

**G
K
A**

LABAT ANDERSON INCORPORATED

**REPORT ON FINANCIAL, COMPLIANCE AND PROGRAMMATIC
REVIEW OF USAID CONTRACT NUMBER AOT-0438-C-00-3011-00**

**FOR THE
PRIVATE SECTOR DIVISION OF THE
OFFICE OF OPERATIONS AND NEW INITIATIVES OF THE
BUREAU OF AFRICA**

UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT

FOR THE PERIOD NOVEMBER 20, 1992 TO JUNE 30, 1993

**(WITH INDEPENDENT ACCOUNTANTS' AGREED UPON
PROCEDURES REPORT THEREON)**

Gardiner, Kamy & Associates, P.C.

Management Consultants and Certified Public Accountants

Washington, D.C.

**U.S.A.I.D.
LABAT ANDERSON INCORPORATED
REPORT ON FINANCIAL, COMPLIANCE AND PROGRAMMATIC REVIEW OF
CONTRACT NUMBER AOT-0438-C-00-3011-00
FOR THE PERIOD
NOVEMBER 20, 1992 TO JUNE 30, 1993**

TABLE OF CONTENTS

	<u>PAGE</u>
TRANSMITTAL LETTER	1 - 4
INDEPENDENT ACCOUNTANTS' AGREED UPON PROCEDURES REPORT	5 - 8
STATEMENT OF CONTRACT EXPENDITURES	9
FINDINGS AND RECOMMENDATIONS	10 - 19

Gardiner, Kamy & Associates, P.C.

Management Consultants and Certified Public Accountants

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

Phone: 202 857-1777

November 30, 1993

Mr. Neil Billig
Project Officer
Private Sector Division
Office of Operations and New Initiatives
Bureau for Africa
Agency for International Development
Washington, D.C. 20523-0209

Dear Mr. Billig:

This report presents the results of our review of Labat Anderson Incorporated's (LAI) United States Agency for International Development, contract number AOT-0438-C-00-3011-00 for the period November 20, 1992 to June 30, 1993.

BACKGROUND

Labat Anderson, Incorporated (LAI) was incorporated in Virginia in 1979. LAI graduated from the SBA "8(a)" program in October of 1990. LAI provides a broad range of technical and professional services, principally information technologies and systems; regulatory, policy, and environmental analyses; research, editorial and publications support; and international project design and management.

LAI, under contract number AOT-0438-C-00-3011-00 with the United States Agency for International Development (U.S.A.I.D.), assists the Private Sector Division of the Office of Operations and New Initiatives of the Bureau for Africa (AFR/ONI/PSD) and A.I.D. Missions to promote and expand private sector activities in Sub-Saharan Africa and the contributions that the United States and African private sectors can make to African development.

The contract provides assistance to AFR/ONI/PSD and Missions to develop and implement strategies, programs and projects that foster private sector investment, free

market growth and broad-based economic diversification, which increase competition, business skills and entrepreneurship through the efficient delivery of necessary goods and services. Activities include those that support A.I.D. efforts to develop and implement information and communications systems used for analyzing, tracking and informing ongoing and new privatization and business development initiatives, and measure the impact of private sector programs.

LAI, through the provision of long and short-term technical assistance and logistical support provides the following services on a task order basis:

1. Supports AFR/ONI/PSD and Mission policy and strategy efforts in the creation of enabling environments, linking private sector-led economic development and democracy and governance programs;
2. Provides policy and regulatory reform, project design, research and evaluation assistance for trade and investment, privatization, financial sector, capital market and general business promotion programs;
3. Helps design and implement programs and policies related to building U.S. and host-country constituencies by providing assistance to and through associations, foundations and other intermediary organizations which foster sustainability and maximization of local participation;
4. Assists Bureau and Mission efforts to define and encourage the implementation of improved policies, programs and strategies through the creation of networks in established African business communities, and in the informal, small and microenterprise sectors, and the linking of these two sectors; and
5. Conducts research, develops materials and provides training or otherwise disseminates private sector development thinking, policy and program information and development program options of concern to A.I.D. development staff and African-country nationals.

OBJECTIVE AND SCOPE

The objective of our engagement was to perform a financial, compliance and programmatic review of the above-referenced contract administered by LAI to determine whether:

1. LAI was successful in meeting the objectives outlined in the original proposal;
2. A.I.D. funding was sufficient to carry out these objectives;
3. Problems, if any, existed in project design, which may have prevented investigators from maximizing the objectives outlined in the original proposal;
4. The sub-project fits in with the overall African Private Enterprise Fund (APEF) project;
5. Elements of the project warrant further support and how specific activities might be designed to complement ongoing Project activities;
6. Required technical and administrative reports are received timely by the Project Officer on a quarterly basis and whether these reports facilitate the comparison of implementation results or the level of effort expended with expenditures;
7. Public Vouchers SF-1034 are prepared and submitted on a timely basis and whether they are accurate and supported by subsidiary accounting records;
8. Funds are properly disbursed in compliance with the contract agreement and in accordance with applicable laws and regulations;
9. "Buy-in" expenses are accounted for separately and reported to Mission Project Officers; and
10. Travel procedures are in place to ensure that trips are approved in advance and that travel is reasonable and conducted in accordance with A.I.D. regulations.

Gardiner, Kamyra and Associates, P.C.'s (GKA) approach to performing the above requested scope of work was to apply certain agreed-upon procedures, as discussed on pages 5-7, to the U.S.A.I.D. contract number AOT-0438-C-00-3011-00 with LAI. Our review, which covered the contract period from November 20, 1992 to June 30, 1993, was made solely to assist U.S.A.I.D. AFR/ONI/PSD in determining whether the said contract with the contractor was being administered in accordance with the terms of the contract agreement, U.S.A.I.D. regulations and the Office of Management and Budget (OMB) requirements.

SUMMARY OF FINDINGS

In summary, our review disclosed the following minor findings which require corrective action. These findings are presented in detail in Exhibit I -- Schedule of Findings -- in our accompanying independent accountants' agreed-upon procedures report.

1. LAI invoiced A.I.D. for direct labor costs resulting from overtime hours incurred.
2. LAI invoiced A.I.D. for travel costs resulting from the use of a non-United States flag air carrier without obtaining prior written approval from the contracting officer.

LAI has provided responses to each finding, and their comments are incorporated verbatim in this report.

CONCLUSION

Based on the satisfactory results of our review, we do not recommend an audit of LAI's financial operations.

* * * * *

If additional information with respect to this report is required, please feel free to contact us at (202)857-1777.

Very truly yours,
Gardiner, Kamyra and Associates, P.C.


John M. Kamyra

Gardiner, Kamy & Associates, P.C.

Management Consultants and Certified Public Accountants

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

Phone: 202 857-1777

November 30, 1993

INDEPENDENT ACCOUNTANTS' AGREED UPON PROCEDURES REPORT

Mr. Neil Billig
Project Officer
Private Sector Division
Office of Operations and New Initiatives
Bureau for Africa
Agency for International Development
Washington, D.C. 20523-0209

At the request of the Private Sector Division of the Office of Operations and New Initiatives of the Bureau for Africa (AFR/ONI/PSD), we have performed the procedures summarized below with respect to the U.S. Government contract number AOT-0438-C-00-3011-00 for the period November 20, 1992 to June 30, 1993. Our review was made solely to assist you in evaluating Labat Anderson Incorporated's (LAI) compliance with the objectives outlined in pages 2 and 3 of this report, and our report is not to be used for any other purpose.

The procedures we performed are summarized as follows:

- We read and obtained an understanding of the objectives and terms of the original contract agreement between the U.S.A.I.D. and LAI;
- We made inquiries from the contractor regarding its success to date in achieving the objectives outlined in the contract agreement;
- We reviewed correspondence between the contractor and the U.S.A.I.D. AFR/ONI/PSD and A.I.D. Missions for indications of:
 - a. U.S.A.I.D.'s satisfaction with the work performed by the contractor;

- b. U.S.A.I.D.'s approval of the deliverables (Final Reports) submitted by the contractor;
 - c. Problems encountered by the contractor that prevented the maximization of the objectives outlined in the contract agreement;
 - d. Non-compliance on the part of the contractor with the contract agreement, A.I.D. regulations and OMB requirements;
 - e. Request by the contractor for additional funding.
- We requested progress reports submitted by the contractor to the cognizant U.S.A.I.D. Project Officer and reviewed for progress and success achieved to date for the task orders reported on;
 - We identified and requested the technical and administrative reports that the contractor is required to submit to the cognizant U.S.A.I.D. Project Officer. We then reviewed these reports to determine whether they were prepared and submitted on a timely basis by the contractor and whether they facilitated the comparison of implementation results or level of effort expended with expenditures incurred and invoiced to U.S.A.I.D.;
 - We made inquiries from the contractor as to whether further support was required for certain elements of the project and how might specific activities be designed to complement ongoing project activities;
 - We selected a representative sample of the task orders issued under the "core activities" and the "buy-ins" and performed the following tests:
 - a. Compared the objectives outlined in these task orders to those outlined in the original contract agreement and made a determination as to whether the goals are common;
 - b. Determined whether the task orders were successfully completed by the contractor;
 - c. Determined whether the final deliverables were approved by U.S.A.I.D. and issued by the contractor.

- We selected a representative sample of Public Vouchers SF-1034 submitted for reimbursement from U.S.A.I.D. by the contractor for costs incurred under "core activities" and "buy-ins" and performed the following tests:
 - a. Determined whether Public Vouchers SF-1034 were accurate and adequately supported by subsidiary accounting records maintained by the contractor;
 - b. Determined whether Public Vouchers SF-1034 were submitted as frequently as required by the contract agreement and on a timely basis;
 - c. Determined whether costs invoiced to A.I.D. were reasonable, allocable and allowable per the contract agreement and A.I.D. regulations;
 - d. Determined whether required prior written approvals from the cognizant A.I.D. Project Officer or A.I.D. Missions were obtained by the contractor (e.g., approvals for international travel, use of non-U.S. flag carriers, etc.);
 - e. Determined whether the contractor has a system in place that accounted for "buy-ins" costs incurred separately. Also, determined whether these "buy-ins" costs were invoiced separately to A.I.D.

- We also made an evaluation of the contractor's existing Travel policies and procedures and ensured that there were adequate controls in place and that these policies and procedures provided for the adherence to U.S.A.I.D. regulations and contract agreement terms. We also determined whether these procedures were being observed by the contractor.

Our findings are presented in Exhibit I -- Schedule of Findings.

In the task order instructions to us, U.S.A.I.D. requested that GKA make a determination as to whether a full scope audit in accordance with generally accepted auditing standards and government auditing standards of the above-referenced U.S. Government contract administered by LAI would be necessary and/or recommended. Based on the objectives of our review and findings, we do not recommend a full scope audit in accordance with generally accepted auditing standards and government auditing standards, of the U.S. Government contract number AOT-0438-C-00-3011-00.

Because the above agreed-upon procedures do not constitute an audit in accordance with generally accepted auditing standards, we do not express an opinion on the Statement of Contract Expenditures, or LAI's total compliance with the objectives outlined in pages 2 and 3 of this report or the administration of contract number AOT-0438-C-00-3011-00 by LAI.

In connection with procedures referred to above, except as set forth in Exhibit I, Schedule of Findings, no matters came to our attention that caused us to believe that LAI is not in compliance with objectives outlined in pages 2 and 3 of this report. Had we performed additional procedures or had we conducted an audit of the contract expenditures, in accordance with generally accepted auditing standards and government auditing standards, other matters might have come to our attention that would have been reported to you. This report relates only to the U.S. contract number AOT-0438-C-00-3011-00 for the period November 20, 1992 to June 30, 1993 and does not extend to any other contracts awarded to LAI.

This report is intended solely for the use of the Private Sector Division of the Office of Operations and New Initiatives of the Bureau of Africa and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report, which upon acceptance by the U.S.A.I.D. is a matter of public record.

Gardner, Karmay & Associates, PC.

LABAT ANDERSON, INCORPORATED

**STATEMENT OF CONTRACT EXPENDITURES
FOR THE PERIOD NOVEMBER 20, 1992 TO JUNE 30, 1993
CONTRACT NUMBER AOT-0438-C-00-3011-00**

	Budget	Costs Claimed for Reimbursement	Results of Review Questioned Costs			Reference
			Unsupported	Ineligible	Total	
<u>CORE ACTIVITIES:</u>						
Direct Labor	\$ 334,931	\$ 349,221	\$ 0	\$ 409	\$ 409	Finding 3
Overhead (Including Fringe)	240,122	250,424	0	294	294	Finding 3
Other Direct Costs (Including G&A)	920,195	422,904	0	2,722	2,722	*Finding 3,4
Total Estimated Cost	1,495,248	1,022,549	0	3,425	3,425	
Fixed Fee	109,452	74,851	0	251	251	Finding 3,4
Total Cost Plus Fixed Fee	\$ 1,604,700	\$ 1,097,400	\$ 0	\$ 3,676	\$ 3,676	
<u>MISSION BUY-INS:</u>						
Direct Labor	\$ 99,143	\$ 85,927	\$ 0	\$ 0	\$ 0	
Overhead (Including Fringe)	44,808	40,243	0	0	0	
Other Direct Costs (Including G&A)	787,842	185,519	0	0	0	
Total Estimated Cost	931,793	311,689	0	0	0	
Fixed Fee	68,207	22,808	0	0	0	
Total Cost Plus Fixed Fee	\$ 1,000,000	\$ 334,497	\$ 0	\$ 0	\$ 0	
GRAND TOTAL	\$ 2,604,700	\$ 1,431,897	\$ 0	\$ 3,676	\$ 3,676	

*Ineligible Other Direct Costs of \$2,722 consist of Travel and Transportation costs of \$2,417.74 and General and Administrative Fee of \$304.26.

EXHIBIT I

SCHEDULE OF FINDINGS

**U.S.A.I.D. -- LABAT ANDERSON, INC.
FINANCIAL, COMPLIANCE AND PROGRAMMATIC REVIEW
REVIEW FINDINGS -- SALARIES
PERIOD TESTED : 11/20/92 - 06/30/93**

Finding No. 1

Condition:

Out of the total of sixty-one (61) timesheets reviewed for direct labor costs invoiced to U.S.A.I.D. under contract number AOT-0438-C-00-3011-00 for the month of February 1993, one (1) timesheet was not signed by a Labat Anderson, Inc.'s employee. Related hours and costs billed for "Core Activities" were 2.5 hours and \$31.75, respectively.

Criteria:

Labat Anderson, Inc.'s policies and procedures relating to payroll require that all timesheets be signed by employees before submission to the division supervisors for review and approval.

Cause:

Existing internal control procedures relating to payroll were not followed.

Effect:

GKA does not consider this finding a material internal control weakness as it appears to be an isolated incident. Passed further investigation.

Recommendation:

None.

Labat Anderson, Inc.'s comment:

Although GKA did not consider the above finding to be a material internal control weakness we are looking into more efficient control procedures to further reduce/eliminate this discrepancy.

U.S.A.I.D. -- LABAT ANDERSON, INC.
FINANCIAL, COMPLIANCE AND PROGRAMMATIC REVIEW
REVIEW FINDINGS -- SALARIES
PERIOD TESTED : 11/20/92 - 06/30/93

Finding No. 2

Condition:

Out of the total of forty (40) timesheets reviewed for the month of June 1993, one (1) timesheet was totalled incorrectly. As a result, Labat Anderson, Inc. invoiced U.S.A.I.D. for one (1) hour or \$10.68 of excess of actual direct labor costs incurred.

Criteria:

Costs claimed for reimbursement from U.S.A.I.D. must be actual incurred costs, and must be allocable and allowable.

Cause:

Existing internal control procedures relating to payroll and billing were not followed.

Effect:

Labat Anderson, Inc. invoiced U.S.A.I.D. for unsupported direct labor costs of \$10.68 per voucher number 8677-01-08, dated July 13, 1993.

Recommendations:

We recommend that Labat Anderson, Inc. reduce future billings to U.S.A.I.D under contract number AOT-0438-C-00-3011-00 by \$10.68.

Labat Anderson, Inc.'s comment:

A "Correcting timesheet" has already been processed and future billing will thereby be reduced. In addition the employee (Gabrielle Dennis) and the person responsible for the input of Ms. Dennis' Timesheet (John Volarich) have been notified of their inaccuracies.

Correcting invoice has been processed to reduce billings by the stated amount.

**U.S.A.I.D. -- LABAT ANDERSON, INC.
FINANCIAL, COMPLIANCE AND PROGRAMMATIC REVIEW
REVIEW FINDINGS -- SALARIES
PERIOD TESTED : 11/20/92 - 06/30/93**

Finding No. 3

Condition:

Labat Anderson, Inc. invoiced U.S.A.I.D. for ineligible direct labor costs resulting from overtime hours incurred (i.e., hours in excess of forty (40) hours per week). The overtime hours incurred were invoiced at the regular rate of pay.

Criteria:

Contract number AOT-0438-C-00-3011-00 stipulates that there is no provisions for overtime pay.

Also **FAR 22.103-1** defines overtime as hours worked in excess of 40 hours per work week.

Cause:

The contractor does not consider overtime hour incurred and billed at the regular rate of pay to be "**overtime pay**". As such, the contractor's policies and procedures for the determination of allowable costs do not provide for the said condition.

Effect:

Labat Anderson, Inc. invoiced U.S.A.I.D. for ineligible direct labor costs of \$408.96 plus related fringe costs of \$130.17, overhead costs of \$164.05, General and Administrative fee of \$68.56 and Fixed fee of \$56.49 per voucher number 8677-01-08, dated July 13, 1993.

Recommendation:

We recommend that Labat Anderson, Inc. reduce future billings to U.S.A.I.D. under contract number AOT-0438-C-00-3011-00 by \$828.23. We also recommend that the contractor obtain clarification from U.S.A.I.D, with respect to the hours billed in excess of 40 hours per week, even if such hours are billed at a regular (i.e., non-overtime) rate.

Labat Anderson, Inc.'s Comment:

In response to your inquiry concerning payment of overtime, we agree that the contract itself does not provide additional level of effort or dollars for overtime. It does not state that the Contractor is forbidden from compensating its employees for overtime necessary to complete a job. The contract simply states that there is no additional level of effort or dollars built into the contract for overtime. It is a management decision to utilize the level of effort or dollars as necessary to meet a deadline as long as these costs stay within the stated ceilings set forth in the contract. Further, it is the Contractor's responsibility to make sure its mission is completed and how its employees are compensated. Overtime pay is any compensation in excess of the employee's regular hourly rate. The cost in question was paid at the employees regular rate of pay. If overtime is necessary to meet the client's needs, then the Government cannot hinder the Contractor from meeting its objective.

AIDAR 752.7007 states, "Direct compensation of the Contractor's personnel will be in accordance with the Contractor's established policies, procedures and practices and the cost principles applicable to this contract". This is further supported by F.A.R. clause 52.222-2 which allows for the use of overtime on an occasional basis when necessary for production bottlenecks of a sporadic nature. Mr. Miller's work requires him to occasionally work overtime in order to maintain the timeline within his task order. He had the full concurrence of the Project Director, M. Peter Leifert. If his overtime were to be denied he would not have been able to meet the task performance schedule set forth in the attached timeline.

**U.S.A.I.D. -- LABAT ANDERSON, INC.
FINANCIAL, COMPLIANCE AND PROGRAMMATIC REVIEW
REVIEW FINDINGS -- TRAVEL AND TRANSPORTATION
PERIOD TESTED : 11/20/92 - 06/30/93**

Finding No. 4

Condition:

Labat Anderson, Inc. did not submit explanations and certification to U.S.A.I.D. for the use of a non-United States flag air carrier (Air France) for travel costs incurred and invoiced to U.S.A.I.D. under "Core Activities".

Criteria:

48 CFR 752.7002 Travel and Transportation requires the contractor to obtain the Contracting Officer's or the Mission Director's release from the requirement to use United States flag air carriers.

Cause:

Existing internal control procedures relating to Labat Anderson, Inc.'s travel and transportation policies and procedures were not observed.

Effect:

Labat Anderson, Inc. invoiced U.S.A.I.D. for ineligible Travel and Transportation costs of \$2,417.45 plus related General and administrative fee of \$235.70 and Fixed fee of \$194.21 per voucher number 8677-01-08, dated July 13, 1993.

Recommendation:

We recommend that Labat Anderson, inc. reduce future billings to U.S.A.I.D. under contract number AOT-0438-C-00-3011-00 by \$2,847.36.

Labat Anderson, Inc.'s comment:

LAI is attempting to contract Ms. Mungi to determine if Certification can be obtained for use of a non-U.S. carrier. If Certification from Ms. Mungi cannot be obtained, LAI will request Ms. Mungi remit the amount paid for the overseas portion of the trip. LAI will then credit USAID and thereby reduce future fillings. Please see Attachment 4 for preliminary explanation and DRAFT letter to be sent out to Ms. Mungi pending approval.

U.S.A.I.D. -- LABAT ANDERSON, INC.
FINANCIAL, COMPLIANCE AND PROGRAMMATIC REVIEW
REVIEW FINDINGS -- TRAVEL AND TRANSPORTATION
PERIOD TESTED : 11/20/92 - 06/30/93

Finding No. 5

Condition:

One of the reports titled "Reimbursement Report for International Travel" reviewed for travel and transportation costs invoiced to U.S.A.I.D. under contract number AOT-0438-C-00-3011-00 for the month of June 1993 was not signed by a Labat Anderson, Inc.'s employee.

Criteria:

Labat Anderson, Inc.'s policies and procedures relating to travel require that all travel reimbursement reports be signed by employees before submission to the division supervisors for review and approval.

Cause:

Existing internal control procedures relating to travel were not followed.

Effect:

GKA does not consider this finding a material internal control weakness as it is considered to be an isolated incident. Passed further investigation.

Recommendation:

None.

Labat Anderson, Inc.'s comment:

The lack of signature was an oversight and was corrected by having the employee sign the expense report.