

UNITED STATES GOVERNMENT

Memorandum

PD-ABQ-184
9562

TO : See Distribution

DATE: September 30, 1980

FROM : AAG/W, *George L. DeMarco*
George L. DeMarco

SUBJECT: Audit Report No. 80-109 - Institute of Public Administration
Contract No. AID/afr-C-1186

In April 1973 the Institute of Public Administration (IPA), headquartered in New York City, began to provide technical services to an AID-supported project to strengthen the Liberian Institute of Public Administration (LIPA). Initially, IPA worked under a contract executed with the Government of Liberia which expired on October 31, 1975. On November 6, 1975, AID entered into contract No. AID/afr-C-1186, retroactively effective to October 31, 1975, to continue the objectives of the terminated host country contract.

The direct AID contract was amended nine times providing a total to IPA of \$1,756,529 including \$88,473 as a fixed fee. The amended contract expired December 31, 1979.

In March 1979 IPA submitted invoice number 42A which USAID/Liberia could not pay because according to its disbursement records the full amount of the contract had been paid. For the next year the Mission and AID/W were in touch with each other on how additional funds could be obtained to pay for what seemed to be valid IPA claims. Finally, in late April 1980 CM/ROD/AFR and AFR/CWA requested that we perform a final audit to determine the amount payable to IPA.

The purpose of this audit was to review the acceptability and allowability of costs incurred by IPA under contract AID/afr-C-1186 since July 1, 1977. The audit also included a determination as to the reasonableness of the proposed final overhead rates. Reimbursements prior to July 1, 1977 were accepted previously under audits conducted by the Defense Contract Audit Agency (DCAA).

A Summary of contract data is shown below:

Contract Number:	AID/afr-C-1186
Contract Ceiling:	\$1,756,529
Effective Date:	October 31, 1975
Expiration Date:	December 31, 1979
Project Number:	669-11-770-122
Project Title:	Technical Services to Liberian Institute of Public Administration
Audit Period:	7/1/77 to 12/31/79
Type of Audit:	Final



5010-108

Buy U.S. Savings Bonds Regularly on the Payroll Savings Plan

Contract Costs

During the period July 1, 1977 through December 31, 1979, IPA had submitted invoices for incurred costs and fixed fee totaling \$916,370. However, payment of invoices totaling \$92,143 have been withheld by the USAID pending reconciliation of amounts actually due IPA. As a result of this review and prior reviews performed by DCAA costs and fixed fee totaling \$1,756,529 were determined to be eligible for reimbursement. This amount included an additional \$66,160 due IPA which has not been reimbursed. The totals are summarized below and detailed in Exhibit A:

Total Costs and Fixed Fee Recommended for Acceptance		\$1,756,529
Total Costs and Fixed Fee Reimbursed	\$1,681,717	
Contract Costs Paid by the USAID	11,304	
	<u>\$1,693,021</u>	
Costs Applicable to Prior Host		
Country Contract	<u>(2,652)</u>	<u>1,690,369</u>
Potential Additional Reimbursement Due Contractor		<u>\$ 66,160</u>

USAID/Liberia and IPA Financial Records are Incorrect

The USAID/Liberia disbursement records for contract AID/afr-C-1186 do not agree with IPA contract expenditure records. As a result of our review, we concluded that both the USAID and the IPA financial records were incorrect.

The USAID reported that the amount of the total contract has been paid to IPA but, as reported in the previous section, we found IPA is due additional reimbursements totaling \$66,160. Total reimbursements per the IPA and USAID financial records, along with necessary adjustments are summarized below:

	<u>Per IPA</u>	<u>Per USAID/L</u>	<u>Net Difference</u>
Total Reimbursements	\$1,681,717	\$1,756,468	\$ (74,751)
Add Guard and Garbage services paid by USAID/L	<u>11,304</u>	<u> </u>	<u>11,304</u>
	\$1,693,021	\$1,756,468	\$ (63,447)
Less: Expenditures applicable to pre- vious host country contract - charged to present AID direct contract.			
IPA Voucher 31	-	7,271	7,271
IPA Voucher 32	<u>-</u>	<u>15,168</u>	<u>15,168</u>
	\$1,693,021	\$1,734,029	\$ (41,008)
Less: Prior host country contract shipping charges applied to AID direct contract			
IPA Voucher 15	<u>2,652</u>	<u>2,652</u>	<u>-</u>
	<u>\$1,690,369</u>	<u>\$1,731,377</u>	<u>\$ (41,008)</u>

As illustrated, there were erroneous postings on both the IPA and USAID financial records which resulted in a difference of \$41,008 which we could not reconcile. On several occasions we requested the mission to provide us with data on total disbursements under the contract but did not receive an adequate response. As a result, we were unable to determine the cause of the \$41,008 overstatement shown on the USAID disbursement records.

Recommendation No. 1

USAID/L review the above finding and take appropriate action to:

(a) Determine composition of the \$41,008 and make an appropriate correction to Mission financial records.

(b) Correct Mission financial records by transferring expenditures applicable to prior host country contracts erroneously charged to Contract No. AID/afr-C-1186.

Recommendation No. 2

Office of Contract Management (SER/CM) take appropriate action to resolve settlement of the potential \$66,160 additional reimbursement due the contractor.

Institute of Public Administration
 Contract No. AID/afr-C-1186 (Liberia)
 Summary of Costs Claimed and Accepted
For the Period July 1, 1977 through December 31, 1979

	Costs Previously Accepted <u>6/30/77</u>	Current Period - 7/1/77 - 12/31/79			Total Recommended for Acceptance
		Costs Billed	Recommended Audit Adjustments	Costs Accepted	
Field Salaries	\$166,778	\$145,649		\$145,649	\$312,427
Home Office Salaries	40,230	79,938		79,938	120,168
Subcontracts and Consultants	3,450	13,600		13,600	17,050
Allowances	122,054	69,920		69,920	191,974
Travel and Transportation	54,645	85,348	\$ (2,652) ^{2/}	82,696	137,341
Participant Training	129,389	129,696		129,696	259,085
Fringe Benefits	64,176	43,339		43,339	107,515
Equipment, Material and Supplies	48,060	49,588		49,588	97,648
Other Direct Costs	19,880	4,785	11,304 ^{3/}	16,089	35,969
Field Overhead	160,176	136,910	23,993 ^{4/}	160,903	321,079
Home Office Overhead	48,652	66,475	2,722 ^{5/}	69,197	117,849
Total Direct Costs	\$857,490	\$825,248	\$35,367	\$860,615	\$1,718,105
Fixed Fee	---	91,122	(2,649) ^{6/}	88,473	88,473
Total Direct Costs and Fixed Fee	\$857,490	\$916,370	\$32,718	\$949,088	\$1,806,578
Less: Costs in Excess of Contract Ceiling	---	---	50,049 ^{7/}	50,049	50,049 ^{7/}
	<u>\$857,490</u>	<u>\$916,370 ^{1/}</u>	<u>\$ (17,331)</u>	<u>\$899,039</u>	<u>\$1,756,529 ^{8/}</u>

Explanatory Notes:

- 1/ Includes \$92,143 of cost and fixed fee billed by IPA but never reimbursed by AID.
- 2/ Shipping charges attributable to host country contract but included in IPA voucher 15 as an AID contract cost. IPA originally billed under the predecessor host country contract, but was instructed in writing by USAID/Liberia to bill under this contract.
- 3/ Cost of guard and garbage services for IPA paid by USAID/L and charged directly to the IPA contract obligation.
- 4/ Field Overhead is adjusted as follows:

Total Overhead Charges (Reimbursed plus Billed and Unpaid)			\$297,086
Overhead Previously Accepted (Through June 30, 1977)		\$160,176	
Overhead Allowed Year Ended June 30, 1978			
Field Direct Salaries Accepted	\$90,497		
Audited Overhead Rate*	<u>x 106.1%</u>	96,017	
Overhead Allowed July 1, 1978 on Paid Invoices			
Field Direct Salaries Accepted	\$42,873		
Audited Overhead Rate*	<u>x 117.65%</u>	50,440	
Overhead Allowed Year Ended			
June 30, 1980 on Unpaid Invoices			
Field Direct Salaries Accepted	\$12,279		
Audited Overhead Rate*	<u>x 117.65%</u>	14,446	
Total Overhead Accepted			<u>321,079</u>
Net Adjustment			<u>\$ 23,993</u>

- 5/ Home Overhead is adjusted as follows:

Total Overhead Charges (Reimbursed plus Billed and Unpaid)			\$115, 127
Overhead Previously Accepted			
(Through June 30, 1977)		\$48,652	
Overhead Allowed Year Ended June 30, 1978			
Home Direct Salaries Accepted	\$37,385		
Audited Overhead Rate*	<u>x 110.70%</u>	41,385	
Overhead Allowed July 1, 1978 through			
December 31, 1978 on Paid Invoices			
Home Direct Salaries Accepted	\$16,910		
Audited Overhead Rate*	<u>x 117.84%</u>	19,927	

Overhead Allowed January 1, 1979 to June 30, 1979 on Unpaid Invoices Home Direct Salaries Accepted Audited Overhead Rate*	\$6,388 <u>117.84%</u>	7,528	
Overhead Allowed July 1, 1979 to December 31, 1979 on Unpaid Invoices Home Direct Salaries Accepted Audited Overhead Rate*	\$ 303 ** <u>x 117.84%</u>	<u>357</u>	<u>117,849</u>
Net Adjustment			<u>\$ 2,722</u>

6/ Adjustment for fixed fee in excess of contract ceiling.

7/ Adjustment for costs in excess of contract ceiling.

8/ Total obligations for this contract are \$1,756,500.

* Audited Overhead Rates shown in Exhibit A1.

** Due to minor amount of salaries involved, audited rate for FY June 30, 1979 is used as accepted rate.

Institute of Public Administration
 Computation of Overhead Rates
 For Fiscal Years Ended 6/30/78 and 6/30/79

<u>Indirect Expenses</u>	<u>6/30/78</u>	<u>6/30/79</u>
Wash. D.C. Office	182,115	241,932
Administrative	31,705	16,685
New York Office	50,774	58,407
Library	29,384	32,346
Business Office	55,251	45,632
Building Operations	41,056	45,644
Depreciation	968	631
Proceeds on Sale of Furniture & Fixtures	--	(1,500)
General Office	30,222	24,437
Clerical & Misc.	13,951	11,180
Professional Services	14,792	20,888
Fringe Benefits - Net	<u>28,548</u>	<u>35,091</u>
Total Overhead Pools	<u>478,766</u>	<u>531,373</u>
Overhead Pool Home Office	376,133	420,486
Direct Labor Home Office	339,783	356,829
Overhead Rate Home Office	110.70%	117.84%
Overhead Pool Field	102,633	110,887
Direct Labor Field	96,813	94,254
Overhead Rate Field	106.01%	117.65%

LIST OF REPORT RECIPIENTS

Assistant Administrator, Bureau for Africa	5
Office of Legislative Affairs (LEG)	1
Office of Financial Management (FM)	1
Office of Contract Management (SER/CM)	5
General Counsel (GC)	1
Development Support, Development information and Utilization (DS/DIU)	4
Bureau of Program and Policy Coordination (PPC/E)	1
Auditor General (AG)	1
AAG/LA	1
AAG/EA	1
AAG/NE	1
AAG/Egypt	1
AG/IIS	1
AG/PPP	1
AG/EMS/C&R	12
AAG/EAFR	1