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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
International Center for Journalists, Inc.**

Report Number AUD/CG-08-13, January 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



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 and fringe benefit rates proposed by the International Center for Journalists, Inc., for the years ended December 31, 2006 and 2005 complied with applicable regulations. We found the Center'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 2006 and 2005, the Center properly calculated and reported its indirect costs and fringe benefit rates. We recommend that the Department accept and finalize the indirect cost and fringe benefit rates for 2006 and 2005 as proposed and recommended by this report.

Background

The Center was formed in 1983 as a not-for-profit professional organization. Its goal is to promote quality journalism worldwide in the belief that independent, vigorous media are crucial to improving the human condition.

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 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 Center's indirect cost and fringe benefit structures for 2006 and 2005 complied with applicable regulations. In agreement with OIG, we performed the procedures identified below. We conducted this review between December 4, 2007, and December 18, 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.

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- Verified that the indirect cost rate claimed was mathematically accurate and supported by the Center’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.
- Analyzed the allowability and allocability of accounts comprising the Center’s fringe benefit pool and calculated a recommended fringe rate.
- Reviewed the Center’s accounting records to determine whether any income recorded therein was appropriate for credit to the indirect cost or fringe benefit pools.
- Inquired about recent or contemplated changes in the Center’s operations and assessed the impact of changes on the indirect cost rate structure.

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 2006 and 2005, the indirect costs and fringe benefit rates reported by the Center were properly calculated. Table 1 illustrates the Center’s proposed rates and our recommended rates.

Table 1: Center’s Proposed Rates and Our Recommended Rates

Fiscal Year	Description	Center Proposed Rate	Recommended Rate
2006	Indirect Cost	(b) (4)	(b) (4)
2006	Fringe Benefit	(b) (4)	(b) (4)
2005	Indirect Cost	(b) (4)	(b) (4)
2005	Fringe Benefit	(b) (4)	(b) (4)

Attachments A through D of this report present the supporting calculations for the indirect cost and fringe benefit 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 and fringe benefit 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
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Arlington, VA 22209

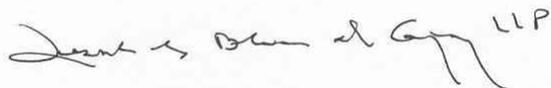
Leonard G. Birnbaum & Company, LLP, has applied certain agreed-upon procedures (the Procedures), as summarized in the Purpose, Scope, and Methodology section of this report, relative to the International Center for Journalists, Inc.'s proposed indirect cost and fringe benefit rates for the years ended 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 and fringe benefit rate structure of the Center 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 Center'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 it 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.



Leonard G. Birnbaum and Company, LLP
December 18, 2007

International Center for Journalists, Inc.

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

<u>Indirect Costs</u>	<u>Amount</u>
Personnel and benefits	(b) (4)
Contract help	(b) (4)
Office equipment	(b) (4)
Office and program supplies	(b) (4)
Postage	(b) (4)
Telecommunications and printing	(b) (4)
Maintenance and repairs	(b) (4)
Legal and accounting	(b) (4)
Insurance	(b) (4)
Taxes	(b)
Travel and representation	(b) (4)
Subscriptions	(b)
Rent	(b) (4)
Miscellaneous	(b) (4)
Depreciation	(b) (4)
Total Indirect Costs (A)	<u>(b) (4)</u>
<u>Direct Costs</u>	
Grants and programs	(b) (4)
Knight International Press Fellowship Program	(b) (4)
Information services	(b) (4)
Development and fundraising	(b) (4)
Adjustments:	
Reallocation of development and general expenses	(b) (4)
Participants per diem	(b) (4)
Participant travel	(b) (4)
Total Direct Program Costs (B)	<u>(b) (4)</u>
Proposed and Recommended Indirect Cost Rate (A/B)	<u><u>(b) (4)</u></u>

International Center for Journalists, Inc.

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

<u>Indirect Costs</u>	<u>Amount</u>
Personnel and benefits	(b) (4)
Contract help	(b) (4)
Office equipment	(b)
Office and program supplies	(b) (4)
Postage	(b) (4)
Telecommunications and printing	(b) (4)
Maintenance and repairs	(b) (4)
Legal and accounting	(b) (4)
Insurance	(b) (4)
Taxes	(b)
Travel and representation	(b) (4)
Subscriptions	(b) (4)
Rent	(b) (4)
Miscellaneous	(b) (4)
Depreciation	(b) (4)
Total Indirect Costs (A)	<u>(b) (4)</u>
<u>Direct Costs</u>	
Grants and programs	(b) (4)
Knight International Press Fellowship Program	(b) (4)
Information services	(b) (4)
Development and fundraising	(b) (4)
Adjustments:	
Reallocation of development and general expenses	(b) (4)
Participants per diem	(b) (4)
Participant travel	(b) (4)
Total Direct Program Costs (B)	<u>(b) (4)</u>
Proposed and Recommended Indirect Cost Rate (A/B)	<u><u>(b) (4)</u></u>

International Center for Journalists, Inc.

**Schedule of Proposed and Recommended Fringe Benefit Rate
for the Year Ended December 31, 2006**

<u>Fringe Benefit Costs</u>	<u>Amount</u>
Vacation, sick, and holiday	(b) (4)
Group health and life insurance	(b) (4)
Pension	(b) (4)
Payroll taxes	(b) (4)
Visa/legal fees	(b) (4)
Transportation	(b) (4)
Training and education	(b) (4)
Severance	(b) (4)
Total Cost (A)	<u>(b) (4)</u>
Total Salary Expense (B)	(b) (4)
Proposed and Recommended Fringe Benefit Rate (A/B)	<u><u>(b) (4)</u></u>

International Center for Journalists, Inc.

**Schedule of Proposed and Recommended Fringe Benefit Rate
for the Year Ended December 31, 2005**

<u>Fringe Benefit Costs</u>	<u>Amount</u>
Vacation, sick, and holiday	(b) (4)
Group health and life insurance	(b) (4)
Pension	(b) (4)
Payroll taxes	(b) (4)
Transportation	(b) (4)
Training and education	(b) (4)
Total Cost (A)	<u>(b) (4)</u>
Total Salary Expense (B)	(b) (4)
Proposed and Recommended Fringe Benefit Rate (A/B)	<u><u>(b) (4)</u></u>