

PDWAG 209

Rec'd 4/1/83 JSP

MEMORANDUM

TO : [REDACTED]

FROM : S&T/PO, Francis R. Campbell *Ken Wiley for*

SUBJECT: Audit Report No. O-000-83-37, Dated 1/27/83

Attached is a copy of subject report of Cooperative Agreement No. AID/DSPE-5940-A-00-1048-0 with the Center for Human Services Inc.

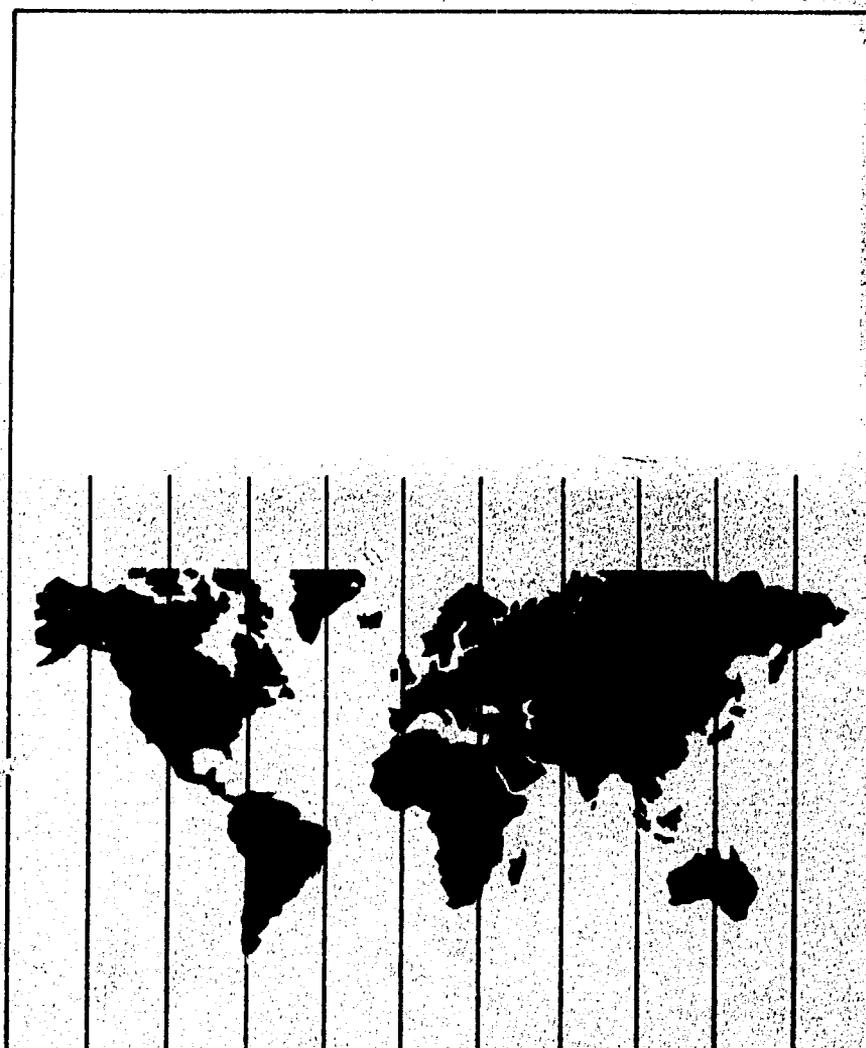
There were no costs questioned or other findings. However, the auditors did recommend that the Office of Contract Management (M/SER/CM) negotiate final indirect cost rates for Calendar Year 1981.

No reply to the report is necessary.

cc: S&T/PO, HDestler

UNITED STATES  
AGENCY FOR INTERNATIONAL DEVELOPMENT

THE  
INSPECTOR  
GENERAL



Regional Inspector General for Audit  
WASHINGTON

"CONTRACTOR INFORMATION CONTAINED IN THIS  
REPORT MAY BE PRIVILEGED. THE RESTRICTIONS  
OF IS 50C 105 SHOULD BE CONSIDERED BEFORE  
ANY INFORMATION IS RELEASED TO THE PUBLIC."

COOPERATIVE AGREEMENT AUDIT OF  
THE CENTER FOR HUMAN SERVICES, INC.

COOPERATIVE AGREEMENT NO.  
AID/DSPE-5920-A-00-1048-0

AUDIT REPORT NO. 0-000-83-37

JANUARY 27 1983

Cooperative Agreement Audit Of  
THE CENTER FOR HUMAN SERVICES, INC. (CHS)

Cooperative Agreement No.  
AID/DSPE-5920-A-00-1048-0

Audit Report No. 0-000-83-37

Introduction

The Office of the Regional Inspector General for Audit/Washington (RIG/A/W) reviewed a report issued by the Washington Regional Audit Office, Audit Staff, Justice Management Division, U.S. Department of Justice, on an examination of the above cooperative agreement with the Center for Human Services, Inc.

The Audit Staff, Justice Management Division, examined the records of the Center for Human Services, Inc. (CHS), to determine the acceptability of costs incurred in Calendar Year 1981 as shown in the indirect cost rates proposal it had submitted for the period. CHS operates jointly with a profit affiliate, the University Research Corporation (URC), with whom it shares corporate offices, employees, administrative policies and facilities.

This audit report is intended to provide recommendations as the bases for: (1) the negotiation of CHS's final indirect cost rates for Calendar Year 1981; and (2) acceptance of grant costs incurred during the same Calendar Year.

CHS's cost proposal consisted mainly of historical costs incurred in connection with its direct grant project operations and its corporate and administrative function. The examination was performed in accordance with generally accepted auditing standards and included such tests of accounting records and such other data as were considered necessary in the circumstances.

Cooperative Agreement Information

A summary of the cooperative agreement (CA) data is shown below:

CA Number	:	AID/DSPE-5920-A-00-1048-0
CA Ceiling	:	\$3,850,000
Expiration Date:		September 30, 1986
Project Number	:	936-5920
Project Title	:	Primary Health Care - Operations Research
Audit Period	:	10/1/81-12/31/81
Type of Audit	:	Interim

The status of the cooperative agreement (CA) funds is:

CA Ceiling		\$3,850,000
Amount Reimbursed:		
Costs Audited-		
Accepted Prior Audit	\$ --	
Accepted Current Audit	118,364	
Unaudited Costs	225,006	
Subtotal	<u>\$343,370</u>	<u>343,370</u>
Amount Questioned	<u>\$ --</u>	
Total Reimbursed	<u>\$343,370</u>	
CA Balance		<u>\$3,506,630</u>

Cooperative Agreement Costs

Cooperative agreement award funds were expended in a manner consistent with the principles governing cost allowability. CHS maintains a system of accounting that is adequate for the accumulation and segregation of costs incurred under Government grants and contracts.

Indirect Cost Rates

The final indirect cost rates recommended for Calendar Year 1981 are:

Fringe Benefits	26.88%
General and Administrative	34.83%

Recommendation Number 1

The Office of Contract Management (M/SER/CM) should negotiate final indirect cost rates for Calendar Year 1981.

AUDIT STAFF  
WASHINGTON REGIONAL AUDIT OFFICE  
ONE SKYLINE PLACE  
DEPARTMENT OF JUSTICE  
WASHINGTON, D.C. 20530

Total Cost Audit of  
The Center for Human Services, Inc.  
for the Calendar Year Ended  
December 31, 1981

AUDIT REPORT NUMBER: GR-30-82-090

SEP 1982



04 OCT 1982

Washington, D.C. 20530

I. INTRODUCTION

A. Background

The Audit Staff, Justice Management Division, U.S. Department of Justice, examined the records of the Center for Human Services, Inc. (CHS), to determine the acceptability of costs incurred in Calendar Year 1981 as shown in the indirect cost rates proposal it had submitted for the period. CHS operates jointly with a profit affiliate, University Research Corporation (URC), with whom it shares corporate offices, employees, administrative policies and facilities.

This audit report is intended to provide recommendations as bases for: (1) the negotiation of CHS's final indirect cost rates for Calendar Year 1981; and (2) acceptance of grant costs incurred during the same Calendar Year.

B. Scope

CHS's cost proposal consisted mainly of historical costs incurred in connection with its direct grant project operations and its corporate and administrative function. Our examination was performed in accordance with generally accepted auditing standards and included such tests of accounting records and such other data as were considered necessary in the circumstances.

II. SUMMARY OF FINDINGS AND DISCUSSION WITH MANAGEMENT

A. Summary of Findings

1. Grant award funds were expended in a manner consistent with the principles governing cost allowability. CHS maintains a system of accounting that, in our opinion, is adequate for the accumulation and segregation of costs incurred under government grants and contracts (See Exhibit A).
2. The final indirect cost rates recommended for Calendar Year 1981 are:

(A) Fringe Benefits	26.88%
(B) General and Administrative	34.83%

3. Based on separate, but simultaneous, reviews of direct program expenditures, we recommend the: (a) acceptance of \$1,808,648 in expenditures for the CHS grants through Calendar Year 1981 (See Exhibit B); and (b) the financial closeout of OJARS Grant Number 81-JS-AX-K005 at \$799,383 and Department of Health and Human Services Grant Number 90-AR-2107 at \$227,977 (See Exhibit C).

B. Discussion with Management

CHS officials had been informed of the results of the audit. They expressed concurrence with the findings as presented in this report.

III. DETAILS

The following represents the results of our audit of the CHS costs incurred for the twelve month period ended December 31, 1981:

Fringe Benefits Rate

<u>Expense Pool</u>	<u>Cost Incurred and Recommended for Acceptance</u>
Group Insurance	\$ 26,117
Workmen's Compensation	2,738
Pension Plan	16,260
Annual Leave	33,619
Payroll Taxes	33,961
Educational Benefits	<u>946</u>
Total Fringe Benefits	\$113,641
Less: HATI Office Site Fringe 13%	<u>(14,303)</u>
Net Fringe Benefits	<u>\$ 99,338</u>
 <u>Basis</u>	
Direct Labor	\$479,610
Less: HATI Office Labor	<u>(110,026)</u>
Net Labor	<u>\$369,584</u>
Rate (\$99,338 ÷ \$369,584)	= 26.88%

G&A Pool

Consulting	\$ 1,444
Depreciation	702
Corporate Insurance	(664)
Legal and Accounting	3,471
Printing	(861)
URC Management Allocation	<u>395,078</u>
 Total G&A Expenses	 \$399,169
 Less: Hep Project (1009)	 (2,175)
Net G&A Expense	<u><u>\$396,994</u></u>

Basis

Total Direct Costs (See Exhibit A)	\$1,167,074
Less: Hep Project (1009)	(27,192)
 Net Basis	 <u><u>\$1,139,882</u></u>
 G&A Rate (\$396,994 ÷ \$1,139,882) =	 34.83%

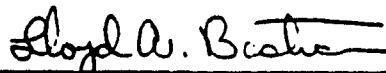
IV. GENERAL COMMENTS

A. New Method of Allocating G&A Costs

In accordance with prior clearance agreement on the findings in OJARS Audit Report Number GR-30-80-058, dated September 5, 1980, CHS implemented a new method of allocating G&A expenses in Fiscal Year 1981. Based on CHS's operating relationship with URC, its profit affiliate, all joint G&A charges are recorded in URC's books as they are incurred. Each month URC bills CHS for general and administrative expenses. The G&A expenses are paid by URC and then allocated on the basis of total monthly direct labor costs between CHS and URC. The portion attributable to CHS is billed to CHS and entered on CHS's accounting records as indirect costs.

B. Closing Remarks

We wish to thank the CHS officials and staff for providing assistance and cooperation throughout the audit.



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Lloyd A. Bastian, Director  
Washington Regional Audit Office  
Audit Staff  
Justice Management Division

EXHIBIT A

Center for Human Services, Inc.  
 Schedule of Costs Recommended for Acceptance  
 on U.S. Government Grants for the Period  
 January 1, 1981 through December 31, 1981 and Total Entity Costs

	<u>Direct Labor</u>	<u>Direct Travel</u>	<u>Direct Consultants</u>	<u>Other Direct</u>	<u>Total Direct</u>
<u>Department of Justice</u>					
81-JS-Ax-K005	\$207,411	\$ 95,111	\$76,186	\$164,515	\$ 543,223
80-CJ-CX-0011	35,174	2,258	-0-	2,674	40,106
<u>Department of Health and Human Services</u>					
90-AR-2107	\$ 20,604	\$ 12,930	\$ -0-	\$ 8,110	\$ 41,644
<u>Department of Education</u>					
300-81-0203	\$241,123	\$ 25,309	\$17,475	\$119,180	\$ 403,087
G-008104336	19,121	1,915	-0-	6,157	27,193
<u>United States Agency for International Development</u>					
DPSE-5920-A-00-1048-0	\$ 56,097	\$ 6,827	\$ -0-	\$ 24,863	\$ 87,787
Total Direct Costs	<u>\$579,530</u>	<u>\$144,350</u>	<u>\$93,661</u>	<u>\$325,499</u>	<u>\$1,143,040</u>
Total Indirect Costs Recommended for Acceptance (see Details)					\$ 390,825
Total Entity Costs per Financial Statements					<u>\$1,533,865</u>

Center for Human Services, Inc.  
 Schedule of Grant Cost Incurred, by Major Category, Award Period thru December 31, 1981  
 Recommended for Acceptance 1/

<u>Grant Number</u>	<u>Agency</u>	<u>Period</u>	<u>Total Direct Cost</u>	<u>G&amp;A Allocation 2/</u>	<u>Grant Total Costs</u>	<u>Recommended Grant Costs</u>	<u>CY 1981 Total</u>
81-JS-AX-K005 11/1/80 - 10/31/81	DOJ OJARS	Thru CY 1980 CY 1981	72,572 543,223 <u>615,795</u>	21,416 189,204 <u>210,620</u>	93,988 732,427 <u>826,415</u>	<u>799,383</u> 3/	
90-AR-2107 10/1/79 - 3/31/81	HHS AOA	Thru CY 1980 CY 1981	133,519 41,644 <u>175,163</u>	39,244 14,505 <u>53,749</u>	172,763 56,149 <u>228,912</u>	<u>227,977</u> 3/	
80-LJ-CX-0011 5/1/80 - 4/30/82	DOJ NIJ	Thru CY 1980 CY 1981	27,796 40,106 <u>67,902</u>	8,203 13,969 <u>22,172</u>	35,999 54,075 <u>90,074</u>	<u>90,074</u>	
300-81-0203 4/1/81 - 9/30/82	D.Ed.	CY 1981	403,087 <u>403,087</u>	140,395 <u>140,395</u>	543,482 <u>543,482</u>	<u>543,482</u>	
G-008104336 10/1/81 - 9/30/82	D.Ed.	CY 1981	27,193 <u>27,193</u>	2,175 <u>2,175</u>	29,368 <u>29,368</u>	<u>29,368</u>	
AID/DSPE-5920-A-00-1048-0 10/1/81 - 9/30/86	AID	CY 1981	87,787 <u>87,787</u>	30,577 <u>30,577</u>	118,364 <u>118,364</u>	<u>118,364</u>	1,808,648

1/ Based on prior and present audit recommendations.

2/ Actual indirect cost incurred were allowed in the amount of the negotiated and/or audited recommended final rates to the extent that they did not obligate the Federal grantor to an amount in excess of the award amount.

3/ See Exhibit C for recommended closeout costs for 81-JS-AX-K005 and 90-AR-2107.

EXHIBIT C

Center for Human Services, Inc.  
Income and Expenditures

<u>Particulars</u>	Grant #81-JS-AX-K005		Grant #90-AR-2107	
	Grant Period Beginning 11/1/80 - Approved Budget	Ending 10/31/81 Recommended thru 10/31/81	Grant Period Beginning 10/1/79 - Approved Budget	Ending 3/31/81 Recommended thru 3/31/81
<u>Funds Received</u>				
Federal Funds	\$799,383	\$799,383	\$227,977	\$227,977
Matching Funds	<u>- 0 -</u>	<u>- 0 -</u>	<u>- 0 -</u>	<u>- 0 -</u>
Total Receipts	<u>\$799,383</u>	<u>\$799,383</u>	<u>\$227,977</u>	<u>\$227,977</u>
<u>Cost Incurred</u>				
Personnel & Fringe Benefits	\$219,179	\$237,479	\$107,716	\$102,658
Travel	141,260	102,321	11,715	44,309
Equipment	6,000	10,964	- 0 -	988
Supplies	18,150	7,111	5,691	1,149
Consultants	116,325	96,930	- 0 -	187
Other	117,043	160,988	55,687	25,872
Indirect Cost	<u>181,426</u>	<u>210,620</u>	<u>47,168</u>	<u>53,749</u>
Total Costs	<u>\$799,383</u>	<u>\$826,413</u>	<u>\$227,977</u>	<u>\$228,912</u>
Refund (Payment Due)		<u>\$ - 0 -</u>		<u>\$ - 0 -</u>
<u>Recommended Closeout Costs</u>				
Grant #81-JS-AX-K005		\$799,383		
Grant #90-AR-2107		\$227,977		

THE CENTER FOR HUMAN SERVICES, INC.  
List of Report Recipients

Deputy Assistant to the Administrator for Management Services, M/DAA/SER	1
Audit Liaison Office, M/DAA/SER/SA	1
Senior Assistant Administrator, Bureau for Science and Technology, SAA/S&T	3
Directorate for Health and Population, S&T/HP	1
Audit Liaison Office, S&T/PO	1
Office of Financial Management, M/FM/ASD	2
Director, Office of Contract Management, M/SER/CM	1
Office of Contract Management, M/SER/CM/PE	1
Office of Contract Management, M/SER/CM/SD/SUP	1
Office of the Inspector General, IG	1
Office of the Controller, Office of Justice Assistance Research and Statistics (OJARS)	1
IG/PPP	1
IG/II	1
IG/EMS/C&R	16