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

# Office of Audits

**Independent Accountant's Report  
Agreed-Upon Procedures  
on PAE Government Services, Inc.,  
Invoices Under Contract No.  
SLM-AQM-03-C0033  
September 14, 2004 through  
November 14, 2005**

**Report Number AUD/CG-07-14, March 2007**

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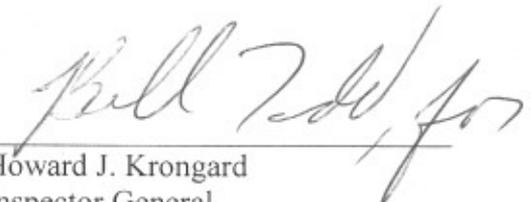
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**Independent Accountant's Report  
Agreed-Upon Procedures on PAE Government Services, Inc., Invoices  
Under Contract No. SLM-AQM-03-C0033,  
September 14, 2004 through November 14, 2005**

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Harper, Rains, Knight & Company, P.A., Certified Public Accountants, performed these Agreed-Upon Procedures under Department of State, Office of Inspector General, Contract No. S-AQM-PD-04-D0042, and by its acceptance, this report becomes a product of the Office of Inspector General.

  
Howard J. Krongard  
Inspector General

**FEB 26 2007**

Date

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### Summary

The Office of Inspector General (OIG) contracted with Harper, Rains, Knight & Company, P.A., to perform agreed-upon procedures on invoices submitted by PAE Government Services, Inc. (PAE) under Department of State (Department) Contract No. SLM-AQM-03-C0033 for the period of September 14, 2004 through November 14, 2005. The objective was to assist the Department in evaluating the invoices under the contract's terms and conditions and applicable federal procurement regulations. Although we noted additional errors in the cumulative totals on some invoices, these errors did not result in underbillings or overbillings on individual invoices. Nonetheless, these errors could result in the availability of contract funds being misstated. Also, we found that the contractor overbilled for one position on an invoice; however, the amount was not material.

**Recommendation 1:** OIG recommends that the cognizant Department contracting officer's representative (1) notify the contractor about the errors identified in the invoices submitted under contract SLM-AQM-03-C0033 and (2) direct the contractor to make the appropriate changes in its billing process to prevent similar errors on future invoices.

### Background

Established in 1955, PAE has over 6,000 employees and offices in the United States and overseas. Among other services, PAE provides logistical support services consisting of procuring, distributing, maintaining and replacing both materials and personnel. Under the contract and modifications to the contract, PAE provided logistics support for the Africa Union Mission in Sudan located in Darfur.

### Purpose, Scope, and Methodology

We performed the procedures detailed in Exhibit A that were agreed to by the OIG, solely to assist with the evaluation of invoices totaling \$139.5 million, submitted by PAE to the Department from September 14, 2004 through November 14, 2005, inclusive. A sample of invoices totaling \$79.8 million was selected. Eight invoices were selected by highest dollar amount, and two invoices were randomly selected. The agreed-upon procedures were applied to this sample.

We have conducted the agreed-upon procedures in accordance with the attestation standards established by the American Institute of Certified Public Accountants and *Government Auditing Standards* issued by the Comptroller General of the United States. The sufficiency of these 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 for any other purpose.

The procedures we performed and our associated findings can be found at Exhibit A.

We were not engaged to and did not perform an audit, the objective of which would be the expression of an opinion on the Department's contractual agreement with PAE. 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.

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This report is intended solely for the information and use of the Inspector General and the Department and is not intended to be and should not be used by anyone other than these specified parties. This report 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.

*Harger, Ramos, Kuntz & Company, P.A.*

June 30, 2006

## Agreed-Upon Procedures

Procedure	Result
<b>Procedure 1:</b> Select ten invoices totaling \$79.8 million, eight by highest dollar amount, and two by a random selection.	Completed. No exceptions noted.
<b>Procedure 2:</b> For each invoice, match the identified contract number to an order for supplies or services and a notice to proceed.	Completed. No exceptions noted.
<b>Procedure 3:</b> Determine whether the work to be performed falls within the Statement of Work in the contract.	Completed. No exceptions noted.
<b>Procedure 4:</b> Match each labor category on the invoice to the labor category on the contract.	Completed. No exceptions noted.
<b>Procedure 5:</b> Match each labor category unit price to the unit price on the contract.	Completed. No exceptions noted.
<b>Procedure 6:</b> Recalculate, for accuracy, each current amount and cumulative amount listed on the invoice.	Completed. Cumulative amounts were inaccurate on eight of the ten sampled invoices. (See Results of Procedure 7.)
<b>Procedure 7:</b> Recalculate all totals on the invoices for mathematical accuracy.	<p>Completed. As detailed below, cumulative amounts shown on eight of ten invoices reviewed were overstated and understated.</p> <p><b>Invoice AFR-TO6-012-1:</b> The cumulative amount for this invoice was overstated by \$116,794.90. These addition errors did not result in underbillings or overbillings on individual invoices; however, these errors could result in the availability of contract funds being misstated.</p> <p><b>Invoice AFR-TO6-011-1:</b> The cumulative amount for this invoice was overstated by \$116,794.90. These addition errors did not result in underbillings or overbillings on individual invoices; however, these errors could result in the availability of contract funds being misstated.</p> <p><b>Invoice AFR-TO6-010-1:</b> The cumulative amount for this invoice was overstated by \$89,690.90. These addition errors did not result in underbillings or overbillings on individual invoices; however, these errors could result in the availability of contract funds being misstated.</p> <p><b>Invoice AFR-TO6-009-1:</b> The cumulative amount for this invoice was overstated by \$89,690.80. These addition errors did not result in underbillings or overbillings on individual invoices; however, these errors could result in the availability of contract funds being misstated.</p>

Procedure	Result
	<b>Invoice AFR-TO6-006-1:</b> The total labor for the cumulative amount was overstated by \$1,000. The cumulative amount for this invoice was understated by \$14,064.30. These addition errors did not result in underbillings or overbillings on individual invoices; however, these errors could result in the availability of contract funds being misstated.
	<b>Invoice AFR-TO6-004a:</b> The total cumulative material, ODC, G&A, & Fee was overstated by \$1,000. The cumulative amount for this invoice was overstated by \$999.99. These addition errors did not result in underbillings or overbillings on individual invoices; however, these errors could result in the availability of contract funds being misstated.
	<b>Invoice AFR-TO6-003a:</b> The total cumulative material, ODC, G&A, & Fee were understated by \$5,760,635.60. The total cumulative amount for this invoice was understated by \$5,760,635.61. The Task 2 totals in the cumulative amount column were understated by \$2,341.86. The Task 5 totals in the cumulative amount column were overstated by \$52,923.20. These addition errors did not result in underbillings or overbillings on individual invoices; however, these errors could result in the availability of contract funds being misstated.
	<b>Invoice AFR-TO3-019:</b> The Total CLIN 1 in the cumulative amount column was understated by \$3,182,867.71. These addition errors did not result in underbillings or overbillings on individual invoices; however, these errors could result in the availability of contract funds being misstated.
<b>Procedure 8:</b> For each labor category, match each invoice to supporting records.	Completed. One exception noted. <b>Invoice AFR-TO6-011-1:</b> The position of janitor was overbilled by \$165.24.
<b>Procedure 9:</b> For each item included in Materials and other direct costs (construction and operations) on the invoice, compare provided information to supporting records; i.e., invoices, purchase orders, evidence of receipt and other relevant documents.	Completed. No exceptions noted.
<b>Procedure 10:</b> Compare invoice G&A and fee rates to provisional or final negotiated G&A and fee rates.	Completed. No exceptions noted.