

UNCLASSIFIED

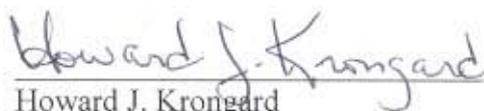
**United States Department of State
and the Broadcasting Board of Governors
Office of Inspector General**

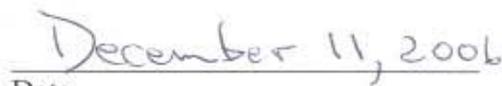
Office of Audits

**Agreed-Upon Procedures on Indirect Cost Rates
Proposed by
International Republican Institute**

Report Number AUD/CG-07-03, 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

~~This report is intended solely for the use of the Department of State, or any agency or organization receiving a copy directly from the Office of Inspector General. No secondary distribution may be made, in whole or in part, outside the Department of State, by them or any agencies or organizations, without prior authorization by the Inspector General. The Inspector General will determine the public availability of this document under U.S. Code, 5 U.S.C. 552. Improper disclosure of this report may result in criminal, civil, or administrative penalties.~~

UNCLASSIFIED

UNCLASSIFIED

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 International Republican Institute (IRI) 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 IRI 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 IRI during the years ended September 30, 2004 and 2005, under awards made by the Department to IRI.

Background

IRI was formed in 1983 as a nonprofit corporation. Its goal is to advance freedom and democracy worldwide by developing political parties, civic institutions, open elections, good government, and the rule of law. IRI's main sources of funding are grants from the Department, the U.S. Agency for International Development, and the National Endowment for Democracy.

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 IRI's indirect cost rates for application to all federal awards. IRI's proposed indirect cost rates, consisting of separate rates for fringe benefits and for overhead, were presented as supplementary information to the independent audits of IRI's financial statements as of, and for the years ended September 30, 2004 and September 30, 2005, and were subjected to the procedures applied in the audits of the related basic 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 IRI's accounting records and audited financial statements;
2. We assessed the allowability and allocability of the indirect costs by testing selected transactions to supporting documentation and inquiring

UNCLASSIFIED

UNCLASSIFIED

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 IRI's fringe benefit pool and calculated a recommended fringe benefit rate;
5. We reviewed IRI's general ledger to determine whether IRI had received income properly credited to the indirect cost or fringe benefit pools; and
6. We inquired about IRI'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

International Republican Institute
Summary of Proposed and Recommended Overhead and Fringe Benefit Rates
for the Years Ended September 30, 2004 and September 30, 2005

	<u>Fringe</u> <u>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, contracted services, occupancy, travel, and subgrants and subcontracts up to the first \$25,000, and excluding equipment, donated services, in-kind contributions, and that portion of each subgrant and subcontract in excess of \$25,000.