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 Costs Claimed by Meridian International Center Under Department of State Cooperative Agreements

Report Number AUD/CG-07-37, September 2007

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

Howard J. Krongard

Howard J. Krongard
Inspector General

AUG 30 2007

Date

~~Important Notice~~

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Summary

At the request of the Department of State, Office of Inspector General (OIG), L.F. Harris & Associates, CPA, P.A., performed certain agreed-upon procedures on the costs claimed by Meridian International Center under Cooperative Agreements S-ECAPV-05-CA-005(CS), S-ECAPV-04-CA-011(CS), and S-ECAPV-03-CA-007(CS). The procedures were to determine whether the Center adequately accounted for federal funds related to the cooperative agreements and complied with the terms of the agreements and the cost principles of Office of Management and Budget (OMB) Circular A-122 at 2 CFR Part 230, *Cost Principles for Non-Profit Organizations* and OMB Circular A-110 at 2 CFR Part 215, *Uniform Administrative Requirements for Grants and Agreements With Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations.*

We do not believe that the Center met its cost-sharing requirements under the cooperative agreements with the Department. For FYs 2005, 2004, and 2003, the Center developed a value for its cost share based on what it called lost conference facility revenues for space reserved for Department activities. The cooperative agreements do not contain line items for the use of the Center's space. Thus, we believe that the forgone opportunity cost related to conference facilities is not appropriate in meeting the Center's cost-sharing requirements. In addition, we found that the Center also was charging Department programs for a share of the costs for meeting space through an allocation of the Center's maintenance and operations costs. Accordingly, we questioned, for lack of support, $308,250 of the total share amounts the Center reported to the Department for the three fiscal years.

We determined that the Center's general ledger system captured direct and indirect expenses in a manner that effectively identified appropriate indirect cost pools as required by OMB Circular A-122. Upon computing the Center's indirect cost rates for the fiscal years ended September 30, 2005, 2004, and 2003, we found that they varied from the Center's provisional rates. However, the Center's negotiated rate agreement with the Department states that if the final rates are greater than the provisional rates, and there are no funds to cover the additional costs, the Center may not recover all indirect costs. Accordingly, we reported the Center's provisional rates, our recomputed rates, and our recommended rates, which take into account the limitation in the negotiated rate agreement with the Department. Subject to the availability of funds, we recommend that the Department accept and finalize the indirect cost rates for the fiscal years ended September 30, 2005, 2004, and 2003, at our recomputed rates or recommended rates.

Our review also disclosed that the Center was not (1) properly managing cash drawdowns of Department funds under the cooperative agreements to meet its immediate needs and minimize the amount of federal cash on hand; (2) requiring its employees to prepare detailed records of their time charges as required by OMB Circular A-122; (3) complying with the provisions of the agreements and regulations, relating to the documentation of expenses, primarily travel and credit card charges; (4) maintaining current and complete personnel files; and (5) submitting some financial program reports to the Department on time. We made recommendations to correct these deficiencies and questioned as unsupported $31,580 in payroll costs related to lack of detailed records of employee time charges.

Background

Meridian International Center, established in 1960 as a not-for-profit corporation in the District of Columbia, specializes in intercultural exchange programs and serves as an educational and cultural center presenting an extensive series of world affairs programs, lectures, seminars, and international exhibitions to international visitors and U.S. residents. Under federal cooperative agreements and with funds from foundations, grants, and corporate and private contributions, the Center supports and administers its program services.

We reviewed the three cooperative agreements between the Department and the Center under which the Center conducted educational and cultural exchange programs as authorized under the applicable provisions of the Mutual Educational and Cultural Exchange Act of 1961 (Pub. L. No. 87-256), as amended. These include educational and cultural exchange programs to bring selected international visitors to the United States to observe, consult, demonstrate special skills, and engage in specialized programs or special projects. These programs bring the visitors into contact with influential Americans and representative organizations and institutions and are intended to increase communication and mutual understanding between the people of the United States and the people of other countries.

- **Cooperative Agreement S-ECAPV-05-CA-005(CS)** totaled **$14,933,200**. This amount includes the Department's share of the costs, **$14,788,785**, and the Center's share of the costs, **$144,415**. The Department also provided **$2,175,000** through its Travel Management Center to pay for agreement-related travel. The period of the agreement was October 1, 2004, through January 31, 2006.

- **Cooperative Agreement S-ECAPV-04-CA-011(CS)** totaled **$16,689,410**. This amount includes the Department's share of the costs, **$16,576,120**, and the Center's share of the costs, **$113,290.** The Department also provided **$2,720,000** through its Travel Management Center to pay for agreement-related travel. The period of the agreement was October 1, 2003, through January 31, 2005.

- **Cooperative Agreement S-ECAPV-03-CA-007(CS)** totaled **$17,094,127**. This amount includes the Department's share of the costs, **$16,986,877**, and the Center's share of the costs, **$107,250**. The Department also provided **$2,926,376** through its Travel Management Center to pay for agreement-related travel. The period of the agreement was October 1, 2002, through January 31, 2004. The Department deobligated **$786,576** of unexpended funds.

Purpose, Scope, and Methodology

The purpose of this agreed-upon procedures engagement was to determine whether the Center adequately accounted for federal funds related to the cooperative agreements and complied with OMB Circulars A-122 and A-110, other applicable federal laws and regulations, and the terms and conditions of the cooperative agreements.

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

A direct cost is one 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 one 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 benefiting 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 a not-for-profit organization's indirect cost rates. The purposes of the circular 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.

Our procedures included the following.

1. Reviewing the Center's financial records, supporting documentation, annual audits, and internal control structure and interviewing the Center's management.

2. Verifying expenditures, examining general ledger accounts, invoices, check payments, receipts, bank statements, and other available data relevant to the grants.

3. Determining whether the Center's indirect costs for the fiscal years ending September 30, 2003, 2004, and 2005, are allowable, allocable, and reasonable under OMB Circular A-122 and that the allocation bases are complete and accurate and result in equitable allocations of indirect cost to benefiting activities.

4. Determining whether the Center's accounting system is adequate to properly identify and segregate direct and indirect costs as well as allowable and unallowable costs.

5. Determining whether charges to cost pools used in calculating indirect cost rates were net of applicable credits, allowable, allocable, and reasonable per OMB Circular A-122.

6. Determining whether the impacts of any changes in the grantee's fiscal year operations are reflected in the indirect cost rate structure.

Our approach to addressing the procedures follows.

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

2. For direct costs, we determined whether the organization 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 was (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 as follows:

        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 provided equitable and consistent allocation of indirect costs to benefiting awards or activities.

The scope of detail testing of individual accounts, internal controls, direct costs, indirect costs, regulation compliance, and other applicable records are 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 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

Cost Sharing

The Center did not meet its cost-sharing requirements under the cooperative agreements with the Department. Based on the cost-sharing documentation provided by the Center for our review, between 76 percent and 78 percent of the expenses used for cost sharing for FYs 2005, 2004, and 2003, were related to forfeited conference facility revenue due to the Center for reserving these facilities for the Department. We believe that the conference facility calculated cost share as a forgone opportunity cost. Although the Center's proposals and budgets incorporated into the cooperative agreements contain the Center's methodology for calculating cost sharing, the "Items of Expenditure" in Article III of the cooperative agreements do not contain a line item for use of the Center's space. Therefore, in our opinion, applying a direct charge to the Department for the possible use of the Center's conference facilities does not appear to be appropriate.

In addition, we found that Department programs were being charged a share of the costs for meeting space through the Center's maintenance and operations expenditures, which are reduced by income generated by public use of the facilities. The maintenance and operations rate is applied to total square footage, including meeting space; thus, there is an allocation of maintenance and operations costs to Department programs for space used for meeting purposes.

In summary, it does not appear as if the forgone opportunity cost for the use of conference facilities is appropriate in meeting the cost-sharing requirements. Furthermore, we were unable to document that the space reserved for use for the Department's activities would have been used by the public and established the forgone opportunity. As a result, we questioned as unsupported the cost-share amounts reported to the Department totaling $308,250, as shown in Table 1.

Table 1: Cost-Sharing Provisions, Amount Reported and Questioned Cost

Cooperative Agreement	Department's Share	Cost-Share Provision	Amount Reported	Questioned Cost a
S-ECAPV-05-CA-005	$14,788,785	$144,415	$166,165	$127,750
S-ECAPV-04-CA-011	16,576,120	113,290	116,540	89,125
S-ECAPV-04-CA-007	16,986,877	107,250	116,090	91,375
Total	**$48,351,782**	**$364,955**	**$398,795**	**$308.250**

[a] Forgone opportunity cost for the Department's use of conference facilities.

Recommendation 1: We recommend that the Bureau of Educational and Cultural Affairs (1) determine whether the Center's use of the forgone opportunity costs concerning the Center's conference facilities constitutes an appropriate cost-share amount under the cooperative agreement and (2) following this determination, as appropriate, require the

Center to provide supporting documentation for the claimed cost-share amounts or an alternative cost-sharing proposal.

Indirect Cost Rates

The Department approved provisional indirect cost rates for the Center's use in reporting costs for fiscal years ended September 30, 2005, 2004, and 2003. 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's negotiated rate agreement with the Center states that if the final rates are greater than the provisional rates, and there are no funds to cover the additional costs, the Center may not recover all indirect costs. However, if the final rate is less than the provisional rates, the Center is required to repay the difference to the Department.

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.

Table 2 presents the indirect costs rates as proposed by the Center and as recomputed by us. In addition, the table shows our recommended rates based on the provisions of the limitation included in the Department's negotiated rate agreement with the Center for fiscal years ended September 30, 2005, 2004, and 2003.

Table 2: Provisional Indirect Cost Rates and Our Recomputed and Recommended Rates

Fiscal Year	Item	Rates		
		Center Provisional	Recomputed	Recommended
2005	General and Administrative[a]	(b) (4)	(b) (4)	(b) (4)
2004		(b) (4)	(b) (4)	(b) (4)
2003		(b) (4)	(b) (4)	(b) (4)
2005	Maintenance and Operations[b]	(b) (4)	(b) (4)	(b) (4)
2004		(b) (4)	(b) (4)	(b) (4)
2003		(b) (4)	(b) (4)	(b) (4)

[a] G&A allocation base: Total direct expenses regardless of their allowability, excluding in-kind direct program costs, participant costs, M&O expenses allocated to program services, fundraising expenses, and subgrants in excess of $25,000, are included in the base.

[b] M&O allocation base: Total square footage.

Attachment A of this report presents the supporting calculations for the indirect cost rates identified in Table 2.

Recommendation 2: We recommend that the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management, International Programs Division accept and finalize the Center's indirect cost rates for the fiscal years ended September 30, 2005, 2004, and 2003, subject to the availability of funds, at our recomputed or recommended rates.

Cash Management

The Center drew down funds in excess of what was needed for expenditures under the cooperative agreements. Under the Department of Health and Human Services' Payment Management System, which the Department uses to advance funds under the agreements, recipients are responsible for maintaining minimum federal cash on hand by requesting funds from the Payment Management System only for immediate disbursement under federal awards.

In general, based on the nature of the Center's program, participants receive payment for certain costs as outlined in the Center's cooperative agreements with the Department. We found that participants, who were primarily foreign nationals, had difficulties cashing checks because they had no established banking relations in the United States. To minimize the banking difficulties, the Center established a procedure to pay participants with traveler's checks. As needed, the Center was drawing down award funds up to $500,000, specifically for the purchase of traveler's checks, which were then used to pay the program participants. Based on our testing, we noted the average traveler's check inventory turnover time was three weeks. Therefore, we believe that the amounts that were being drawn down for traveler's checks were in excess of the Center's immediate needs; consequently, it was not in compliance with federal cash management standards.

> **Recommendation 3**: We recommend that the Bureau of Educational and Cultural Affairs require the Center to revise its procedures to comply with federal cash management standards requiring that cash drawdowns be made only when there is an immediate need for the funds.

Employee Time Sheets

Center employees were not preparing detailed records of their time charges. Under OMB Circular A-122, charges to awards for salaries and employee benefits, whether treated as direct or indirect costs, should be based on documented payrolls approved by at least one responsible official of the organization. The distribution of salaries and employee benefits to awards must be supported by personnel activity reports, except when a substitute system has been approved in writing by the cognizant agency. Reports reflecting the distribution of activity of each employee must be maintained for all staff members (professionals and nonprofessionals) whose compensation is charged, in whole or in part, directly to awards. In addition, to support the allocation of indirect costs, such reports must also be maintained for other employees whose work involves two or more functions or activities, if a distribution of their compensation between such functions or activities is needed in the determination of the organization's indirect cost rates.

The employee timesheets we selected for testing for FYs 2005, 2004, and 2003, showed that some of them did not contain an after-the-fact determination by a supervisor of the actual activities, including two of 17 timesheets for 2005, three of eight timesheets for 2004, and three of ten timesheets for 2003. In addition, we were unable to determine, through evidence of travel or work product, the actual activities of these employees. Consequently, we questioned $31,580 of payroll costs as unsupported, including $10,477, $11,936, and $9,167, for the fiscal years ended September 30, 2005, 2004, and 2003, respectively.

<u>Recommendation 4</u>: We recommend that the Bureau of Educational and Cultural Affairs require the Center to (1) establish an employee timekeeping system that meets the requirements of OMB Circular A-122 and (2) reimburse the Department or provide documentation to support the questioned payroll costs.

Inadequate Documentation

OMB Circular A-122, Attachment A states that to be allowable under an award, expenses must be adequately documented. Of the items selected for testing for FYs 2005, 2004, and 2003, documentation was not sufficient for us to determine allowability for approximately 16 percent, 12 percent, and 17 percent of the transactions, respectively. Primarily, the inadequately documented expenditures related to travel and credit card charges. Despite the lack of documents, we were able to determine the allowability of the tested items by applying alternative auditing procedures.

<u>Recommendation 5</u>: We recommend that the Bureau of Educational and Cultural Affairs require the Center to establish controls to ensure that expenditures made under federal awards are fully documented to support their allowability in accordance with OMB Circular A-122.

Personnel Files

The Center's personnel files were not being kept current and, in some instances, were incomplete. Comprehensive personnel files compile data for all employees in one area. During our testing of salary and employee benefits expenses, the absence of the following items and information in the employees' personnel files presented difficulties in determining job duties, the reasonableness of salary and benefits expenses, and allowability under federal awards:

- signed and dated application of employment,
- Form I-9, Employment Eligibility Verification,
- date of hire,
- job descriptions,
- approved pay rate (updated as changes occur), and
- signed W-4 form.

<u>Recommendation 6</u>: We recommend that the Bureau of Educational and Cultural Affairs require the Center to assign an individual who is not involved in payroll preparation to compile and maintain comprehensive personnel files on all of its employees.

Reporting

The Center was not submitting all of its quarterly and final financial reports to the Department in a timely manner. The Center's financial program and other reporting requirements are detailed in article VI of its cooperative agreements with the Department. Quarterly financial reports are due within 30 days of the end of the calendar year quarter; final financial reports are due within 90 days of the expiration date of the agreement; federal cash transaction reports are due 15 days after the end of each quarter; program reports are due no later than ten days after the conclusion of a project; and monthly statistical information is due by the tenth of each month. Of the reporting periods we reviewed, we noted the final financial report for the period ended January 31, 2006; the quarterly reports for the quarters ended September 30, 2005, and June 30, 2004, were submitted from 25 to 67 days late as shown in Table 3.

Table 3: Financial Report Due Dates, Submission Dates, and Days Late

	Reporting Date		Time Late	
CooperativeAgreement	**Due**	**Submitted**	**Days**	**Months**
S-ECAPV-05-CA-005	05/01/06	07/07/06	67	2.23
S-ECAPV-05-CA-005	10/15/05	11/13/05	29	0.97
S-ECAPV-04-CA-011	07/15/04	08/09/04	25	0.83

<u>Recommendation 7</u>: We recommend that the Bureau of Educational and Cultural Affairs require the Center to establish control procedures to ensure the timely submission of the required federal reports based on the due dates stipulated in the cooperative agreement. Such procedures should include a provision requiring the Center to obtain permission from the Department to file reports at a later mutually agreed-upon date.

Recommendations

Recommendation 1: We recommend that the Bureau of Educational and Cultural Affairs (1) determine whether the Center's use of the forgone opportunity costs concerning the Center's conference facilities constitutes an appropriate cost-share amount under the cooperative agreement and (2) following this determination, as appropriate, require the Center to provide supporting documentation for the claimed cost-share amounts or an alternative cost-sharing proposal.

Recommendation 2: We recommend that the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management, International Programs Division accept and finalize the Center's indirect cost rates for the fiscal years ended September 30, 2005, 2004, and 2003, subject to the availability of funds, at our recomputed or recommended rates.

Recommendation 3: We recommend that the Bureau of Educational and Cultural Affairs require the Center to revise its procedures to comply with federal cash management standards requiring that cash drawdowns be made only when there is an immediate need for the funds.

Recommendation 4: We recommend that the Bureau of Educational and Cultural Affairs require the Center to (1) establish an employee timekeeping system that meets the requirements of OMB Circular A-122 and (2) reimburse the Department or provide documentation to support the questioned payroll costs

Recommendation 5: We recommend that the Bureau of Educational and Cultural Affairs require the Center to establish controls to ensure that expenditures made under federal awards are fully documented to support their allowability in accordance with OMB Circular A-122.

Recommendation 6: We recommend that the Bureau of Educational and Cultural Affairs require the Center to assign an individual who is not involved in payroll preparation to compile and maintain comprehensive personnel files on all of its employees.

Recommendation 7: We recommend that the Bureau of Educational and Cultural Affairs require the Center to establish control procedures to ensure the timely submission of the required federal reports based on the due dates stipulated in the cooperative agreement. Such procedures should include a provision requiring the Center to obtain permission from the Department to file reports at a later mutually agreed-upon date.

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 (the 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 Meridian International Center's costs claimed and computations of their indirect cost rates in accordance with Office of Management and Budget Circular A-122 for the fiscal years ended September 30, 2005, 2004 and 2003.

The Center'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 six (6) findings. The findings and the associated recommendations are presented in the "Results" section of this report.

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, CPA, P.A.
December 15, 2006

Meridian International Center

Schedule of Indirect Costs Allowable and Indirect Cost Rates

For the Year Ended September 30, 2005

Indirect Costs	Reference for Unallowed Costs *	Recorded Costs	Proposed Adjustments	Allowable Costs
General and Administrative Costs :				
Salaries and employee benefits	(a)	(b) (4)(b) (4)	$ (10,477)	(b) (4)(b) (4)
Professional and other fees		(b) (4)(b) (4)	-	(b) (4)(b) (4)
Office expense		(b) (4)(b) (4)	-	(b) (4)(b) (4)
Telephone		(b) (4)(b) (4)	-	(b) (4)(b) (4)
Memberships/Registrations		(b) (4)(b) (4)	-	(b) (4)(b) (4)
Hospitality		(b) (4)(b) (4)	-	
Printing/Reproduction		(b) (4)(b) (4)	-	(b) (4)(b) (4)
Interest/Service charge		(b) (4)(b) (4)	-	(b) (4)(b) (4)
Equipment/Furniture		(b) (4)(b) (4)	-	(b) (4)(b) (4)
Postage/Shipping		(b) (4)(b) (4)	-	(b) (4)(b) (4)
Insurance		(b) (4)(b) (4)	-	(b) (4)(b) (4)
Other		(b) (4)(b) (4)	-	(b) (4)(b) (4)
Less: Special activities income		(b) (4)(b) (4)	-	(b) (4)(b) (4)
Add: Allocated M&O		(b) (4)(b) (4)	-	(b) (4)(b) (4)
Total General and Administrative Indirect Costs Allowable		(b) (4)(b) (4)	**$ (10,477)**	(b) (4)(b) (4)
Maintenance and Operations Costs:				
Salaries and employee benefits		(b) (4)(b) (4)(b) (4)	-	(b) (4)(b) (4)
Professional fees		(b) (4)(b) (4)(b) (4)		(b) (4)(b) (4)
Office expenses		(b) (4)(b) (4)(b) (4)	-	(b) (4)(b) (4)
Repair and maintenance		(b) (4)(b) (4)(b) (4)	-	(b) (4)(b) (4)
Rent and storage		(b) (4)(b) (4)(b) (4)	-	(b) (4)(b) (4)
Interest/Service charge		(b) (4)(b) (4)(b) (4)	-	(b) (4)(b) (4)
Equipment/Furniture		(b) (4)(b) (4)(b) (4)	-	(b) (4)(b) (4)
Building services		(b) (4)(b) (4)(b) (4)	-	(b) (4)(b) (4)
Depreciation expense		(b) (4)(b) (4)(b) (4)	-	(b) (4)(b) (4)
Utilities		(b) (4)(b) (4)(b) (4)	-	(b) (4)(b) (4)
Insurance		(b) (4)(b) (4)(b) (4)	-	(b) (4)(b) (4)
Less: Related income		(b) (4)(b) (4)(b) (4)		(b) (4)(b) (4)
Total Maintenance and Operations Costs Allowable		(b) (4)(b) (4)(b) (4)	$ -	(b) (4)(b) (4)
G&A Allocation Base:				
Total direct expenses (net of participant support costs and M&O expenses allocated to program and fund-raising)				(b) (4)(b) (4)
Less: In kind contributions				(b) (4)(b) (4)
Less: Subrecipient costs, net of $25,000				(b) (4)(b) (4)
Total Adjusted Direct Expenses				(b) (4)(b) (4)
Maintenance and Operations Allocation Base:				(b) (4)(b) (4)
Total square footage				(b) (4)(b) (4)
Indirect Rates Calculations:				
General & Administrative: Total G&A Indirect Costs Allowable / Total Adjusted Direct Expenses				
Maintenance and Operations: Total M&O Costs Allowable / Total Square Footage				

* Explanation at end of Attachment A.

Attachment A- Supporting Schedules Page 2 of 3

Meridian International Center

Schedule of Indirect Costs Allowable and Indirect Costs Rates

For the Year Ended September 30, 2004

Indirect Costs	Reference for Unallowed Costs *	Recorded Costs	Proposed Adjustments	Allowable Costs
General and Administrative Costs :		(b) (4)(b) (4)		(b) (4)(b) (4)
Salaries and employee benefits	(a)	(b) (4)(b) (4)	$ (11,936)	(b) (4)(b) (4)
Professional and other fees		(b) (4)(b) (4)	-	(b) (4)(b) (4)
Office expense		(b) (4)(b) (4)	-	(b) (4)(b) (4)
Telephone		(b) (4)(b) (4)	-	(b) (4)(b) (4)
Memberships/Registrations		(b) (4)(b) (4)	-	(b) (4)(b) (4)
Hospitality		(b) (4)(b) (4)	-	(b) (4)(b) (4)
Printing/Reproduction		(b) (4)(b) (4)	-	(b) (4)(b) (4)
Interest/Service Charge		(b) (4)(b) (4)	(1,050)	(b) (4)(b) (4)
Equipment/Furniture		(b) (4)(b) (4)	-	(b) (4)(b) (4)
Postage/Shipping		(b) (4)(b) (4)	-	(b) (4)(b) (4)
Insurance		(b) (4)(b) (4)	-	(b) (4)(b) (4)
Other		(b) (4)(b) (4)	-	(b) (4)(b) (4)
Less: Special activities income		(b) (4)(b) (4)	-	(b) (4)(b) (4)
Add: Allocated M&O		(b) (4)(b) (4)	-	(b) (4)(b) (4)
Total General and Administrative Indirect Costs Allowable		(b) (4)(b) (4) (b) (4)(b) (4)	**$ (12,986)**	(b) (4)(b) (4) (b) (4)(b) (4)
Maintenance and Operations Costs:		(b) (4)(b) (4)		(b) (4)(b) (4)
Salaries and employee benefits		(b) (4)(b) (4)	$ -	(b) (4)(b) (4)
Professional fees		(b) (4)(b) (4)	-	(b) (4)(b) (4)
Office expenses		(b) (4)(b) (4)	-	(b) (4)(b) (4)
Repair and maintenance		(b) (4)(b) (4)	-	(b) (4)(b) (4)
Rent and storage		(b) (4)(b) (4)	-	(b) (4)(b) (4)
Interest/Service charge		(b) (4)(b) (4)	-	(b) (4)(b) (4)
Equipment/Furniture		(b) (4)(b) (4)	-	(b) (4)(b) (4)
Building services		(b) (4)(b) (4)	-	(b) (4)(b) (4)
Depreciation expense		(b) (4)(b) (4)	-	(b) (4)(b) (4)
Utilities		(b) (4)(b) (4)	-	(b) (4)(b) (4)
Insurance		(b) (4)(b) (4)	-	(b) (4)(b) (4)
Gain on sale of depreciable property	(b)	(b) (4)(b) (4)	(156,504)	(b) (4)(b) (4)
Less: Related income		(b) (4)(b) (4)		(b) (4)(b) (4)
Total Maintenance and Operations Costs Allowable		(b) (4)(b) (4) (b) (4)(b) (4)	**$ (156,504)**	(b) (4)(b) (4) (b) (4)(b) (4)
G&A Allocation Base:		(b) (4)(b) (4)		

Total direct expenses (net of participant support costs and M&O expenses allocated to program and fund-raising)	(b) (4)(b) (4) (b) (4)(b) (4)
Less: In kind contributions	(b) (4)(b) (4)
Less: Subrecipient costs, net of $25,000	(b) (4)(b) (4)
Total Adjusted Direct Expenses	(b) (4)(b) (4) (b) (4)(b) (4)
Maintenance and Operations Allocation Base:	(b) (4)(b) (4)
Total Square Footage	(b) (4)(b) (4) (b) (4)(b) (4)
Indirect Rates Calculations:	(b) (4)(b) (4)
General & Administrative: Total G&A Indirect Costs Allowable / Total Adjusted Direct Expenses	(b) (4)(b) (4) (b) (4)(b) (4)
Maintenance and Operations: Total M&O Costs Allowable / Total Square Footage	(b) (4)(b) (4) (b) (4)(b) (4) (b) (4)(b) (4)

* Explanation at end of Attachment A.

Attachment A – Supporting Schedules Page 3 of 3

Meridian International Center

Schedule of Indirect Costs Allowable and Indirect Costs Rates

For the Year Ended September 30, 2003

Indirect Costs	Reference for Unallowed Costs *	Recorded Costs	Proposed Adjustments	Allowable Costs
General and Administrative Costs :		(b) (4)(b) (4)		(b) (4)(b) (4)
Salaries and employee benefits	(a)	(b) (4)(b) (4)	$ (9,167)	(b) (4)(b) (4)
Professional and other fees		(b) (4)(b) (4)	-	(b) (4)(b) (4)
Office expense		(b) (4)(b) (4)	-	(b) (4)(b) (4)
Telephone		(b) (4)(b) (4)	-	(b) (4)(b) (4)
Memberships/Registrations		(b) (4)(b) (4)	-	(b) (4)(b) (4)
Hospitality		(b) (4)(b) (4)	-	(b) (4)(b) (4)
Printing/Reproduction		(b) (4)(b) (4)	-	(b) (4)(b) (4)
Interest/Service Charge		(b) (4)(b) (4)	-	(b) (4)(b) (4)
Equipment/Furniture		(b) (4)(b) (4)	-	(b) (4)(b) (4)
Postage/Shipping		(b) (4)(b) (4)	-	(b) (4)(b) (4)
Insurance		(b) (4)(b) (4)	-	(b) (4)(b) (4)
Other		(b) (4)(b) (4)	-	(b) (4)(b) (4)
Less: Special activities income		(b) (4)(b) (4)	-	(b) (4)(b) (4)
Add: Allocated M&O		(b) (4)(b) (4)	-	(b) (4)(b) (4)
Total General and Administrative Indirect Costs Allowable		(b) (4)(b) (4)	**$ (9,167)**	(b) (4)(b) (4)
		(b) (4)(b) (4)		(b) (4)(b) (4)
Maintenance and Operations Costs :		(b) (4)(b) (4)		(b) (4)(b) (4)
Salaries and employee benefits		(b) (4)(b) (4)	$ -	(b) (4)(b) (4)
Office expenses		(b) (4)(b) (4)	-	(b) (4)(b) (4)
Repair and maintenance		(b) (4)(b) (4)	-	(b) (4)(b) (4)
Rent and storage		(b) (4)(b) (4)	-	(b) (4)(b) (4)
Interest/Service charge		(b) (4)(b) (4)	-	(b) (4)(b) (4)
Equipment/Furniture		(b) (4)(b) (4)	-	(b) (4)(b) (4)
Building services		(b) (4)(b) (4)	-	(b) (4)(b) (4)
Depreciation expense		(b) (4)(b) (4)	-	(b) (4)(b) (4)
Utilities		(b) (4)(b) (4)	-	(b) (4)(b) (4)
Insurance		(b) (4)(b) (4)	-	(b) (4)(b) (4)
Less: Related income		(b) (4)(b) (4)		(b) (4)(b) (4)
Total Maintenance and Operations Costs Allowable		(b) (4)(b) (4)	**$ -**	(b) (4)(b) (4)

G&A Allocation Base:	
Total direct expenses (net of participant support costs and M&O expenses allocated to program and fund-raising)	(b) (4)(b) (4)
Less: In kind contributions	(b) (4)(b) (4)
Less: Subrecipient costs, net of $25,000	(b) (4)(b) (4)
Total Adjusted Direct Expenses	(b) (4)(b) (4)
Maintenance and Operations Allocation Base:	
Total Square Footage	(b) (4)(b) (4)
Indirect Rates Calculations:	
General & Administrative: Total G&A Indirect Costs Allowable / Total Adjusted Direct Expenses	(b) (4)(b) (4)
Maintenance and Operations: Total M&O Costs Allowable / Total Square Footage	(b) (4)(b) (4)

* Explanation at end of Attachment A.

Notes: OMB Circular A-122 Reference

(a)	Appendix B 2 CFR Part 230 8.m.(2)	Reports reflecting the distribution of activity of each employee must be maintained for all employees whose compensation is charged, in whole or in part, directly to awards. In addition, in order to support the allocation of indirect costs, such reports must also be maintained for other employees whose work involves two or more functions or activities if a distribution of their compensation between such functions or activities is needed in the determination of the organization's indirect cost rate.
(b)	Appendix B 2 CFR Part 230 18.a.(1)	Gains and losses on sale, retirement, or other disposition of depreciable property shall be included in the year in which they occur as credits or charges to cost grouping(s) in which the depreciation applicable to such property was included. During FY 2004, the Center sold a parking lot facility, which has subsequently been developed into living facilities with adjoining parking facilities. As a part of the sale agreement, once the construction was completed in FY 2006, the Center received parking spaces in the newly developed facility. Before the sale of the parking lot, depreciation expense in the amount of $156,504 had been charged in the maintenance and operation pool. In the calculation of maintenance and operation costs for the fiscal year ended September 30, 2004, this depreciation expense was recaptured and considered as a gain on the sale of depreciable property.