

UNCLASSIFIED

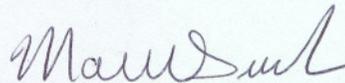
**United States Department of State
and the Broadcasting Board of Governors
Office of Inspector General**

Office of Audits

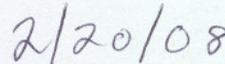
**Independent Accountants' Report on the
Application of Agreed-Upon Procedures on Indirect Cost Rates
Proposed by the
International Rescue Committee, Inc.**

Report Number AUD/CG-08-16, February 2008

Leonard G. Birnbaum and Company, LLP, Certified Public Accountants, performed the agreed-upon procedures under Department of State, Office of Inspector General, Contract No. S-AQM-PD-04-D-0033, and by acceptance, the report becomes a product of the Inspector General.



Mark W. Duda
Assistant Inspector General
Office of Audits



Date

Important Notice

This report is intended solely for the official use of the Department of State, Broadcasting Board of Directors, or any agency or organization receiving a copy directly from the Office of Inspector General. No secondary distribution may be made, in whole or part, outside the Department of State or the Broadcasting Board of Governors by them or by other agencies or organizations without prior authorization by the Inspector General. The Inspector General will determine public availability of the document under the U.S. Code, 5 U.S.C. 552. Improper disclosure of this report may result in criminal, civil, or administrative penalties.

UNCLASSIFIED

UNCLASSIFIED

Summary

At the request of the Department of State (Department), Office of Inspector General (OIG), Leonard G. Birnbaum and Company, LLP, Certified Public Accountants, performed certain agreed-upon procedures to determine whether the indirect cost and fringe benefit rates proposed by the International Rescue Committee, Inc., for the year ended September 30, 2006, complied with applicable regulations.

We found the Committee'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 year ended September 30, 2006, the Committee had properly calculated and reported its indirect and fringe benefit rates.

We recommend that the Department accept and finalize the indirect cost and fringe benefit rates for 2006 as recommended by this report.

Background

The Committee is a private, not-for-profit, organization that serves refugees and communities victimized by oppression or violent conflict worldwide. The Committee's activities include emergency relief, protection of human rights, postconflict development, resettlement assistance, and advocacy.

OMB Circular A-122 provides for the allocation of indirect costs 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 Committee uses provisional rates for indirect costs.

OMB Circular A-122 also provides for the use of a "fixed rate." A fixed rate is estimated at the beginning of a fiscal period and is not subject to change. However, the difference between the estimated costs and the actual costs of the fiscal period is carried forward as an adjustment to the rate computation of a subsequent period. The Committee has consistently used the fixed rate process for fringe benefit 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.

UNCLASSIFIED

Purpose, Scope, and Methodology

Our primary purpose was to determine whether the Committee's indirect cost structures for the year ended September 30, 2006, complied with applicable regulations. In agreement with OIG, we performed the procedures identified below. We conducted this review between January 21, 2007, and January 25, 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.

- Verified that the indirect cost rates proposed were mathematically accurate and supported by accounting records and audited financial statements.
- Assessed the allowability and allocability of indirect costs by testing selected transactions to supporting documentation and inquiring about the nature and functions of entities included in the indirect pools.
- Assessed the causal and beneficial relationship between indirect costs and cost activities.
- Analyzed the allowability and allocability of accounts comprising the Committee's fringe benefit pool and calculated a recommended fringe benefit rate.
- Reviewed the Committee's accounting records to determine whether any income recorded therein is appropriate for credit to the indirect cost pool.
- Made inquiries about the Committee's operations and assessed the impact of changes on the indirect rate structure.

Results

We found the Committee's accounting system to be adequate for accumulating and reporting indirect costs allowable under the provisions of OMB Circular A-122. In reviewing the Committee's accounting system, we also found that the Committee had complied with a 2002 OIG report recommendation to develop and implement a process that allows accounting system accumulation and removal of unallowable costs.¹

Our review of the Committee's indirect cost rates disclosed that for the year ended September 30, 2006, the Committee had properly calculated and reported its indirect and fringe benefit rates as shown in Table 1.

¹ See *Independent Accountant's Report on Application of Agreed-Upon Procedures on Indirect Cost Rates Proposed by the International Rescue Committee, Inc.* (AUD/CG-02-03, Feb. 2002).

UNCLASSIFIED

Table 1: The Committee’s Proposed and Our Recommended Rates, FY 2006

Description	Committee Proposed Rate	Recommended Rate
Indirect Rates		
International Programs	(b) (4)	(b) (4)
Resettlement Programs	(b)	(b)
Women’s Commission	(b)	(b)
Internal Audit	(b)	(b)
Grants Unit	(b)	(b)
Fringe Benefits		
US Based Staff	(b) (4)	(b) (4)
Temporary	(b)	(b)
Expatriate US Citizen	(b) (4)	(b) (4)
Expatriate Non-US Citizen	(b) (4)	(b) (4)

Attachment A to this report presents the supporting calculations for the indirect 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 rates of the International Rescue Committee, Inc., for the year ended September 30, 2006, as recommended by this report.

**INDEPENDENT ACCOUNTANT'S 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

Leonard G. Birnbaum and Company, LLP, has applied certain agreed-upon procedures (the Procedures), as summarized in the Purpose, Scope and Methodology section of this report, relative to the International Rescue Committee's proposed indirect cost rates for the year ended September 30, 2006 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 Committee complied with the provisions of OMB Circular A-122.

This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants, the Comptroller General of the United States 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 conduct an examination, the objective of which would be the expression of an opinion on the Committee's indirect cost proposals. 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 information and use of the U.S. Department of State, Office of Inspector General, and the Department's Bureau of Administration 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 and fringe benefit rates specified above.

Leonard G. Birnbaum and Company, LLP
January 25, 2008

International Rescue Committee, Inc.

Schedule of Proposed and Recommended Indirect Cost and Fringe Benefit Rates
for the Year Ended September 30, 2006

	<u>Direct Cost Base</u>		<u>Indirect Costs</u>			<u>Rate</u>
	<u>Recommended</u>	<u>Note</u>	<u>Support</u>	<u>Management</u>	<u>Total</u>	
			<u>Costs</u>	<u>and</u>		
<u>Amount</u>	<u>Note</u>	<u>(Note 1)</u>	<u>General</u>	<u>Total</u>	<u>Rate</u>	
International Programs	(b) (4)(b) (4)	(	(b) (4)	(b) (4)	(b) (4)(b) (4)	(b) (4)
Resettlement Programs	(b) (4)	(	(b) (4)	(b) (4)	(b) (4)	(b) (4)
Women's Commission Programs	(b) (4)	)		(b) (4)	(b) (4)	(b) (4)
Internal Audit	(b) (4)	(		(b) (4)	(b) (4)	(b) (4)
Grants Unit	(b) (4)	)		(b) (4)	(b) (4)	(b) (4)
Fringe Benefits (Note 4):	<u>Base Salaries</u>				<u>Fringe Costs</u>	
US Based Staff	(b) (4)(b) (4)	)			(b) (4)	(b)
Temporary	(b) (4)	)			(b) (4)	(b)
Expatriate US Citizen	(b) (4)	)			(b) (4)	(b)
Expatriate Non US Citizen	(b) (4)	)			(b) (4)	(b)

Notes

1. Support costs are indirect costs that have a causal and beneficial relationship specifically to the identified program.
2. Total program service expenditures less capital expenditures, donated goods and services, contributions in-kind, subgrants in excess of \$25,000, U.S. government legislated entitlement payments, and unallowable costs. Fundraising was treated as a direct cost and allocated its share of indirect costs in accordance with the requirements of A-133.
3. Total program service expenditures of federal funds less capital expenditures, donated goods and services, contributions in-kind, subgrants in excess of \$25,000, and U.S. government legislated entitlement payments.
4. Fringe benefits are composed primarily of costs for medical insurance, life insurance, FICA, Medicare, pension, workers compensation, training, and the carry forward adjustment. A carry forward adjustment from FY 2005 was a cost reduction to FY 2006 costs of \$373,250.