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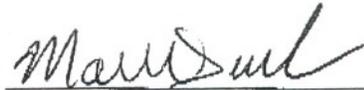
United States Department of State
and the Broadcasting Board of Governors
Office of Inspector General

Office of Audits

Independent Accountants' Report on the
Application of Agreed-Upon Procedures on Indirect Cost Rates
Proposed by
National Council for International Visitors

Report Number AUD/CG-08-01, November 2007

Regis & Associates, PC, Certified Public Accountants, performed the agreed-upon procedures under Department of State, Office of Inspector General, Contract No. S-AQM-PD-04-D-0040, and by acceptance, the report becomes a product of the Inspector General.



Mark W. Duda
Assistant Inspector General
Office of Audits

11/29/07

Date

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Summary

At the request of the Department of State's (Department) Office of Inspector General (OIG), Regis & Associates, PC, Certified Public Accountants, performed certain agreed-upon procedures to determine whether the National Council for International Visitors' proposed indirect cost rates for the fiscal years ended September 30, 2005, 2004, and 2003, complied with applicable regulations. We found the Council's accounting system to be adequate for accumulating and reporting indirect costs under the provisions of the Office of Management and Budget (OMB) Circulars A-122, Codified at 2 CFR Part 230, *Cost Principles for Non-Profit Organizations*, and A-110, *Uniform Administrative Requirements for Grants and Agreements With Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations*.

Our review disclosed that, for the fiscal years ended September 30, 2005, 2004, and 2003, the indirect costs rates reported by the Council were properly calculated, and we take no exception to the proposed rates as presented in Table 1 of this report. We recommend that the Department accept and finalize the indirect cost rates as submitted by the Council for the three fiscal years reviewed.

Background

The Council, founded in 1961, is a 501(c) (3) not-for-profit organization whose mission is to promote excellence in citizen diplomacy. The Council serves as the professional association for the international exchange community, which includes a national network of community-based member organizations, national program agencies, associate member organizations, and individuals. Its member organizations, all of which are independent not-for-profit groups, design and implement custom-tailored professional programs, provide cultural activities, and offer home hospitality for foreign leaders, specialists, and international scholars. They serve participants in the Department's International Visitor Leadership Program and other exchanges, building person-to-person relationships.

OMB Circular A-122 provides for the allocation of indirect cost to grants awarded by federal agencies. Indirect costs are defined as costs that have been incurred for common or joint objectives, and cannot be readily identified with a particular final cost objective. The circular authorizes provisional indirect cost rates applicable to specific periods, which are used for funding interim reimbursement and reporting indirect costs on grants, pending the establishment of final rates.

The Department's Grants Policy Directive 22, issued by the Bureau of Administration (A), Office of the Procurement Executive, assigns responsibility for negotiating indirect cost rates with the Department's grantees to A's Office of Logistics Management, Office of Acquisitions Management, International Programs Division.

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Purpose, Scope, and Methodology

Our primary purpose was to determine whether the Council's indirect cost structures for fiscal years ended September 30, 2005, 2004, and 2003, complied with applicable regulations. In agreement with OIG, we performed the procedures identified below. We conducted this review between August 13 and September 7, 2007.

We performed this agreed-upon procedures engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants and guidance from OMB. The procedures performed are summarized as follows.

- Interviewed the finance personnel to determine the extent to which each funded program benefited from common services.
- Reviewed the Council's overall financial statements for the fiscal years ended September 30, 2005, 2004, and 2003.
- Verified the mathematical accuracy of the annual indirect cost rate proposal.
- Traced and agreed the amounts reported as grant costs to the financial statements and, selectively, to transaction source documents.
- Selected a sample of transactions and applied procedures to ensure that the costs incurred were properly supported and allowable. Also, sample items were subjected to tests to determine whether they were properly classified as direct or indirect cost and whether the Council, where applicable, properly excluded unallowable costs from the cost pools used in computing the indirect cost rates.
- Reviewed the Council's grants and its negotiated indirect cost rate agreements to ascertain whether its annual rate submissions were prepared in accordance with the grant's terms and provisions of the rate agreements.

Results

We found the Council’s accounting system to be adequate for accumulating and reporting indirect cost allowable under the provisions of OMB Circular A-122. Our review disclosed that for fiscal years ended September 30, 2005, 2004, and 2003, the indirect cost rates reported by Council were properly calculated.

Table 1: The Council’s Proposed and Our Recommended Rates

Fiscal Year	NCIV’s Proposed Rates	Recommended Rates
2005	(b) (4)	(b) (4)
2004	(b) (4)	(b) (4)
2003	(b) (4)	(b) (4)

Attachments A through D of this report present the supporting calculations for the indirect cost rates identified in Table 1.

Recommendation 1: We recommend that the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management, International Programs Division accept and finalize the indirect cost rates for fiscal years ended September 30, 2005, 2004, and 2003, as recommended in this report.

**INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING
AGREED-UPON PROCEDURES**

U.S. Department of State
Office of Inspector General
Office of Audits
1700 North Moore Street
Arlington, VA 22209

Regis & Associates, PC has applied certain agreed-upon procedures (the Procedures), as summarized in the Purpose, Scope, and Methodology section of this report, relative to the National Council for International Visitors' (NCIV) proposed indirect cost rates for the fiscal years ending September 30, 2005, 2004 and 2003, at the request of the U.S. Department of State, Office of Inspector General.

The Procedures, which were agreed to by the Office of Inspector General, were performed to determine whether the indirect cost rate structure of the NCIV complied with OMB Circular A-122.

This agreed-upon procedures engagement was performed in accordance with standards established by the American Institute of Certified Public Accountants and guidance from the Office of Management and Budget. The sufficiency of the Procedures is solely the responsibility of the specified users of the report. Consequently, we make no representations regarding the sufficiency of the Procedures, either for the purpose for which this report has been requested, or for any other purpose.

We were not engaged to, and did not perform an audit, the objective of which would be the expression of an opinion on the adequacy and compliance of the reviewed cost or pricing data. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of the U.S. Department of State, Office of Inspector General, and should not be used by those who have not agreed to the procedures, and taken responsibility for the sufficiency of the procedures for their purposes. This report relates only to the indirect cost rates specified above.

Regis & Associates, PC
September 7, 2007

National Council for International Visitors

**Schedule of Indirect Costs and Indirect Cost Rates
for the Years Ending September 30, 2005, 2004, and 2003**

Fiscal Year	Allowable Indirect Cost Amounts		Indirect Cost Base	Indirect Cost Rates	
	Proposed	Recommended		Proposed	Recommended
2005	(b) (4)	(b) (4)	(b) (4)	(b) (4)	(b) (4)
2004	(b) (4)	(b) (4)	(b) (4)	(b) (4)	(b) (4)
2003	(b) (4)	(b) (4)	(b) (4)	(b) (4)	(b) (4)

National Council for International Visitors

Schedule of Allowable Indirect Costs and Rate for the Year Ending September 30, 2005

Indirect Costs	Total
Salaries and Wages	(b) (4)
Payroll Taxes and Benefits	(b)
Personnel Maintenance	(b)
Supplies and Material	(b)
Printing/Publications/Production	(b)
Affiliation Fees	(b)
Development	(b) (4)
Miscellaneous	(b)
Representation	(b) (4)
Training/Seminars	(b)
Rent and Storage	(b) (4)
Insurance	(b)
Equipment Rental	(b) (4)
Depreciation	(b)
Travel	(b)
Technology Costs	(b) (4)
Bank Fees	(b)
Accounting	(b) (4)
Consulting	(b) (4)
Total Indirect Costs (Numerator)	(b) (4) —
 Indirect Cost Base	
Total Expenses Per Audit Financial Statements	(b) (4)
Less:	
Total Indirect Expenses	(b) (4)
Community Support Grants	(b) (4)
Regional Meeting Grants	(b) (4)
Member Exchange/Local Initiative Grants	(b) (4)
CIV Technology Grants	(b) (4)
National Meeting Network Reception	(b) (4)
National Meeting Grant	(b) (4)
Total Indirect Cost Base (Denominator)	(b) (4) —
 Indirect Cost Rate	
Total Indirect Costs/Total Indirect Cost Base	(b) (4)

National Council for International Visitors

Schedule of Allowable Indirect Costs and Rate for the Year Ending September 30, 2004

Indirect Costs	Total
Salaries and Wages	
Payroll Taxes and Benefits	(b) (4)
Personnel Maintenance	
Supplies and Material	
Printing/Publications/Production	(b) (4)
Affiliation Fees	(b)
Development	(b) (4)
Miscellaneous	(b)
Representation	(b)
Rent and Storage	(b) (4)
Insurance	(b)
Equipment Rental	(b)
Depreciation	(b)
Travel	(4) (b)
Technology Costs	(b) (4)
Bank Fees	(b)
Accounting	(b) (4)
Consulting	(b) (4)
Total Indirect Costs (Numerator)	(b) (4) -
Indirect Cost Base	
Total Expenses Per Audit Financial Statements	(b) (4)
Less:	
Total Indirect Expenses	(b) (4)
Community Support Grants	(b) (4)
Regional Meeting Grants	(b) (4)
Member Exchange/Local Initiative Grants	(b) (4)
CIV Technology Grants	(b) (4)
Internship Grant	(b)
National Meeting Grant	(b) (4)
Diverse Traditions grants	(b) (4)
Total Indirect Cost Base (Denominator)	(b) (4) -
Indirect Cost Rate	
Total Indirect Costs/Total Indirect Cost Base	(b) (4)

National Council for International Visitors

Schedule of Allowable Indirect Costs and Rate for the Year Ending September 30, 2003

Indirect Costs	Total
Salaries and Wages	(b) (4)
Payroll Taxes and Benefits	(b)
Personnel Maintenance	(b)
Supplies and Material	(b)
Printing/Publications/Production	(b)
Affiliation Fees	(b)
Development	(b)
Miscellaneous	(b)
Representation	(b)
Rent and Storage	(b) (4)
Insurance	(b)
Equipment Rental	(b)
Depreciation	(b)
Travel	(b)
Technology Costs	(b) (4)
Bank Fees	(b)
Accounting	(b) (4)
Consulting	(b)
Total Indirect Costs (Numerator)	(b) (4) —
 Indirect Cost Base	
Total Expenses Per Audit Financial Statements	(b) (4)
Less:	
Total Indirect Expenses	(b) (4)
Community Support Grants	(b) (4)
Volunteer Grants	(b) (4)
Regional Meeting Grants	(b) (4)
Member Exchange/Local Initiative Grants	(b)
CIV Technology Grants	(b) (4)
Internship Grant	(b)
IREX Stipend Grants	(b) (4)
Support for IEMS-CIV Participation Grants	(b)
Diverse Traditions Grants	(b) (4)
Total Indirect Cost Base (Denominator)	(b) (4) —
 Indirect Cost Rate	
Total Indirect Costs/Total Indirect Cost Base	(b) (4)