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 Project Harmony, Inc.

Report Number AUD/CG-08-31, August 2008

L.F. Harris & Associates, P.A., Certified Public Accountants, performed the agreed-upon procedures under the Department of State, Office of Inspector General, Contract No. S-AQMPD-04-D-0044, and by acceptance the report becomes a product of the Inspector General.

Mark W. Duda
Assistant Inspector General
Office of Audits

8/29/08
Date

[redacted]

Summary

At the request of the Department of State, Office of Inspector General (OIG), L.F. Harris & Associates, P.A., Certified Public Accountants, performed certain agreed-upon procedures to determine whether the indirect cost rates proposed by Project Harmony, Inc., for the fiscal years ended June 30, 2005, 2004, and 2003, complied with applicable regulations.

We found Project Harmony'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 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 FYs 2005, 2004, and 2003, the indirect costs reported by Project Harmony were properly calculated, and we take no exception to the proposed rates as presented in this report.

We recommend that the Department accept and finalize the indirect cost rates for FYs 2005, 2004, and 2003, as recommended in this report, fully considering any additional payments by the Department or Project Harmony, as necessary, to account for differences between the final and recommended indirect rates.

Background

Project Harmony is a not-for-profit organization that provides professional and training programs in a variety of settings in the United States and in countries of the former Soviet Union.

In FYs 2005, 2004, and 2003, the Department awarded grants to Project Harmony as shown in Table 1.

Table 1. Grants Awarded to Project Harmony, Inc. – FYs 2005-2003

Grant Number	Period of Grant	Amount of Grant
S-RS500-05-GR-090	03/31/2005 – 08/05/2005	$ 88,208
S-ECAAE-004-GR-081	04/12/2004 – 08/31/2005	1,989,993
S-ECAPY-04-GR-033	10/31/2003 – 08/31/2005	219,999
S-INLEC-03-GR-0005	09/02/2003 – 09/01/2004	166,266
S-ECAPE-02-GR-091	05/20/2002 – 02/28/2004	485,148
PEPS-1168	07/18/2001 – 09/30/2005	1,096,033
Total		**$4,045,647**

Purpose, Scope and Methodology

Our primary purpose was to determine whether Project Harmony's indirect cost structure for FYs 2005, 2004, and 2003 complied with applicable regulations.

OMB Circular A-122 establishes principles and standards for determining costs for federal awards carried out through grants, cost reimbursement contracts, and other agreements with not-for-profit organizations. The principles are for the purpose of cost determination and are designed to ensure that federal awards bear their fair share of costs.

The principles and standards of OMB Circular A-122 apply to both direct and indirect costs. A direct cost is a cost that can be identified specifically with a particular cost objective. Examples of direct costs include employee compensation and benefits, supplies, and travel. An indirect cost is a cost that cannot be identified with a single, final cost objective but is identified with two or more final cost objectives, one or more of which benefits federal programs. Such costs should be combined into groups or pools and should be distributed to benefit final cost objectives in a manner that will produce an equitable result based on relative benefits derived.

We designed our approach to determine compliance with OMB Circular A-122, which describes selected cost items, allowable costs, and standard methodologies for calculating indirect cost rates for not-for-profit organizations. The purposes of OMB Circular A-122 are to:

- ensure that the federal government bears its fair share of costs,
- identify allowable costs for determining the actual cost of federal programs, and
- establish policies and procedures for indirect cost allocation plans.

In agreement with OIG, our procedures included the following:

1. determining that charges to cost pools used in calculating indirect cost rates were mathematically accurate and supported by the grantee's accounting records and audited financial statements;

2. assessing the allowability and allocability of indirect costs by testing selected transactions to supporting documentation and inquiring about the nature and functions of activities included in the indirect cost pool;

3. assessing the causal and beneficial relationship between indirect costs and cost activities;

4. analyzing the allowability and allocability of accounts that make up an organization's fringe benefit pool;

5. reviewing the general ledger to determine whether the grantee had income and credits and, if so, whether they were credited to the indirect cost or fringe benefit pool as appropriate; and

6. inquiring about applicable fiscal year operations and assessing the impact of changes on the indirect cost rate structure.

Our approach to addressing the procedures was as follows:

1. We obtained an understanding of internal control over the subject matter of this engagement through inquiry and observation, performing an assessment of risk, and testing internal controls.

2. For direct costs, we determined whether Project Harmony had complied with the provisions of OMB Circular A-122 by:

    a. testing direct charges to federal awards for allowability and
    b. verifying that unallowable costs, determined to be direct costs, were included in the allocation base for the purpose of computing an indirect cost rate.

3. We tested indirect costs to determine whether:

    a. the base used to distribute the approved allowable indirect cost was appropriate and reasonable and in accordance with the requirements of OMB Circular A-122;
    b. the calculated indirect cost rate is
        i. consistent with policies and procedures that apply uniformly to both federally funded and other activities of the organization and
        ii. applied consistently to the proper allocation bases; and
    c. the organization complied with the provisions of OMB Circular A-122 in that
        i. charges to indirect cost pools were for allowable costs,
        ii. the base used to distribute indirect costs included both allowable and unallowable costs, and
        iii. the cost allocation methodology provides equitable and consistent allocation of indirect costs to benefiting awards or activities.

The scope of detailed testing of individual accounts, internal controls, direct costs, indirect costs, regulation compliance, and other applicable records is a matter of judgment. Auditors cannot assume responsibility for fraud detection or prevention. Auditors are expected to maintain an alertness that will permit adequate inspection of the financial records as well as of the internal controls, internal accounting, and administrative controls. As such, the auditors were alert to the possibility of intentional wrongdoing, errors and omissions, inefficiency, waste, ineffectiveness, and conflicts of interest.

Results

Provisional Indirect Rates

The Department gave Project Harmony, Inc., permission to use provisional indirect rates based on audited financial statements for FY 2001. Provisional rates are temporary rates used for funding and billing indirect costs pending the establishment of a final rate for a specified time period. The Department also provided Project Harmony separate provisional rates for its Vermont, Russia, Ukraine, and Caucasus offices.

The negotiated rate agreement states that if the final rates are greater than the provisional rates and if there are no funds to cover the additional cost, Project Harmony may not recover all

indirect costs. However, if the final rate is less than the provisional rate, Project Harmony is required to repay the difference to the Department. The award also specifies that Project Harmony is subject to the requirements of OMB Circulars A-110; A-122; and A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

Indirect Cost Rates

Our review disclosed that Project Harmony's accounting system was adequate to properly identify and segregate direct and indirect costs, as well as allowable and unallowable costs, for FYs 2005, 2004, and 2003 under the provisions of OMB Circular A-122.

Project Harmony's provisional and proposed indirect cost rates and our recomputed and recommended rates for the 3 fiscal years reviewed are presented in Tables 2-4. It should be noted that for each fiscal year, the final (recomputed) indirect cost rate for Vermont, Russia, and the Caucasus was greater than the recommended rate; therefore, if Department funds are available, Project Harmony would be entitled to additional funds to make up the difference between the two rates. Conversely, for Ukraine, the final (recomputed) indirect cost rate for each fiscal year was less than the provisional rate; therefore, Project Harmony is required to repay the difference to the Department.

Table 2. Rates for FY 2005

FY 2005	Description	Provisional Rates	Project Harmony Proposed Rates	Recomputed Rates	Recommended Rates
Vermont	General and Administrative	10.00%	10.43%	10.44%	10.00%
Russia	General and Administrative	8.00%	10.00%	10.00%	8.00%
Ukraine	General and Administrative	11.00%	2.85%	2.85%	2.85%
Caucasus	General and Administrative	3.00%	3.73%	3.77%	3.00%

Table 3. Rates for FY 2004

FY 2004	Description	Provisional Rates	Project Harmony's Proposed Rates	Recomputed Rates	Recommended Rates
Vermont	General and Administrative	10.00%	11.56%	11.55%	10.00%
Russia	General and Administrative	8.00%	8.42%	8.42%	8.00%
Ukraine	General and Administrative	11.00%	6.83%	6.83%	6.83%
Caucasus	General and Administrative	3.00%	3.65%	3.61%	3.00%

Table 4. Rates for FY 2003

FY 2003	Description	Provisional Rates	Project Harmony's Proposed Rates	Recomputed Rates	Recommended Rates
Vermont	General and Administrative	10.00%	13.25%	13.25%	10.00%
Russia	General and Administrative	8.00%	9.16%	9.16%	8.00%
Ukraine	General and Administrative	11.00%	7.15%	7.15%	7.15%
Caucasus	General and Administrative	3.00%	4.45%	4.45%	3.00%

The supporting calculations for the indirect cost rates identified in Tables 2-4 are presented in Appendices A through L of this report.

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 FYs 2005, 2004, and 2003, as recommended in this report, fully considering any additional payments by the Department of State or Project Harmony, Inc., as necessary, to account for differences between the final and recommended indirect rates.

L.F. Harris & Associates, CPA, P.A.
Certified Public Accountants

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

We have performed certain agreed-upon procedures (Procedures), as summarized in the Purpose, Scope and Methodology section of this report. The Procedures, which were agreed to by the Office of Inspector General, U.S. State Department, were performed solely to assist the Office of Inspector General, U.S. State Department in evaluating the Organization's computations of their indirect cost rates in accordance with OMB Circular A-122, for the fiscal years ended June 30, 2005, 2004, and 2003.

The Organization's management is responsible for compliance with those requirements. This agreed-upon procedures engagement was conducted 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 these Procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the Procedures as described in the Purpose, Scope and Methodology section of this report, either for the purpose for which this report has been requested or for any other purpose. Our Test Procedures revealed no findings.

We were not engaged to, and did not perform an audit, the objective of which would be the expression of an opinion on the total costs claimed. 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.

L.F. Harris & Associates

L.F. Harris & Associates, CPA, P.A.
Orlando, Florida
July 31, 2007

3012 E. Robinson St. • Orlando, Florida 32803 • 407-228-0560 • Fax 407-228-0166 • www.lfharris.com

APPENDIX A

Project Harmony
Schedule of Indirect Cost Rates – Vermont
For the Period Ended June 30, 2005

Indirect Costs	Proposed Costs	Questioned Costs	Audited Costs
Salaries	(b) (4)(b) (4)(b) (4)	$ -	(b) (4)(b) (4)(b) (4)
Benefits	(b) (4)(b) (4)(b) (4)	-	(b) (4)(b) (4)(b) (4)
Bank Fees	(b) (4)(b) (4)(b) (4)	-	(b) (4)(b) (4)(b) (4)
Board of Trustees Expense	(b) (4)(b) (4)(b) (4)	-	(b) (4)(b) (4)(b) (4)
Communication	(b) (4)(b) (4)(b) (4)	-	(b) (4)(b) (4)(b) (4)
Condo Association Dues	(b) (4)(b) (4)(b) (4)	-	(b) (4)(b) (4)(b) (4)
Copier Lease	(b) (4)(b) (4)(b) (4)	-	(b) (4)(b) (4)(b) (4)
Depreciation/Amortization	(b) (4)(b) (4)(b) (4)	-	(b) (4)(b) (4)(b) (4)
Dues & Subscriptions	(b) (4)(b) (4)(b) (4)	-	(b) (4)(b) (4)(b) (4)
Grant Writing and Development	(b) (4)(b) (4)(b) (4)	-	(b) (4)(b) (4)(b) (4)
Insurance	(b) (4)(b) (4)(b) (4)	-	(b) (4)(b) (4)(b) (4)
Office Supplies	(b) (4)(b) (4)(b) (4)	-	(b) (4)(b) (4)(b) (4)
Postage & Shipping	(b) (4)(b) (4)(b) (4)	-	(b) (4)(b) (4)(b) (4)
Professional Services	(b) (4)(b) (4)(b) (4)	-	(b) (4)(b) (4)(b) (4)
Repair & Maintenance	(b) (4)(b) (4)(b) (4)	-	(b) (4)(b) (4)(b) (4)
Training & Education	(b) (4)(b) (4)(b) (4)	-	(b) (4)(b) (4)(b) (4)
Staff Travel/Per Diem	(b) (4)(b) (4)(b) (4)	-	(b) (4)(b) (4)(b) (4)
Staff Passports & Visas	(b) (4)(b) (4)(b) (4)	-	(b) (4)(b) (4)(b) (4)
Utilities	(b) (4)(b) (4)(b) (4)	-	(b) (4)(b) (4)(b) (4)
Total Administrative Indirect Costs	(b) (4)(b) (4)(b) (4)	**$ -**	(b) (4)(b) (4)(b) (4)

G&A Allocation Base:

Total adjusted direct expenses (b) (4)(b) (4)(b) (4)

Indirect Rate Calculation:

Administration: Total Administrative Indirect Costs (b) (4)(b) (4)(b) (4)

Allowable/Modified Total Adjusted Direct Expenses (b) (4)(b) (4)(b) (4)

APPENDIX B

Project Harmony
Schedule of Indirect Cost Rates - Russia
For the Period Ended June 30, 2005

Indirect Costs	Proposed Costs	Questioned Costs	Audited Costs
Salaries	(b) (4)(b) (4)(b) (4)	$ -	(b) (4)(b) (4)
Benefits	(b) (4)(b) (4)(b) (4)	-	(b) (4)(b) (4)
Communication	(b) (4)(b) (4)(b) (4)	-	(b) (4)(b) (4)
Office Supplies	(b) (4)(b) (4)(b) (4)	-	(b) (4)(b) (4)
Rent	(b) (4)(b) (4)(b) (4)	-	(b) (4)(b) (4)
Training & Education	(b) (4)(b) (4)(b) (4)	-	(b) (4)(b) (4)
Staff Travel	(b) (4)(b) (4)(b) (4)	-	(b) (4)(b) (4)
Total Administrative Indirect Costs	(b) (4)(b) (4)(b) (4)	**$ -**	(b) (4)(b) (4)

G&A Allocation Base:

Total adjusted direct expenses	(b) (4)(b) (4)(b) (4)

Indirect Rate Calculation:

Administration: Total Administrative Indirect Costs	(b) (4)(b) (4)(b) (4)
Allowable/Modified Total Adjusted Direct Expenses	(b) (4)(b) (4)(b) (4)

APPENDIX C

Project Harmony
Schedule of Indirect Cost Rates - Ukraine
For the Period Ended June 30, 2005

Indirect Costs	Proposed Costs	Questioned Costs	Audited Costs
Salaries	(b) (4)(b) (4)	$ -	(b) (4)(b) (4)
Communication	(b) (4)(b) (4)	-	(b) (4)(b) (4)
Depreciation/Amortization	(b) (4)(b) (4)	-	(b) (4)(b) (4)
Office Supplies	(b) (4)(b) (4)	-	(b) (4)(b) (4)
Rent	(b) (4)(b) (4)	-	(b) (4)(b) (4)
Staff Travel	(b) (4)(b) (4)	-	(b) (4)(b) (4)
Total Administrative Indirect Costs	(b) (4)(b) (4)	$ -	(b) (4)(b) (4)

G&A Allocation Base:

Total adjusted direct expenses (b) (4)(b) (4)(b) (4)

Indirect Rate Calculation:

Administration: Total Administrative Indirect Costs (b) (4)(b) (4)(b) (4)
Allowable/Modified Total Adjusted Direct Expenses (b) (4)(b) (4)(b) (4)

APPENDIX D

Project Harmony
Schedule of Indirect Cost Rates - Caucasus
For the Period Ended June 30, 2005

Indirect Costs	Proposed Costs	Questioned Costs	Audited Costs
Salaries	(b) (4)(b) (4)	$ -	(b) (4)(b) (4)
Benefits	(b) (4)(b) (4)	-	(b) (4)(b) (4)
Communication	(b) (4)(b) (4)	-	(b) (4)(b) (4)
Office Supplies	(b) (4)(b) (4)	-	(b) (4)(b) (4)
Rent	(b) (4)(b) (4)	-	(b) (4)(b) (4)
Staff Travel	(b) (4)(b) (4)	-	(b) (4)(b) (4)
Total Administrative Indirect Costs	(b) (4)(b) (4)	**$ -**	(b) (4)(b) (4)

G&A Allocation Base:

Total adjusted direct expenses (b) (4)(b) (4)(b) (4)

Indirect Rate Calculation:

Administration: Total Administrative Indirect Costs
Allowable/Modified Total Adjusted Direct Expenses

APPENDIX E

Project Harmony
Schedule of Indirect Cost Rates - Vermont
For the Period Ended June 30, 2004

Indirect Costs	Proposed Costs	Questioned Costs	Audited Costs
Salaries	(b) (4)(b) (4)(b) (4)	$ -	(b) (4)(b) (4)(b) (4)
Benefits	(b) (4)(b) (4)(b) (4)	-	(b) (4)(b) (4)(b) (4)
Bank Fees	(b) (4)(b) (4)(b) (4)	-	(b) (4)(b) (4)(b) (4)
Board of Trustees Expense	(b) (4)(b) (4)(b) (4)	-	(b) (4)(b) (4)(b) (4)
Communication	(b) (4)(b) (4)(b) (4)	-	(b) (4)(b) (4)(b) (4)
Condo Association Dues	(b) (4)(b) (4)(b) (4)	-	(b) (4)(b) (4)(b) (4)
Copier Lease	(b) (4)(b) (4)(b) (4)	-	(b) (4)(b) (4)(b) (4)
Depreciation/Amortization	(b) (4)(b) (4)(b) (4)	-	(b) (4)(b) (4)(b) (4)
Dues & Subscriptions	(b) (4)(b) (4)(b) (4)	-	(b) (4)(b) (4)(b) (4)
Insurance	(b) (4)(b) (4)(b) (4)	-	(b) (4)(b) (4)(b) (4)
Office Supplies	(b) (4)(b) (4)(b) (4)	-	(b) (4)(b) (4)(b) (4)
Postage & Shipping	(b) (4)(b) (4)(b) (4)	-	(b) (4)(b) (4)(b) (4)
Printing	(b) (4)(b) (4)(b) (4)	-	(b) (4)(b) (4)(b) (4)
Professional Services	(b) (4)(b) (4)(b) (4)	-	(b) (4)(b) (4)(b) (4)
Repair & Maintenance	(b) (4)(b) (4)(b) (4)	-	(b) (4)(b) (4)(b) (4)
Training & Education	(b) (4)(b) (4)(b) (4)	-	(b) (4)(b) (4)(b) (4)
Staff Travel/Per Diem	(b) (4)(b) (4)(b) (4)	-	(b) (4)(b) (4)(b) (4)
Staff Passports & Visas	(b) (4)(b) (4)(b) (4)	-	(b) (4)(b) (4)(b) (4)
Utilities	(b) (4)(b) (4)(b) (4)	-	(b) (4)(b) (4)(b) (4)
Total Administrative Indirect Costs	(b) (4)(b) (4)(b) (4)	**$ -**	(b) (4)(b) (4)(b) (4)

G&A Allocation Base:	
Total adjusted direct expenses	(b) (4)(b) (4)(b) (4)
Indirect Rate Calculation:	
Administration: Total Administrative Indirect Costs	(b) (4)(b) (4)(b) (4)
Allowable/Modified Total Adjusted Direct Expenses	(b) (4)(b) (4)(b) (4)

APPENDIX F

Project Harmony
Schedule of Indirect Cost Rates - Russia
For the Period Ended June 30, 2004

Indirect Costs	Proposed Costs	Questioned Costs	Audited Costs
Salaries	(b) (4)(b) (4)(b) (4)	$ -	(b) (4)(b) (4)(b) (4)
Benefits	(b) (4)(b) (4)(b) (4)	-	(b) (4)(b) (4)(b) (4)
Communication	(b) (4)(b) (4)(b) (4)	-	(b) (4)(b) (4)(b) (4)
Depreciation	(b) (4)(b) (4)(b) (4)	-	(b) (4)(b) (4)(b) (4)
Office Supplies	(b) (4)(b) (4)(b) (4)	-	(b) (4)(b) (4)(b) (4)
Rent	(b) (4)(b) (4)(b) (4)	-	(b) (4)(b) (4)(b) (4)
Training & Education	(b) (4)(b) (4)(b) (4)	-	(b) (4)(b) (4)(b) (4)
Staff Travel	(b) (4)(b) (4)(b) (4)	-	(b) (4)(b) (4)(b) (4)
Total Administrative Indirect Costs	(b) (4)(b) (4)(b) (4)	**$ -**	(b) (4)(b) (4)(b) (4)

G&A Allocation Base:

Total adjusted direct expenses (b) (4)(b) (4)(b) (4)

Indirect Rate Calculation:

Administration: Total Administrative Indirect Costs (b) (4)(b) (4)(b) (4)
Allowable/Modified Total Adjusted Direct Expenses (b) (4)(b) (4)(b) (4)

APPENDIX G

Project Harmony
Schedule of Indirect Cost Rates - Ukraine
For the Period Ended June 30, 2004

Indirect Costs	Proposed Costs	Questioned Costs	Audited Costs
Salaries	(b) (4)(b) (4)	$ -	(b) (4)(b) (4)(b) (4)
Communication	(b) (4)(b) (4)	-	(b) (4)(b) (4)(b) (4)
Depreciation/Amortization	(b) (4)(b) (4)	-	(b) (4)(b) (4)(b) (4)
Office Supplies	(b) (4)(b) (4)	-	(b) (4)(b) (4)(b) (4)
Rent	(b) (4)(b) (4)	-	(b) (4)(b) (4)(b) (4)
Training/Education	(b) (4)(b) (4)	-	(b) (4)(b) (4)(b) (4)
Staff Travel	(b) (4)(b) (4)	-	(b) (4)(b) (4)(b) (4)
Total Administrative Indirect Costs	(b) (4)(b) (4)	**$ -**	(b) (4)(b) (4)(b) (4)
	(b) (4)(b) (4)		(b) (4)(b) (4)(b) (4)
G&A Allocation Base:			(b) (4)(b) (4)(b) (4)
Total adjusted direct expenses			(b) (4)(b) (4)(b) (4)
			(b) (4)(b) (4)(b) (4)
			(b) (4)(b) (4)(b) (4)
Indirect Rate Calculation:			(b) (4)(b) (4)(b) (4)
			(b) (4)(b) (4)(b) (4)
Administration: Total Administrative Indirect Costs			(b) (4)(b) (4)(b) (4)
Allowable/Modified Total Adjusted Direct Expenses			(b) (4)(b) (4)(b) (4)
			(b) (4)(b) (4)(b) (4)

APPENDIX H

Project Harmony
Schedule of Indirect Cost Rates – Caucasus
For the Period Ended June 30, 2004

Indirect Costs	Proposed Costs	Questioned Costs	Audited Costs
Salaries	(b) (4)(b) (4)(b) (4)	$ -	(b) (4)(b) (4)(b) (4)
Benefits	(b) (4)(b) (4)(b) (4)	-	(b) (4)(b) (4)(b) (4)
Communication	(b) (4)(b) (4)(b) (4)	-	(b) (4)(b) (4)(b) (4)
Office Supplies	(b) (4)(b) (4)(b) (4)	-	(b) (4)(b) (4)(b) (4)
Rent	(b) (4)(b) (4)(b) (4)	-	(b) (4)(b) (4)(b) (4)
Training/Education	(b) (4)(b) (4)(b) (4)	-	(b) (4)(b) (4)(b) (4)
Staff Travel	(b) (4)(b) (4)(b) (4)	-	(b) (4)(b) (4)(b) (4)
Total Administrative Indirect Costs	(b) (4)(b) (4)(b) (4)	**$ -**	(b) (4)(b) (4)(b) (4)

G&A Allocation Base:	(b) (4)(b) (4)(b) (4)
Total adjusted direct expenses	(b) (4)(b) (4)(b) (4)
	(b) (4)(b) (4)(b) (4)
	(b) (4)(b) (4)(b) (4)
Indirect Rate Calculation:	(b) (4)(b) (4)(b) (4)
	(b) (4)(b) (4)(b) (4)
Administration: Total Administrative Indirect Costs	(b) (4)(b) (4)(b) (4)
Allowable/Modified Total Adjusted Direct Expenses	(b) (4)(b) (4)(b) (4)
	(b) (4)(b) (4)(b) (4)

APPENDIX I

Project Harmony
Schedule of Indirect Cost Rates – Vermont
For the Period Ended June 30, 2003

Indirect Costs	Proposed Costs	Questioned Costs	Audited Costs
Salaries	(b) (4)(b) (4)(b) (4) (b) (4)(b) (4)(b) (4) (b) (4)(b) (4)(b) (4)	$ -	(b) (4)(b) (4)(b) (4) (b) (4)(b) (4)(b) (4) (b) (4)(b) (4)(b) (4)
Benefits	(b) (4)(b) (4)(b) (4) (b) (4)(b) (4)(b) (4)	-	(b) (4)(b) (4)(b) (4) (b) (4)(b) (4)(b) (4)
Bank Fees	(b) (4)(b) (4)(b) (4) (b) (4)(b) (4)(b) (4)	-	(b) (4)(b) (4)(b) (4) (b) (4)(b) (4)(b) (4)
Board of Trustees Expense	(b) (4)(b) (4)(b) (4) (b) (4)(b) (4)(b) (4)	-	(b) (4)(b) (4)(b) (4) (b) (4)(b) (4)(b) (4)
Communication	(b) (4)(b) (4)(b) (4) (b) (4)(b) (4)(b) (4)	-	(b) (4)(b) (4)(b) (4) (b) (4)(b) (4)(b) (4)
Condo Association Dues	(b) (4)(b) (4)(b) (4) (b) (4)(b) (4)(b) (4)	-	(b) (4)(b) (4)(b) (4) (b) (4)(b) (4)(b) (4)
Copier Lease	(b) (4)(b) (4)(b) (4) (b) (4)(b) (4)(b) (4)	-	(b) (4)(b) (4)(b) (4) (b) (4)(b) (4)(b) (4)
Depreciation/Amortization	(b) (4)(b) (4)(b) (4) (b) (4)(b) (4)(b) (4)	-	(b) (4)(b) (4)(b) (4) (b) (4)(b) (4)(b) (4)
Dues & Subscriptions	(b) (4)(b) (4)(b) (4) (b) (4)(b) (4)(b) (4)	-	(b) (4)(b) (4)(b) (4) (b) (4)(b) (4)(b) (4)
Grant Writing and Development	(b) (4)(b) (4)(b) (4) (b) (4)(b) (4)(b) (4)	-	(b) (4)(b) (4)(b) (4) (b) (4)(b) (4)(b) (4)
Insurance	(b) (4)(b) (4)(b) (4) (b) (4)(b) (4)(b) (4)	-	(b) (4)(b) (4)(b) (4) (b) (4)(b) (4)(b) (4)
Office Supplies	(b) (4)(b) (4)(b) (4) (b) (4)(b) (4)(b) (4)	-	(b) (4)(b) (4)(b) (4) (b) (4)(b) (4)(b) (4)
Postage & Shipping	(b) (4)(b) (4)(b) (4) (b) (4)(b) (4)(b) (4)	-	(b) (4)(b) (4)(b) (4) (b) (4)(b) (4)(b) (4)
Printing	(b) (4)(b) (4)(b) (4) (b) (4)(b) (4)(b) (4)	-	(b) (4)(b) (4)(b) (4) (b) (4)(b) (4)(b) (4)
Professional Services	(b) (4)(b) (4)(b) (4) (b) (4)(b) (4)(b) (4)	-	(b) (4)(b) (4)(b) (4) (b) (4)(b) (4)(b) (4)
Repair & Maintenance	(b) (4)(b) (4)(b) (4) (b) (4)(b) (4)(b) (4)	-	(b) (4)(b) (4)(b) (4) (b) (4)(b) (4)(b) (4)
Staff Travel/Per Diem	(b) (4)(b) (4)(b) (4) (b) (4)(b) (4)(b) (4)	-	(b) (4)(b) (4)(b) (4) (b) (4)(b) (4)(b) (4)
Staff Passports & Visas	(b) (4)(b) (4)(b) (4) (b) (4)(b) (4)(b) (4)	-	(b) (4)(b) (4)(b) (4) (b) (4)(b) (4)(b) (4)
Utilities	(b) (4)(b) (4)(b) (4) (b) (4)(b) (4)(b) (4)	-	(b) (4)(b) (4)(b) (4) (b) (4)(b) (4)(b) (4)
Total Administrative Indirect Costs	(b) (4)(b) (4)(b) (4)	$ -	(b) (4)(b) (4)(b) (4)
G&A Allocation Base:			(b) (4)(b) (4)(b) (4) (b) (4)(b) (4)(b) (4)
Total adjusted direct expenses			(b) (4)(b) (4)(b) (4) (b) (4)(b) (4)(b) (4) (b) (4)(b) (4)(b) (4) (b) (4)(b) (4)(b) (4) (b) (4)(b) (4)(b) (4)
Indirect Rate Calculation:			(b) (4)(b) (4)(b) (4)
Administration: Total Administrative Indirect Costs			(b) (4)(b) (4)(b) (4)
Allowable/Modified Total Adjusted Direct Expenses			(b) (4)(b) (4)(b) (4) (b) (4)(b) (4)(b) (4)

* Explanation provided on page 22.

APPENDIX J

Project Harmony
Schedule of Indirect Cost Rates - Russia
For the Period Ended June 30, 2003

Indirect Costs	Proposed Costs	Questioned Costs	Audited Costs
Salaries	(b) (4)(b) (4)(b) (4)	$ -	(b) (4)(b) (4)
Benefits	(b) (4)(b) (4)(b) (4)	-	(b) (4)(b) (4)
Communication	(b) (4)(b) (4)(b) (4)	-	(b) (4)(b) (4)
Depreciation	(b) (4)(b) (4)(b) (4)	-	(b) (4)(b) (4)
Office Supplies	(b) (4)(b) (4)(b) (4)	-	(b) (4)(b) (4)
Rent	(b) (4)(b) (4)(b) (4)	-	(b) (4)(b) (4)
Training & Education	(b) (4)(b) (4)(b) (4)	-	(b) (4)(b) (4)
Staff Travel	(b) (4)(b) (4)(b) (4)	-	(b) (4)(b) (4)
Total Administrative Indirect Costs	(b) (4)(b) (4)(b) (4)	**$ -**	(b) (4)(b) (4)
	(b) (4)(b) (4)(b) (4)		(b) (4)(b) (4)
	(b) (4)(b) (4)(b) (4)		(b) (4)(b) (4)
	(b) (4)(b) (4)(b) (4)		(b) (4)(b) (4)
G&A Allocation Base:			(b) (4)(b) (4)
Total adjusted direct expenses			(b) (4)(b) (4)
			(b) (4)(b) (4)
			(b) (4)(b) (4)
Indirect Rate Calculation:			(b) (4)(b) (4)
			(b) (4)(b) (4)
Administration: Total Administrative Indirect Costs			(b) (4)(b) (4)
Allowable/Modified Total Adjusted Direct Expenses			(b) (4)(b) (4)

APPENDIX K

Project Harmony
Schedule of Indirect Cost Rates – Ukraine
For the Period Ended June 30, 2003

Indirect Costs	Proposed Costs	Questioned Costs	Audited Costs
Salaries	(b) (4)(b) (4)(b) (4)	$	-
Benefits	(b) (4)(b) (4)(b) (4)		-
Communication	(b) (4)(b) (4)(b) (4)		-
Depreciation/Amortization	(b) (4)(b) (4)(b) (4)		-
Office Supplies	(b) (4)(b) (4)(b) (4)		-
Rent	(b) (4)(b) (4)(b) (4)		-
Training/Education	(b) (4)(b) (4)(b) (4)		-
Staff Travel	(b) (4)(b) (4)(b) (4)		-
Total Administrative Indirect Costs	(b) (4)(b) (4)(b) (4)	**$**	-

G&A Allocation Base:

Total adjusted direct expenses

Indirect Rate Calculation:

Administration: Total Administrative Indirect Costs
Allowable/Modified Total Adjusted Direct Expenses

(b) (4)(b) (4)(b) (4)(b) (4)
(b) (4)(b) (4)(b) (4)(b) (4)
(b) (4)(b) (4)(b) (4)(b) (4)
(b) (4)(b) (4)(b) (4)(b) (4)
(b) (4)(b) (4)(b) (4)(b) (4)
(b) (4)(b) (4)(b) (4)(b) (4)
(b) (4)(b) (4)(b) (4)(b) (4)
(b) (4)(b) (4)(b) (4)(b) (4)
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(b) (4)(b) (4)(b) (4)(b) (4)
(b) (4)(b) (4)(b) (4)(b) (4)
(b) (4)(b) (4)(b) (4)(b) (4)

APPENDIX L

Project Harmony
Schedule of Indirect Cost Rates - Caucasus
For the Period Ended June 30, 2003

Indirect Costs	Proposed Costs	Questioned Costs	Audited Costs
Salaries	(b) (4)(b) (4)(b) (4)	$ -	(b) (4)(b) (4)(b) (4)
Benefits	(b) (4)(b) (4)(b) (4)	-	(b) (4)(b) (4)(b) (4)
Communication	(b) (4)(b) (4)(b) (4)	-	(b) (4)(b) (4)(b) (4)
Office Supplies	(b) (4)(b) (4)(b) (4)	-	(b) (4)(b) (4)(b) (4)
Rent	(b) (4)(b) (4)(b) (4)	-	(b) (4)(b) (4)(b) (4)
Training/Education	(b) (4)(b) (4)(b) (4)	-	(b) (4)(b) (4)(b) (4)
Staff Travel	(b) (4)(b) (4)(b) (4)	-	(b) (4)(b) (4)(b) (4)
Total Administrative Indirect Costs	(b) (4)(b) (4)(b) (4)	**$ -**	(b) (4)(b) (4)(b) (4)
	(b) (4)(b) (4)(b) (4)		(b) (4)(b) (4)(b) (4)
	(b) (4)(b) (4)(b) (4)		(b) (4)(b) (4)(b) (4)
	(b) (4)(b) (4)(b) (4)		(b) (4)(b) (4)(b) (4)
G&A Allocation Base:			(b) (4)(b) (4)(b) (4)
Total adjusted direct expenses			(b) (4)(b) (4)(b) (4)
			(b) (4)(b) (4)(b) (4)
			(b) (4)(b) (4)(b) (4)
Indirect Rate Calculation:			(b) (4)(b) (4)(b) (4)
			(b) (4)(b) (4)(b) (4)
Administration: Total Administrative Indirect Costs			(b) (4)(b) (4)(b) (4)
Allowable/Modified Total Adjusted Direct Expenses			(b) (4)(b) (4)(b) (4)
			(b) (4)(b) (4)(b) (4)