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

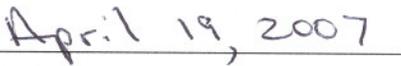
Office of Audits

Independent Accountants' Report on the  
Application of Agreed-Upon Procedures on Indirect Cost Rates  
Proposed by  
Woodrow Wilson International Center for Scholars

Report Number AUD/CG-07-23, April 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.

  
Howard J. Krongard  
Inspector General

  
Date

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### Summary

At the request of the Department of State (Department), Office of Inspector General (OIG), Regis & Associates, PC, Certified Public Accountants, performed certain agreed-upon procedures to determine whether the Woodrow Wilson International Center for Scholars' proposed indirect cost rates for the fiscal years ended September 30, 2005, and 2004, complied with applicable regulations. We found the Center's accounting system to be adequate for accumulating and reporting indirect costs under the provisions of Office of Management and Budget (OMB) Circular A-122, *Cost Principles for Non-Profit Organizations*, and OMB Circular 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, and 2004, the indirect costs reported by the Center 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 for the fiscal years ended September 30, 2005, and 2004, as submitted by the Center.

### Background

The Congress of the United States under the Woodrow Wilson Memorial Act of 1968 (Pub. L. No. 90-637) created the Center, a publicly supported nonprofit organization, as a living memorial – an institution that would serve as a visible tribute to our 28th President – by conducting activities that symbolize and strengthen relations between the world of learning and the world of public affairs.

The Center accomplishes its purpose through its program activities, including supporting international fellows and guest scholars, and organizing meetings ranging from small seminars to major international conferences. Other program activities include publishing books to disseminate the Center's program information and producing the *Wilson Quarterly* and the *Dialogue* radio and television show to report on important developments in the world of scholarship.

The Center funds a substantial portion of its operating budget from an annual congressional appropriation. Future appropriations are subject to the actions of the Congress and are, therefore, not assured. Additional significant support includes providing office space at no cost to the Center. In 1997, the General Services Administration approved the Center's use of 80,000 square feet of new office space in the Ronald Reagan Building and International Trade Center for 30 years, at no cost to the Center. This commitment was recorded as a temporary restricted contribution to be collected over the 30-year, rent-free term. The Center generates other program funds through grants and endowments.

OMB Circular A-122 provides for the allocation of indirect costs to grants awarded by federal agencies. Indirect costs are defined as those 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

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funding interim reimbursements, 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 Center's indirect cost structures FYs 2005 and 2004 complied with applicable regulations. In agreement with OIG, we performed the procedures identified below. We conducted this review between November 27 and December 15, 2006.

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 we performed are summarized as follows.

- Interviewed the finance personnel to determine the extent to which each funded program benefited from common services.
- Reviewed the Center's overall financial statements for the fiscal years ended September 30, 2004 and 2005.
- Verified the mathematical accuracy of the annual indirect cost rate proposals.
- Traced and compared 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 costs and whether the Center, where applicable, properly excluded unallowable costs from the cost pools used in computing the indirect rates.
- Reviewed the Center's grants and its Negotiated Indirect Cost Rate Agreements to ascertain whether the Center's annual rate submissions were prepared in accordance with the grant's terms and provisions of the rate agreements.

## Results

We found the Center'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 the fiscal years ended September 30, 2005, and 2004, the indirect costs reported by the Center were properly calculated. These rates are presented in Table 1.

**Table 1: The Center's Proposed and Our Recommended Rates**

| <b>Fiscal Year</b> | <b>Description</b> | <b>Center's Proposed Rate</b> | <b>Recommended Rate</b> |
|--------------------|--------------------|-------------------------------|-------------------------|
| <b>2005</b>        | Administrative     | (b) (4)                       | (b) (4)                 |
|                    | Facility           | (b) (4)                       | (b) (4)                 |
|                    |                    |                               |                         |
| <b>2004</b>        | Administrative     | (b) (4)                       | (b) (4)                 |
|                    | Facility           | (b) (4)                       | (b) (4)                 |

Attachments A and B of this report present a listing of the indirect costs and 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 cost rates for fiscal years 2005 and 2004 as submitted by the Woodrow Wilson International Center for Scholars.

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**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 Woodrow Wilson International Center for Scholars' (the Center) proposed indirect cost rates for fiscal years ended September 30, 2005 and 2004 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 Center 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  
December 15, 2006

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Woodrow Wilson International Center for Scholars

Schedule of Indirect Costs Allowable and Indirect Cost Rates  
for the Year Ended September 30, 2005

| <b>Indirect Costs</b>                                                                               | <b>Allowable<br/>Costs</b> |
|-----------------------------------------------------------------------------------------------------|----------------------------|
| Salaries                                                                                            | (b) (4)                    |
| Benefits                                                                                            | (b) (4)                    |
| Travel                                                                                              | (b) (4)                    |
| Communication                                                                                       | (b)                        |
| Equipment Maintenance                                                                               | (b)                        |
| Postage                                                                                             | (b)                        |
| Telephone                                                                                           | (b)                        |
| Printing & Production                                                                               | (b)                        |
| Training                                                                                            | (b)                        |
| Professional Services                                                                               | (b) (4)                    |
| Membership Dues                                                                                     | (b)                        |
| Miscellaneous Services                                                                              | (b) (b)                    |
| Supplies – Food                                                                                     | (b) (4)                    |
| Computer Supplies                                                                                   | (b) (4)                    |
| Supplies – General                                                                                  | (b) (4)                    |
| Equipment                                                                                           | (b) (4)                    |
| <b>Total Administrative Indirect Costs Allowable</b>                                                | <u>(b) (4)</u>             |
| <br>                                                                                                |                            |
| Furniture & Fixtures                                                                                | \$ (b) (4)                 |
| Equipment Depreciation                                                                              | (b) (4)                    |
| Equipment                                                                                           | (b) (4)                    |
| <b>Total Facility Indirect Costs Allowable</b>                                                      | <u>(b) (4)</u>             |
| <br>                                                                                                |                            |
| <b>Allocation Base:</b>                                                                             |                            |
| Total adjusted expenses                                                                             | (b) (4)(b) (4)             |
| Less: Total adjusted indirect expenses                                                              | (b) (4)                    |
| <b>Total Adjusted Direct Expenses</b>                                                               | <u>(b) (4)(b) (4)</u>      |
| <br>                                                                                                |                            |
| <b>Indirect Rates Calculation</b>                                                                   |                            |
| <b>Administration:</b> Total Administrative Indirect Costs Allowable/Total Adjusted Direct Expenses | (b) (4)<br>= (b) (4)       |
| <br>                                                                                                |                            |
| <b>Facility:</b> Total Facility Indirect Costs Allowable/Total Adjusted Direct Expenses             | (b) (4)<br>= (b) (4)       |
| <b>Total</b>                                                                                        | <u>(b) (4)</u>             |

Woodrow Wilson International Center for Scholars

Schedule of Indirect Costs Allowable and Indirect Cost Rates  
for the Year Ended September 30, 2004

| <b>Indirect Costs</b>                                                                               | <b>Allowable<br/>Costs</b>          |
|-----------------------------------------------------------------------------------------------------|-------------------------------------|
| Salaries                                                                                            | (b) (4)                             |
| Benefits                                                                                            | (b) (4)                             |
| Travel                                                                                              | (b) (4)                             |
| Communication                                                                                       | (b)                                 |
| Equipment Maintenance                                                                               | (b)                                 |
| Postage                                                                                             | (4)(b)                              |
| Telephone                                                                                           | (4b)                                |
| Printing & Production                                                                               | (b) )                               |
| Training                                                                                            | (b) (4)                             |
| Professional Services                                                                               | (b) (4)                             |
| Membership Dues                                                                                     | (b)                                 |
| Miscellaneous Services                                                                              | (b) (4)                             |
| Supplies – Food                                                                                     | (b) (4)                             |
| Computer Supplies                                                                                   | (b)                                 |
| Supplies – General                                                                                  | (b) (4)                             |
| Equipment                                                                                           | (b) (4)                             |
| <b>Total Administrative Indirect Costs Allowable</b>                                                | <u>(b) (4)</u>                      |
| <br>                                                                                                |                                     |
| Furniture & Fixtures                                                                                | \$ -                                |
| Equipment Depreciation                                                                              | (b) (4)                             |
| Equipment                                                                                           | (b) (4)                             |
| <b>Total Facility Indirect Costs Allowable</b>                                                      | <u>(b) (4)</u>                      |
| <br>                                                                                                |                                     |
| <b>Allocation Base:</b>                                                                             |                                     |
| Total adjusted expenses                                                                             | (b) (4)(b) (4)                      |
| Less: Total adjusted indirect expenses                                                              | (b) (4)                             |
| <b>Total Adjusted Direct Expenses</b>                                                               | <u>(b) (4)(b) (4)</u>               |
| <br>                                                                                                |                                     |
| <b>Indirect Rates Calculation</b>                                                                   |                                     |
| <b>Administration:</b> Total Administrative Indirect Costs Allowable/Total Adjusted Direct Expenses | (b) (4)<br>(b) (4) = (b) (4)        |
| <br>                                                                                                |                                     |
| <b>Facility:</b> Total Facility Indirect Costs Allowable/Total Adjusted Direct Expenses             | (b) (4)<br>(b) (4)(b) (4) = (b) (4) |
| <b>Total</b>                                                                                        | <u>(b) (4)</u>                      |