; (2) that the same costs that have been treated as indirect costs have not been claimed as direct costs; (3) that similar types of costs have been accorded consistent treatment; and (4) that the information provided by the grantee/contractor which was used as the basis for acceptance of the rate(s) agreed to herein is not subsequently found to be materially incomplete or inaccurate.

AID 1420-47 (1-80)

(See Reverse)

45

PART II - ITEMS NORMALLY TREATED AS DIRECT COSTS

PART III - SPECIAL TERMS AND CONDITIONS

Pursuant to § 742.770 of the Agency for International Development Acquisition Regulations (AIDAR), the negotiated indirect cost rates set forth in Part I of this Agreement are incorporated into AID Agreements shown below. This agreement shall not change any monetary ceiling, obligation, or specific cost allowance or disallowance provided for in the Contracts or Grants listed below or any other Agreement between the parties.

<u>Contract/Grant Number</u>	<u>Project Number</u>	<u>Contract/Grant Number</u>	<u>Project Number</u>
677-0050-C-00-0010-00	677-0050	492-0444-C-00-1136-00	492-0444
685-0295-C-00-0019-00	685-0295	492-0456-C-00-2014-00	492-0456
492-0452-C-00-0099-00	492-0452	492-0420-C-00-2173-00	492-0420
519-0320-C-00-0337-00	519-0320	399-0360-C-00-2356-00	399-0360
656-0247-C-00-0037-00	656-0247	656-0510-C-00-3032-00	656-0510
492-0343-C-00-1218-00	492-0343	518-0094-C-00-3119-00	518-0094
532-0168-C-00-2004-00	532-0168	525-0313-C-00-3220-00	525-0313
608-0194-C-00-2010-00	608-0194	656-0237-C-00-4016-00	656-0237
520-0274-C-00-0214-00	620-0274	294-0006-G-00-4135-00	294-0006

ACCEPTED: Louis Berger International, Inc.

BY Paul A. Pearlson

PAUL A. PEARLSON
Printed or Typed Name

CONTRACTS / YEARS

This 01/2/94
Date

James J. Deery
James J. Deery

CONTRACTING OFFICER /ps/
Overhead and Special Cost Branch
Procurement Support Division
Office of Procurement
Agency for International Development

DISTRIBUTION:

- X IG/A/PA X 656 X 519 X 518 X 525
- X PA/FM/CHP X 677 X 399 X 520 X 608
- X OP/PS/SUP X 685 X 492 X 532 X 294

DATA CONTAINED ON THIS SHEET IS RESTRICTED, AND SHALL NOT BE DUPLICATED, USED OR DISCLOSED IN WHOLE OR IN PART FOR ANY PURPOSE OTHER THAN AUDIT.

LOUIS BERGER INTERNATIONAL, INC.
 U.S. GOVERNMENT INDIRECT COST RATE
 TWELVE MONTHS ENDED JUNE 30, 1994

Listed below is the breakdown of the latest payroll additives and overhead and G&A costs of Louis Berger International, Inc. U.S. Government Division for the twelve months ended June 30, 1994.

<u>Direct Labor</u>	<u>\$3,977,091</u>	<u>100.0%</u>
<u>Payroll Additives</u>		
Payroll Taxes	339,760	8.5%
Vacation	363,748	9.2%
Legal Holidays	75,003	1.9%
Group Insurance	239,062	6.0%
Pension Plan	103,085	2.6%
Miscellaneous Benefits	24,228	0.6%
Total Payroll Additives	<u>\$1,144,886</u>	<u>28.8%</u>
<u>Overhead and G&A Costs</u>		
Administrative & Technical Salaries	1,917,255	48.2%
Printing & Reproduction	58,258	1.5%
Travel & Lodging	379,924	9.6%
Purchased Services	783,551	19.7%
Office Rent & Rental of Miscellaneous Field & Office Equipment	205,132	5.2%
Brochures, Reports, & Proposals	32,924	0.8%
Insurance	394,029	9.9%
Field & Office Supplies & Other Office Expenses	153,874	3.9%
Communications & Utilities	306,668	7.7%
Depreciation	59,841	1.5%
Maintenance Vehicles, Office Equipment & Building	88,293	2.2%
Postage & Freight	67,956	1.7%
Business Taxes - State & Foreign	11,514	0.3%
Miscellaneous	57,307	1.4%
Total Overhead and G&A Costs	<u>\$4,516,526</u>	<u>113.6%</u>
Total Indirect Costs	<u>\$5,661,412</u>	<u>142.4%</u>

I certify that this is a true and correct statement based on the books and records of Louis Berger International, Inc. for the twelve (12) months ended June 30, 1994. Our financial figures have been audited by our independent certified public accountants for the fiscal year then ended.

LOUIS BERGER INTERNATIONAL, INC.

Paul A. Pearson, Controller

September 27, 1994

DATA CONTAINED ON THIS SHEET IS RESTRICTED. AND
 SHALL NOT BE DUPLICATED, USED OR DISCLOSED IN WHOLE
 OR IN PART FOR ANY PURPOSE OTHER THAN AUDIT.



U.S. AGENCY FOR
INTERNATIONAL
DEVELOPMENT

NEGOTIATED INDIRECT COST RATE AGREEMENT

SUBJECT: Indirect Cost Rates for Use in Cost Reimbursement Type Agreements
With the Agency for International Development (AID) Date: August 9, 1994

REFERENCE: Contractor's Submissions dated October 7, 1992 and October 6, 1993

CONTRACTOR: Louis Berger International, Inc.
or
100 Halsted Street
GRANTEE: P.O. Box 270
East Orange, NJ 07019

PART I- NEGOTIATED INDIRECT COST RATES (%)

Type	Effective Period		Overhead
	From	Through	
Provisional	07/01/91	06/30/92	143.1
Provisional	07/01/92	06/30/93	136.0
Provisional	07/01/93	Until Amended	136.0

Base of Application

Direct labor dollars.

DATA CONTAINED ON THIS SHEET IS RESTRICTED. AND SHALL NOT BE DUPLICATED, USED OR DISCLOSED IN WHOLE OR IN PART FOR ANY PURPOSE OTHER THAN AUDIT.

Acceptance of the rate(s) agreed to herein is predicated upon the conditions: (1) that no costs other than those incurred by the grantee/contractor were included in its indirect cost rate proposal and that such costs are legal obligations of the grantee/contractor; (2) that the same costs that have been treated as indirect costs have not been claimed as direct costs; (3) that similar types of costs have been accorded consistent treatment; and (4) that the information provided by the grantee/contractor which was used as the basis for acceptance of the rate(s) agreed to herein is not subsequently found to be materially incomplete or inaccurate.

48

PART III - SPECIAL TERMS AND CONDITIONS

Pursuant to § 742.770 of the Agency for International Development Acquisition Regulations (AIDAR), the negotiated indirect cost rates set forth in Part I of this Agreement are incorporated into AID Agreements shown below. This agreement shall not change any monetary ceiling, obligation, or specific cost allowance or disallowance provided for in the Contracts or Grants listed below or any other Agreement between the parties.

Contract/Grant Number

677-0050-C-00-0010-00

685-0295-C-00-0019-00

PAE - 492-0452-C-00-0099-00 G G 152

519-0320-C-00-0337-00

656-0247-C-00-0037-00

519-0320-C-00-1103-00

MAPE - 492-0343-C-00-1278-00 G G 200A

532-0168-C-00-2004-00

608-0194-C-00-2010-00

391-0479-C-00-5031-00

519-0177-C-00-1202-00

520-0274-C-00-0214-00

Contract/Grant Number

623-0000-C-00-9011-00

386-0484-C-00-5028-00

538-0138-C-00-6029-00

367-0153-C-00-6048-00

656-0510-C-00-1003-00

DIRTY - 492-0444-C-00-1136-00 G G 139

MGP - 492-0456-C-00-2014-00 G G 209

520-0000-0-00-2159-00

CAAD - 492-0420-C-00-2173-00 G G 224

399-0360-C-00-2356-00 G G 225

656-0510-C-00-3033-00

518-0094-C-00-3119-00

525-0313-C-00-3220-00

656-0237-C-00-4016-00

294-3006-G-00-4135-00

ACCEPTED: Louis Berger International, Inc.

BY Paul A. Peterson

PAUL A. PETERSON

Printed or Typed Name

CONTRACTOR / TREASURER

This

Aug 18, 94

Date

James J. Deery
James J. Deery

CONTRACTING OFFICER *ins*
Overhead and Special Cost Branch
Procurement Support Division
Office of Procurement
Agency for International Development

DISTRIBUTION:

X IG/A/FA	X 621	X 677	X 656	X 391	X 519	X 518	X 525
X PA/FH/CMP	X 623	X 685	X 367	X 399	X 294	X 520	
X OP/PS/SUP	X 656	X 608	X 386	X 492	X 538	X 532	

AID 1420-47 (8-90) back

DATA CONTAINED ON THIS SHEET IS RESTRICTED, AND SHALL NOT BE DUPLICATED, USED OR DISCLOSED IN WHOLE OR IN PART FOR ANY PURPOSE OTHER THAN AUDIT.

LOUIS BERGER INTERNATIONAL, INC.
U.S. GOVERNMENT OVERHEAD RATE
TWELVE MONTHS ENDED JUNE 30, 1993

Listed below is the breakdown of the latest payroll additives and indirect costs of Louis Berger International, Inc. U.S. Government Division for the twelve months ended June 30, 1993.

Direct Labor	\$4,761,733	100.0%
<hr/>		
Payroll Additives		
<hr/>		
Payroll Taxes	363,992	7.6%
Vacation	418,343	8.8%
Legal Holidays	113,318	2.4%
Group Insurance	293,847	6.2%
Pension Plan	121,192	2.5%
Miscellaneous Benefits	36,173	0.8%
	<hr/>	<hr/>
Total Payroll Additives	\$1,346,865	28.3%
<hr/>		
Indirect Costs		
<hr/>		
Administrative & Technical Salaries	2,096,801	44.0%
Printing & Reproduction	47,526	1.0%
Travel & Lodging	463,576	9.8%
Purchased Services	956,244	20.1%
Office Rent & Rental of Miscellaneous Field & Office Equipment	315,891	6.6%
Brochures, Reports, & Proposals	24,327	0.5%
Insurance	386,460	8.1%
Field & Office Supplies & Other Office Expenses	159,552	3.4%
Communications & Utilities	278,936	5.9%
Depreciation	68,177	1.4%
Maintenance Vehicles, Office Equipment & Building	113,362	2.4%
Postage & Freight	113,905	2.4%
Business Taxes - State & Foreign	19,303	0.4%
Miscellaneous	80,866	1.7%
	<hr/>	<hr/>
Total Indirect Costs	\$5,126,926	107.7%
<hr/>		
Total Overhead	\$6,473,791	136.0%
<hr/>		

I certify that this is a true and correct statement based on the books and records of Louis Berger International, Inc. for the twelve (12) months ended June 30, 1993. Our financial figures have been audited by our independent certified public accountants for the fiscal year then ended.

LOUIS BERGER INTERNATIONAL, INC.

Paul A. Pearson Oct. 13, 93
 Paul A. Pearson, Controller

September 27, 1993

DATA CONTAINED ON THIS SHEET IS RESTRICTED. AND SHALL NOT BE DUPLICATED, COPIED OR DISCLOSED IN WHOLE OR IN PART FOR ANY PURPOSE OTHER THAN AUDIT.



U.S. AGENCY FOR
INTERNATIONAL
DEVELOPMENT

NEGOTIATED INDIRECT COST RATE AGREEMENT

Date: May 12, 1993

SUBJECT: Indirect Cost Rates for Use in Cost Reimbursement Type Agreements With the Agency for International Development (AID)

REFERENCE: RIG/A/W Audit Report No. O-000-93-01 N dated November 23, 1992

CONTRACTOR: Louis Berger International, Inc.
or
100 Halsted Street

GRANTEE: P.O. Box 270
East Orange, NJ 07019

PART I- NEGOTIATED INDIRECT COST RATES (%)

Type	Effective Period		Overhead	
	From	Through		
Final	7-1-1986	6-30-1987	130.7	131.70
Final	7-1-1987	6-30-1988	-137.7	
Final	7-1-1988	6-30-1989	-135.0	
Final	7-1-1989	6-30-1990	133.3	141.60
Final	7-1-1990	6-30-1991	-131.5	
Provisional	7-1-1991	Until Amended	-143.1	

Base of Application
Direct labor dollars.

DATA CONTAINED ON THIS SHEET IS RESTRICTED, AND SHALL NOT BE DUPLICATED OR DISCLOSED IN WHOLE OR IN PART FOR ANY PURPOSE OTHER THAN AUDIT.

Acceptance of the rate(s) agreed to herein is predicated upon the conditions: (1) that no costs other than those incurred by the grantee/contractor were included in its indirect cost rate proposal and that such costs are legal obligations of the grantee/contractor; (2) that the same costs that have been treated as indirect costs have not been claimed as direct costs; (3) that similar types of costs have been accorded consistent treatment; and (4) that the information provided by the grantee/contractor which was used as the basis for acceptance of the rate(s) agreed to herein is subsequently found to be materially incomplete or inaccurate.

51

LOUIS BERGER INTERNATIONAL, INC.
 U.S. GOVERNMENT OVERHEAD RATE
 TWELVE MONTHS ENDED JUNE 30, 1992

ATTENTION:

Ms. M.R. ARENAS

ORP-USAID

Listed below is the breakdown of the latest payroll additives and indirect costs of Louis Berger International, Inc. U.S. Government Division for the twelve months ended June 30, 1992.

<u>Direct Labor</u>	<u>\$4,866,788</u>	<u>100.0%</u>
<u>Payroll Additives</u>		
Payroll Taxes	393,359	8.1%
Vacation	398,681	8.2%
Legal Holidays	108,949	2.2%
Group Insurance	566,790	11.7%
Pension Plan	107,963	2.2%
Miscellaneous Benefits	35,980	0.7%
Total Payroll Additives	\$1,611,722	33.1%
<u>Indirect Costs</u>		
Administrative & Technical Salaries	2,137,294	43.9%
Printing & Reproduction	57,066	1.2%
Travel & Lodging	698,097	14.3%
Purchased Services	1,039,227	21.4%
Office Rent & Rental of Miscellaneous Field & Office Equipment	220,122	4.5%
Brochures, Reports, & Proposals	29,810	0.6%
Insurance	257,907	5.3%
Field & Office Supplies & Other Office Expenses	179,158	3.7%
Communications & Utilities	359,126	7.4%
Depreciation	62,489	1.3%
Maintenance Vehicles, Office Equipment & Building	107,270	2.2%
Postage & Freight	119,649	2.5%
Business Taxes - State & Foreign	11,001	0.2%
Miscellaneous	74,250	1.5%
Total Indirect Costs	\$5,352,466	110.0%
Total Overhead	\$6,964,188	143.1%

I certify that this is a true and correct statement based on the books and records of Louis Berger International, Inc. for the twelve (12) months ended June 30, 1992. Our financial figures have been audited by our independent certified public accountants for the fiscal year then ended.

LOUIS BERGER INTERNATIONAL, INC.

Paul A. Pearlson 2/10/92
 Paul A. Pearlson, Controller

September 23, 1992

DATA CONTAINED ON THIS SHEET IS RESTRICTED, AND
 SHALL NOT BE DUPLICATED, REPRODUCED, OR DISCLOSED IN WHOLE
 OR IN PART FOR ANY PURPOSE OTHER THAN AUDIT.

NEGOTIATED INDIRECT COST RATE AGREEMENT

Date November 25, 1991

SUBJECT: Indirect Cost Rates for Use in Cost Reimbursement Type Agreements With the Agency for International Development (AID)

REFERENCE: IG/A/FA Audit Report TR No. 91-156 dated August 29, 1991 and Contractor's proposal dated May 6, 1991

CONTRACTOR: Louis Berger International, Inc.
 or
 100 Balsted Street

GRANTEE: P.O. Box 270
 East Orange, NJ 07019

PART I - NEGOTIATED INDIRECT COST RATES (%)

Type	Effective Period		Overhead Rate
	From	Through	
Final	7-1-85	6-30-86	141.4
Provisional	7-1-86	6-30-87	131.7
Provisional	7-1-87	6-30-88	137.7
Provisional	7-1-88	6-30-89	135.0
Provisional	7-1-89	6-30-90	141.6
Provisional	7-1-90	Until Amended	131.5

Use of Application

Direct labor dollars.

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Acceptance of the rate(s) agreed to herein is predicated upon the conditions: (1) that no costs other than those incurred by the grantee/contractor were included in its indirect cost rate proposal and that such costs are legal obligations of the grantee/contractor; (2) that the same costs that have been treated as indirect costs have not been claimed as direct costs; (3) that similar types of costs have been accorded consistent treatment; and (4) that the information provided by the grantee/contractor which was used as the basis for the rate(s) agreed to herein is not materially incomplete or inaccurate.

LOUIS BERGER INTERNATIONAL, INC. (C)
 U.S. GOVERNMENT OVERHEAD RATE
 TWELVE MONTHS ENDED JUNE 30, 1991

Listed below is the breakdown of the latest payroll additives and indirect costs of Louis Berger International, Inc.'s U.S. Government Division for the twelve months ended June 30, 1991.

Direct Labor	\$5,440,542	100.0%
<hr/>		
Payroll Additives		
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Payroll Taxes	411,636	7.6%
Vacation	454,585	8.4%
Legal Holidays	93,954	1.7%
Group Insurance	428,467	7.9%
Pension Plan	85,557	1.6%
Miscellaneous Benefits	25,829	0.4%
	<hr/>	<hr/>
Total Payroll Additives	\$1,500,028	27.6%
<hr/>		
Indirect Costs		
<hr/>		
Administrative & Technical Salaries	2,113,215	38.8%
Printing & Reproduction	50,681	0.9%
Travel & Lodging	819,656	15.1%
Purchased Services	1,180,544	21.9%
Office Rent & Rental of Miscellaneous Field & Office Equipment	244,485	4.5%
Brochures, Reports, & Proposals	46,653	0.9%
Insurance	237,688	4.4%
Field & Office Supplies & Other Office Expenses	185,384	3.4%
Communications & Utilities	365,170	6.7%
Depreciation	66,835	1.2%
Maintenance Vehicles, Office Equipment & Building	101,806	1.9%
Postage & Freight	116,052	2.1%
Business Taxes - State & Foreign	12,717	0.2%
Miscellaneous	102,066	1.9%
	<hr/>	<hr/>
Total Indirect Costs	\$5,651,952	103.9%
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Total Overhead	\$7,151,980	131.5%
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I certify that this is a true and correct statement based on the books and records of Louis Berger International, Inc. for the twelve (12) months ended June 30, 1991. Our financial figures have been audited by our independent certified public accountants for the fiscal year then ended.

LOUIS BERGER INTERNATIONAL, INC.

Paul A. Pearson
 Paul A. Pearson, Controller

September 30, 1991

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54

LOUIS BERGER INTERNATIONAL, INC.
 U.S. GOVERNMENT OVERHEAD RATE
 TWELVE MONTHS ENDED JUNE 30, 1990

Listed below is the breakdown of the latest payroll additives and indirect costs of Louis Berger International, Inc. U.S. Government Division for the twelve months ended June 30, 1990.

Direct Labor	\$3,758,391	100.0%
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Payroll Additives		
<hr/>		
Payroll Taxes	233,779	7.7%
Vacation	303,961	8.1%
Legal Holidays	74,025	2.0%
Group Insurance	323,157	8.6%
Pension Plan	75,001	2.0%
Miscellaneous Benefits	14,839	0.4%
<hr/>		
Total Payroll Additives	\$1,080,762	28.8%
<hr/>		
Indirect Costs		
<hr/>		
Administrative & Technical Salaries	1,731,811	46.1%
Printing & Reproduction	61,780	1.7%
Travel & Lodging	359,454	9.6%
Purchased Services	637,402	22.3%
Office Rent & Rental of Miscellaneous Field & Office Equipment	219,255	5.8%
Brochures, Reports, & Proposals	20,152	0.5%
Insurance	173,834	4.6%
Field & Office Supplies & Other Office Expenses	184,313	4.9%
Communications & Utilities	270,235	7.2%
Depreciation	61,596	1.6%
Maintenance Vehicles, Office Equipment & Building	143,885	3.8%
Postage & Freight	97,155	2.6%
Business Taxes - State & Foreign	16,296	0.4%
Miscellaneous	62,713	1.7%
<hr/>		
Total Indirect Costs	\$4,240,581	112.6%
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Total Overhead	\$5,321,343	141.6%
<hr/>		

I certify that this is a true and correct statement based on the books and records of Louis Berger International, Inc. for the twelve (12) months ended June 30, 1990. Our financial figures have been audited by our independent certified public accountants for the fiscal year then ended.

LOUIS BERGER INTERNATIONAL, INC.


 Paul A. Pearson, Controller

November 1, 1990

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