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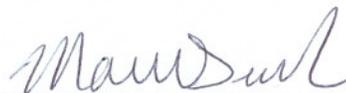
**United States Department of State
and the Broadcasting Board of Governors
Office of Inspector General**

Office of Audits

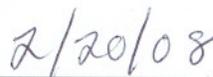
**Independent Accountants' Report on the
Application of Agreed-Upon Procedures on Indirect Cost Rates
Proposed by
United States Conference of Catholic Bishops**

Report Number: AUD/CG-08-15, February 2008

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



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 indirect cost rates proposed by the United States Conference of Catholic Bishops for the years ended December 31, 2006, 2005, and 2004, complied with applicable regulations.

We found the Conference'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 2006, 2005, and 2004, the Conference properly calculated and reported its indirect costs rates, 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 2006, 2005, and 2004 as recommended in this report.

Background

The Conference is an assembly of the Catholic hierarchy of the United States and the U.S. Virgin Islands who jointly exercise certain pastoral functions on behalf of the faithful of the United States. It is organized as a corporation in the District of Columbia. Its purposes under civil law are:

To unify, coordinate, encourage, promote and carry on Catholic activities in the United States; to organize and conduct religious, charitable and social welfare work at home and abroad; to aid in education; to care for immigrants; and generally to enter into and promote by education, publication, and direction the objects of its being.

The bishops constitute the membership of the Conference and are served by a staff of over 350 lay people, priests, and deacons located at the Conference headquarters in Washington, DC. There is also an Office of Film and Broadcasting in New York City and a branch office of Migration and Refugee Services in Miami.

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

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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 Conference's indirect cost structures for 2006, 2005, and 2004 complied with applicable regulations. In agreement with OIG, we performed the procedures identified below. We conducted this review between October 8, 2007, and January 11, 2008.

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 Conference's finance personnel to determine the extent to which each funded program benefited from common services.
- Reviewed the Conference's financial statements for 2006, 2005, and 2004.
- Verified the mathematical accuracy of the annual indirect cost rate proposals.
- Traced and compared the amounts reported as grant cost 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 that the Conference, where applicable, properly excluded unallowable costs from the cost pools used in computing the indirect cost rates.
- Reviewed the Conference's grants and its negotiated indirect cost rate agreements to ascertain whether its annual rate submissions were prepared in accordance with the grants' terms and provisions of the rate agreements.

Results

We found the Conference's accounting system to be adequate for accumulating and reporting indirect cost allowable under the provisions of OMB Circular A-122 for 2006, 2005, and 2004. Our review disclosed that for 2006, 2005, and 2004, the Conference properly computed and reported its indirect cost rates. We recommend that the Department accept and finalize the indirect cost rates for 2006, 2005, and 2004 as recommended by this report. These rates are presented in Table 1.

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Table 1: The Conference's Proposed and Our Recommended Rates

Fiscal Year	Conference's Proposed Rates		Recommended Rates	
	Offsite	Onsite	Offsite	Onsite
2006	(b) (4)	(b) (4)	(b) (4)	(b) (4)
2005	(b) (4)	(b) (4)	(b) (4)	(b) (4)
2004	(b) (4)	(b) (4)	(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 of the United States Conference of Catholic Bishops for the years ended December 31, 2006, 2005, and 2004 as recommended by 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 United States Conference of Catholic Bishops' proposed indirect cost rates for the fiscal years ended December 31, 2006, 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 Conference 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
January 11, 2008

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United States Conference of Catholic Bishops

**Summary of Indirect Costs and Indirect Cost Rates
for the Years Ended December 31, 2006, 2005, and 2004**

Fiscal Year	Allowable Indirect Cost Amounts				Indirect Cost Base	Indirect Cost Rates			
	Proposed		Recommended			Proposed		Recommended	
	Offsite	Onsite	Offsite	Onsite		Offsite	Onsite	Offsite	Onsite
2006	(b) (4)	(b) (4)	(b) (4)	(b) (4)	(b) (4)	(b) (4)	(b) (4)	(b) (4)	(b) (4)
2005	(b) (4)	(b) (4)	(b) (4)	(b) (4)	(b) (4)	(b)	(b)	(b)	(b)
2004	(b) (4)	(b) (4)	(b) (4)	(b) (4)	(b) (4)	(b)	(b)	(b)	(b)

United States Conference of Catholic Bishops

**Schedule of Allowable Indirect Costs and Rates
for the Year Ended December 31, 2006**

Indirect Cost Category	Offsite	Onsite
Salaries, payroll taxes, and benefits	(b) (4)	(b) (4)
Inter-conference charges	(b) (4)	(b) (4)
Travel and meetings	(b) (4)	(b) (4)
Professional services	(b) (4)	(b) (4)
Postage and freight	(b) (4)	(b) (4)
Printing and copying	(b) (4)	(b) (4)
(b) (4)(b) (4)(b) (4)	(b) (4)	(b) (4)
Building maintenance cost	((b) (4)
Building occupancy cost	(b) (4)	(b) (4)
Others	(b) (4)	(b) (4)
Subtotal	(b) (4)	(b) (4)
Less: Estimated unallowable cost ^a	(b) (4)	(b) (4)
Total Allowable Indirect Costs (Numerator)	(b) (4)	(b) (4)
Total Salaries and Wages (Denominator)	(b) (4)(b) (4)	(b) (4)(b) (4)
Indirect Cost Rate	(b) (4)	(b) (4)

^a The estimated unallowable cost of \$150,000 is based on the bishops' spending pattern for gifts, alcohol beverages, and other entertainment expenses that are not allowable under OMB Circular A-122. The amount of the unallowable cost was estimated because the receipts and other supporting documentation provided by the bishops do not always show the cost of these unallowable items. We determined this estimated amount and the approach to be reasonable. In addition, we determined that the cost of these items was not charged to the U.S. government. Conference financial officials removed the unallowable items from the indirect cost pools before computing the organization's proposed indirect cost rates (see Attachment A); therefore, the proposed and recommended rates are the same.

United States Conference of Catholic Bishops

Schedule of Allowable Indirect Costs and Rates for the Year Ended December 31, 2005

Indirect Cost Category	Offsite	Onsite
Salaries, payroll taxes, and benefits	(b) (4)	(b) (4)
Inter-conference charges	(b) (4)	(b) (4)
Travel and meetings	(b) (4)	(b) (4)
Professional services	(b) (4)	(b) (4)
Postage and freight	(b) (4)	(b) (4)
Printing and copying	(b) (4)	(b) (4)
General office expense	(b) (4)	(b) (4)
Building maintenance cost	(b) (4)	(b) (4)
Building occupancy cost	(b) (4)	(b) (4)
Others	(b) (4)	(b) (4)
Subtotal	(b) (4)	(b) (4)
Less: Estimated unallowable cost ^a	(b) (4)	(b) (4)
Total Allowable Indirect Costs (Numerator)	(b) (4)	(b) (4)
Total Salaries and Wages (Denominator)	(b) (4)(b) (4)	(b) (4)(b) (4)
Indirect Cost Rate	(b) (4)	(b) (4)

^a The estimated unallowable cost of \$150,000 is based on the bishops' spending pattern for gifts, alcohol beverages, and other entertainment expenses that are not allowable under OMB Circular A-122. The amount of the unallowable cost was estimated because the receipts and other supporting documentation provided by the bishops do not always show the cost of these unallowable items. We determined this estimated amount and the approach to be reasonable. In addition, we determined that the cost of these items was not charged to the U.S. government. Conference financial officials removed the unallowable items from the indirect cost pools before computing the organization's proposed indirect cost rates (see Attachment A); therefore, the proposed and recommended rates are the same.

United States Conference of Catholic Bishops

Schedule of Allowable Indirect Costs and Rates
for the Year Ended December 31, 2004

Indirect Cost Category	Off-Site	On-Site
Salaries, payroll taxes, and benefits	(b) (4)	(b) (4)
Inter-conference charges	(b) (4)	(b) (4)
Travel and meetings	(b) (4)	(b) (4)
Professional services	(b) (4)	(b) (4)
Postage and freight	(b) (4)	(b) (4)
Printing and copying	(b) (4)	(b) (4)
General office expense	(b) (4)	(b) (4)
Building maintenance cost	(b)	(b) (4)
Building occupancy cost	(b) (4)	(b) (4)
Others	(b) (4)	(b) (4)
Subtotal	(b) (4)	(b) (4)
Less: Estimated unallowable cost ^a	(b) (4)	(b) (4)
Total Allowable Indirect Costs (Numerator)	(b) (4)	(b) (4)
Total Salaries and Wages (Denominator)	(b) (4)(b) (4)	(b) (4)(b) (4)
Indirect Cost Rate	(b) (4)	(b) (4)

^a The estimated unallowable cost of \$150,000 is based on the bishops' spending pattern for gifts, alcohol beverages, and other entertainment expenses that are not allowable under OMB Circular A-122. The amount of the unallowable cost was estimated because the receipts and other supporting documentation provided by the bishops do not always show the cost of these unallowable items. We determined this estimated amount and the approach to be reasonable. In addition, we determined that the cost of these items was not charged to the U.S. government. Conference financial officials removed the unallowable items from the indirect cost pools before computing the organization's proposed indirect cost rates (see Attachment A); therefore, the proposed and recommended rates are the same.