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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  
American Refugee Committee, Inc.**

**Report Number AUD/CG-08-22, April 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 its acceptance, the report becomes a product of the Inspector General.



Mark W. Duda  
Assistant Inspector General  
Office of Audits

4/10/08

Date

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### Summary

At the request of the Department of State (Department), Office of Inspector General (OIG), Leonard G. Birnbaum & Company, LLP, Certified Public Accountants, performed certain agreed-upon procedures to determine whether the indirect cost rates proposed by the American Refugee Committee, Inc., for the years ended December 31, 2006, and 2005, complied with applicable regulations.

We found the Committee's accounting system to be adequate for accumulating and reporting indirect costs under the provisions of Office of Management and Budget (OMB) Circulars A-122, codified at 2 CFR Part 230, *Cost Principles for Non-Profit Organization*, 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 2006 and 2005, the Committee had properly calculated and reported its indirect costs rates.

We recommend that the Department accept and finalize the indirect cost rates for the years ended December 31, 2006, and 2005, as proposed and recommended by this report.

### Background

The Committee is a not-for-profit professional organization. Its goal is to work with refugees, displaced people, and those at risk to help them survive crises and rebuild lives of dignity, health, security, and self-sufficiency.

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 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.

### Purpose, Scope, and Methodology

Our primary purpose was to determine whether the Committee's indirect cost structure for 2006 and 2005 complied with applicable regulations. In agreement with OIG, we performed the procedures identified below. We conducted this review between January 28 and February 5, 2008.

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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 rate claimed was mathematically accurate and supported by the Committee's 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 cost pool.
- Assessed the causal and beneficial relationship between indirect costs and cost activities.
- Reviewed the Committee's accounting records to determine whether any income recorded therein is appropriate for credit to the indirect cost pools.
- Inquired about recent or contemplated changes in the Committee's operations and assessed the impact of changes on the indirect cost 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. Our review disclosed that for years 2006 and 2005, the Committee had properly calculated and reported its indirect cost rates, as shown in Table 1.

**Table 1: The Committee's Proposed and Our Recommended Rates - 2006 and 2005**

Year	Description	Proposed Rate	Recommended Rate
2006	Indirect Cost	(b) (4)	(b) (4)
2005	Indirect Cost	(b) (4)	(b) (4)

Attachments A and B 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 American Refugee Committee's indirect cost rates for the years ended December 31, 2006, and 2005, 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 & 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 American Refugee Committee's proposed indirect cost rates for the years ended December 31, 2006 and 2005 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 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 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 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 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 the indirect cost and fringe benefit rates specified above.

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Leonard G. Birnbaum and Company, LLP  
February 1, 2008

**American Refugee Committee, Inc.**

**Schedule of Proposed and Recommended Indirect Cost Rates  
for the Year Ended December 31, 2006**

<u>Indirect Costs</u>	<u>Amount</u>
International Programs	
General and Administrative	
<b>Total Indirect Costs</b>	<b>=====</b>
 <u>Direct Costs</u>	
International Programs	
Fund Raising	
General and Administrative	
<b>Total Direct Program Costs</b>	<b>=====</b>
 <u>Program Indirect Rates</u>	
International Programs (A/C)	
General and Administrative (B/D)	
 <b>Proposed and Recommended Indirect Cost Rate</b>	<b>=====</b>

**American Refugee Committee, Inc.**

**Schedule of Proposed and Recommended Indirect Cost Rates  
for the Year Ended December 31, 2005**

<u>Indirect Costs</u>	<u>Amount</u>
International Programs	
General and Administrative	
<b>Total Indirect Costs</b>	<b>=====</b>
<u>Direct Costs</u>	
International Programs	
Fund Raising	
General and Administrative	
<b>Total Direct Program Costs</b>	<b>=====</b>
<u>Program Indirect Rates</u>	
International Programs (A/C)	..... 4 )
General and Administrative (B/D)	..... )
<b>Proposed and Recommended Indirect Cost Rate</b>	<b>=====</b>