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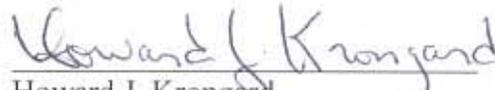
United States Department of State
and the Broadcasting Board of Governors
Office of Inspector General

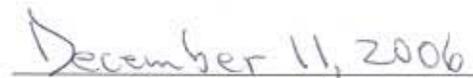
Office of Audits

Agreed-Upon Procedures on Indirect Cost Rates
Proposed by
Center for International Private Enterprise, Inc.

Report Number AUD/CG-07-04, December 2006

Leonard G. Birnbaum and Company, LLP, Certified Public Accountants, performed these Agreed-Upon Procedures under Department of State, Office of Inspector General, Contract No. S-AQM-PD-04-D0033, and by its acceptance, this report becomes a product of the Office of Inspector General.


Howard J. Krongard
Inspector General


Date

Important Notice

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Summary

As part of the overall audit of the National Endowment for Democracy, the Office of Inspector General (OIG) contracted with Leonard G. Birnbaum and Company, LLP, to perform agreed-upon procedures on indirect cost rates submitted by the Center for International Private Enterprise, Inc. (CIPE) for the years ended September 30, 2004 and September 30, 2005. The objective was to provide recommended final rates for those two years for use in reimbursing costs incurred under awards made to CIPE by the Department of State (Department). We took no exceptions to the proposed rates.

Recommendation 1: We recommend that the Department use the rates set forth on Exhibit A for purposes of determining the final costs incurred by CIPE during the year ended September 30, 2004 and 2005, under awards made by the Department to CIPE.

Background

CIPE was incorporated under the laws of the District of Columbia. Its goal is to promote private enterprise and market-oriented reform worldwide. CIPE's mission is the building and strengthening of democracy around the globe through the promotion of private enterprise; market-oriented reform; and legal, regulatory and business institutions. As a principal participant in the National Endowment for Democracy, CIPE supports strategies and techniques that address market-based democratic development. In addition, CIPE receives support from the U.S. Agency for International Development as well as private corporations and foundations.

As provided under subparagraph E.2.a of Attachment A to OMB Circular A-122, the Department has been designated as the cognizant agency for the negotiation and approval of CIPE's indirect cost rates for application to all federal awards. CIPE's proposed indirect cost structure consists of two rates: fringe benefits (including paid absences) and indirect. Although CIPE's financial statements for 2004 and 2005 were subjected to the requirements of Office of Management and Budget Circular A-133, CIPE's independent auditor did not opine on the proposed indirect cost rates, nor were schedules of those rates included as supplementary information to CIPE's financial statements.

Purpose, Scope, and Methodology

We performed this agreed-upon procedures engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of OIG. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or any other purpose. The procedures we performed are summarized as follows:

1. We verified that the indirect cost rate claimed was mathematically correct and supported by CIPE's accounting records and audited financial statements;

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2. We assessed the allowability and allocability of the indirect costs by testing selected transactions to supporting documentation and inquiring about the nature and functions of entities included in the indirect cost pools;
3. We assessed the causal and beneficial relationship between the claimed indirect costs and incurred direct costs;
4. We analyzed the allowability and allocability of accounts comprising CIPE's fringe benefit pool and calculated a recommended fringe benefit rate;
5. We reviewed CIPE's general ledger to determine whether CIPE had received income properly credited to the indirect cost or fringe benefit pools; and
6. We inquired about CIPE's applicable fiscal year operations and assessed the impact of recent or pending changes on the indirect cost structure.

The above procedures do not constitute an audit conducted in accordance with generally accepted auditing standards or *Government Auditing Standards*; thus, we do not express an opinion on the adequacy and compliance of the reviewed cost or pricing data. In connection with the procedures referred to above, no matters came to our attention that caused us to believe that there were significant inadequacies or noncompliance related to the areas reviewed. This report relates only to the rates specified above.

Leonard G. Birnbaum and Company, LLP



Leslie A. Leiper, Senior Partner

**Center for International Private Enterprise, Inc.
Summary of Proposed and Recommended Overhead and Fringe Benefit Rates
for the Years Ended September 30, 2004 and September 30, 2005**

	<u>Fringe Benefits</u> (Note 1)	<u>Overhead</u> (Note 2)
<u>2004</u>		
Expense Pool	(b) (4)	(b) (4)
Allocation Base	(b) (4)	(b) (4)
Rate	(b) (4)	(b) (4)
<u>2005</u>		
Expense Pool	(b) (4)	(b) (4)
Allocation Base	(b) (4)	(b) (4)
Rate	(b) (4)	(b) (4)

Notes

1. Applicable to total salaries and wages excluding compensated absences.
2. Applicable to modified total direct costs, consisting of all salaries and wages, fringe benefits, materials and supplies, services, travel, and subgrants and subcontracts up to the first \$100,000 of each subgrant and subcontract (regardless of the period covered by the subgrant or subcontract). Equipment, capital expenditures, and that portion of each subgrant and subcontract in excess of \$100,000 will be excluded from modified total direct costs.