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

Office of Audits

Review of the Institute of International Education's Indirect Cost Rates for Fiscal Years 2002-05

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United States Department of State and the Broadcasting Board of Governors

Inspector General

PREFACE

This report was prepared by the Office of Inspector General (OIG) pursuant to the Inspector General Act of 1978, as amended, Section 209 of the Foreign Service Act of 1980, the Arms Control and Disarmament Amendments Act of 1987, and the Department of State and Related Agencies Appropriations Act, FY 1996. It is one of a series of audit, inspection, investigative, and special reports prepared by OIG periodically as part of its oversight responsibility with respect to the Department of State and the Broadcasting Board of Governors to identify and prevent fraud, waste, abuse, and mismanagement.

This report is the result of an assessment of the strengths and weaknesses of the office, post, or function under review. It is based on interviews with employees and officials of relevant agencies and institutions, direct observation, and a review of applicable documents.

The recommendations therein have been developed on the basis of the best knowledge available to the OIG, and have been discussed in draft with those responsible for implementation. It is my hope that these recommendations will result in more effective, efficient, and/or economical operations.

I express my appreciation to all of those who contributed to the preparation of this report.

Howard J. Krongard

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Inspector General

Summary

At the request of the Bureau of Educational and Cultural Affairs (ECA), the Office of Inspector General (OIG) conducted a review of the indirect costs reported by the Institute of International Education, Inc., and Affiliate (IIE) for fiscal years ending September 30, 2002-05. OIG's primary purpose was to determine whether IIE's indirect cost rates for the years reviewed complied with applicable federal laws and regulations.

OIG found that IIE's reporting of indirect costs did not comply with federal regulations and its internal organizational policy. Specifically, IIE was not following required accounting principles in reporting its severance costs; was making severance payments to current and former employees in excess of established organizational policy; and was including other unallowable costs in its indirect cost pools. As a result of the deficiencies identified, OIG questioned indirect costs totaling (b) (4) [redacted] and direct costs totaling $176,244.

OIG recommended that ECA require IIE to (1) establish a consistent accounting approach for reporting severance payments; (2) identify additional severance overpayments for FYs 2002-04; (3) reimburse the Department for all overpayments related to severance pay and other unallowable costs; (4) adjust the indirect cost pools to exclude the unallowable costs; and (5) recompute the indirect cost rates. Also, OIG recommended that the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management negotiate and establish a final indirect cost rate agreement with IIE after IIE has taken the appropriate actions.

OIG conducted an exit conference with ECA and IIE on July 12, 2006, and August 10, 2006, respectively. ECA and IIE officials generally agreed with the OIG findings presented at the meetings; however, on October 12, 2006, IIE provided a written response based on the discussions, which took issue with OIG's findings on severance payments and bond interest. Comments provided by ECA and IIE are incorporated into the body of the report as applicable.

Background

IIE is a nonprofit organization that partners with business organizations, educational institutions, and government agencies to implement international educational exchange programs. The programs focus on developing future domestic and international professionals and leaders by providing them with the international experience and cross-cultural tools to succeed in the 21st century. IIE administers exchange programs under renegotiable contracts with governments, other international organizations, corporations and foundations, and colleges and universities in the United States and abroad.

Headquartered in New York City, IIE has two offices in Washington, DC, and four regional centers in the United States. IIE also has 13 offices in international locations. IIE provides services to students, teachers, technicians, and specialists from more than 170 countries on matters of international education and cultural exchange and administers educational assistance to colleges and universities. Through general support, IIE conducts counseling and information services, issues publications, and assists international programs in the performing and visual arts. For the Department of State (Department) and the U.S. Agency for International Development (USAID), IIE implements international education exchange and global development programs, including the Fulbright Student and Scholars Programs, International Visitor's Program, Gilman International Scholarship Program, and Development Training Program II.

IIE receives the bulk of its operating funds from federal sources. For FYs 2002-05, the single audit reports show IIE expenditures of U.S. government awards totaled about $480.9 million. For the most recent complete year (FY 2005), as shown in Table 1, IIE expended about $114.9 million of federal awards, including awards from the Department totaling approximately $99.9 million, or 87 percent.

Table 1: IIE Expenditures of Federal Awards

Source	FY 2002	FY 2003	FY 2004	FY 2005
Department of State	$80,054,996	$86,776,101	$93,963,366	$99,897,472
USAID	44,521,954	30,804,804	20,931,586	12,399,576
U.S. Embassy	82,304	170,073	84,397	103,016
Total Other Agencies	2,142,943	2,859,019	3,569,174	2,528,933
Total Expenditures	**$126,802,197**	**$120,609,997**	**$118,548,523**	**$114,928,997**
Percent of Department Funds to Total	63	72	79	87

Source: IIE's Circular A-133 audit reports for FYs 2002-05.

Costs associated with federal awards involve both direct and indirect expenses. Office of Management and Budget (OMB) Circular A-122, *Cost Principles for Non-Profit Organizations*, provides for the allocation of direct and indirect costs to grants awarded by federal agencies. Direct costs are those that can be identified with a particular final cost objective. Indirect costs are costs incurred for common or joint objectives that cannot be readily identified with a particular final cost objective. OMB Circular A-122 authorizes provisional indirect cost rates applicable to specific periods, which are used for funding, interim reimbursement, and reporting indirect costs on grants pending the establishment of final rates. Final indirect cost rates are applicable to specific past periods and are based on the actual costs.

OMB Circular A-122 also provides that where an organization has several major functions that benefit from its indirect costs, the allocation of such costs may require separate cost groupings, also described as pools, which are allocated individually to benefiting functions. IIE has five such indirect cost pools: fringe benefits, grantee management, general and administrative (G&A), New York facilities, and DC (Washington) facilities. The pools include such costs as life insurance, severance pay, tuition reimbursement, depreciation, bond interest, operations and maintenance, accounting, and the cost of the general management of the organization. Each indirect cost pool uses a different base for calculating the indirect cost rate, such as labor for allocating indirect costs. Since FY 2002, IIE has been allocating indirect costs at the provisional rates, which are temporary. Final rates must be negotiated with, and approved by, the cognizant federal agency, which for IIE is the Department.[1] A final rate is not subject to adjustment.

[1] OMB Circular A-122 provides that the federal agency with the largest dollar value of awards to an organization will be designated as the cognizant agency for the negotiation and approval of the indirect costs rates. Once an agency is assigned cognizance for a particular nonprofit organization, the assignment will not be changed unless there is a major long-term shift in the dollar volume of the federal awards to the organization.

The Department's Grants Policy Directive 22, issued by the Bureau of Administration, Office of the Procurement Executive, assigns responsibility for negotiating and establishing indirect cost rates with Department grantees to the International Programs Division within the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management.

Purpose, Scope, and Methodology

The primary purpose of OIG's review was to determine whether IIE's FY 2002 through FY 2005 indirect costs complied with applicable federal laws and regulations. Specifically, OIG performed the following steps:

- discussed methodology, policy, and procedures for calculating indirect costs with Department and IIE officials;
- reviewed severance agreements, personnel action forms, severance pay policy, and payroll registers;
- recalculated severance pay due for selected former employees based on IIE policy;
- reviewed accounting ledgers, journal entries, transaction listings, and cost summaries;
- reviewed supporting documentation, such as bills, invoices, receipts, and bank statements;
- reviewed selected transactions from the indirect cost pools to determine the reasonableness, allowability, and allocability of costs;
- evaluated the indirect cost rate structures for compliance with OMB Circular A-122;
- reviewed Circular A-133 reports and auditor's management letters to determine whether there were any issues that might affect the indirect cost rates; and
- verified indirect cost issues with OMB officials.

OIG performed transaction tests on judgmentally selected items from each of IIE's indirect cost pools for FYs 2002-05. For the review period, each pool had numerous transactions: the New York facilities pool consisted of 403 to 958 transactions; the fringe benefits pool, 2,320 to 3,067 transactions; and the G&A pool, 10,594 to 14,116 transactions. OIG selected transactions for review from the indirect cost pool ledgers. In general, the items selected included high-dollar transactions, transactions that appeared to be unusual or unreasonable, and transactions requiring detailed supporting documentation, such as legal fees, accounting services, and interest on loans. In addition, OIG reviewed all posted transactions within a selected expenditure code, such as severance pay, bond interest costs, tuition, rent subsidy, and depreciation. With regard to the severance review, OIG reviewed all FY 2005 payments and selected payments for FYs 2002-04. In addition, the severance review required that OIG analyze IIE direct costs.

OIG's procedures were limited to those necessary to support the conclusions reached in this report. OIG conducted these limited procedures in accordance with government auditing standards; however, such procedures did not constitute an audit under those standards. Had OIG performed an audit, other matters might have come to its attention.

On November 21, 2005, before starting its fieldwork, OIG met with ECA officials to discuss the review objectives and ECA issues and concerns regarding IIE costs charged to Department grants. IIE did not have a final negotiated indirect cost rates and Department officials agreed that OIG should conduct an indirect cost rate review. OIG's Office of Audits, Contracts and Grants Division conducted onsite fieldwork at IIE headquarters in New York, NY, and at the Department in Washington, DC, from November 28, 2005, to March 24, 2006. On July 12, 2006, and August 10, 2006, OIG conducted an exit conference with the Department and IIE, respectively. In preparing this report, OIG considered the comments made by ECA and IIE officials and incorporated them into the report as appropriate.

Results

OIG found that IIE's reporting of indirect costs did not comply with federal regulations and its internal organizational policy. Specifically, IIE was not following required accounting principles in reporting its severance costs; was making severance payments to current and former employees in excess of organizational policy; and was including other unallowable costs in its indirect cost pools. As a result of the deficiencies identified, OIG questioned indirect costs totaling [redacted] and direct costs totaling $176,244. For FYs 2002-05, OIG classified as unallowable, [redacted] for severance pay because of inconsistent accounting treatment; that is, sometimes it was charged as direct costs and other times as indirect costs. Included in this severance total were overpayments to former employees totaling [redacted] or FY 2005 and selected transactions for FYs 2002-04. In addition to these severance costs, OIG questioned [redacted] for bond and loan interest expenses and [redacted] for other expenses that were not appropriate under federally-established cost principles. (See Appendices A and B.)

Accounting for Severance

IIE was improperly accounting for severance payments by including them in some cases as indirect costs charged to its fringe benefits pool and in others as direct costs charged to two federal grant awards. OMB Circular A-122 states, "To be allowable, costs must be accorded consistent treatment and determined in accordance with generally accepted accounting principles." The guidance requires nonprofit organizations to exercise special care when developing a cost pool to ensure that costs incurred for the same purpose in like circumstances are treated consistently as either direct or indirect costs.

For FYs 2002-05, IIE recorded indirect costs totaling about [redacted] in the fringe benefits pool. Of this amount, [redacted] was for severance payments to 128 domestic and overseas employees and other severance payment transactions. In addition to these indirect severance expenses, IIE charged severance pay totaling $176,244, for an additional 43 employees, as direct expenses to two USAID federal awards. OIG did not find anything in the accounting records to explain the rationale for treating severance as both indirect and direct costs. Likewise, during OIG fieldwork, IIE financial management officials could not explain the inconsistent accounting treatment of severance expenses. Consequently, OIG classified the total severance for the four-year period, [redacted] as unallowable.

In its October 12, 2006, written response, IIE disagreed with OIG, stating that it had consistently accounted for severance payments in accordance with OMB Circular A-122. IIE reported that over the years, its normal process was to treat severance payments as indirect costs paid out of its fringe benefits pool. However, for its award agreement with USAID (DT2), IIE reported that a deviation from this process in accounting for severance was consistent with the circular.

According to IIE, under DT2, its intention was to record severance for local employees in Cairo as direct costs to the contract and to record severance for expatriate staff in Cairo as indirect costs. IIE explained that the workforce of local national employees, who were subject to local labor laws, sets up a unique situation where the severance payments could be identified with a specific final cost objective (DT2), as provided by OMB Circular A-122, and therefore, it charged as direct costs to the DT2 award. Regarding the expatriate workforce working in Cairo under DT2, IIE further explained that this group was more like the IIE employees in the United States; therefore, it charged severance for these employees as indirect costs.

In addition, IIE claimed in its written response that the accounting treatment of severance in the case of DT2 had the approval of USAID by the fact that it approved the DT2 budget. Nevertheless, despite its stated position on accounting for severance under DT2, IIE reported that it may not have fully implemented its intention concerning this severance. Instead, IIE explained that it accounted for severance payments to expatriates as direct rather than indirect costs; therefore, in those instances an accounting adjustment may be in order.

Although IIE’s position was clear, in the final analysis IIE confirmed that it did not consistently account for severance in accordance with its own stated process, which is the message of the OIG finding. IIE claimed that severance for local hires in Cairo under the DT2 award was supposed to be charged as direct costs; severance for the expatriate workforce charged as indirect costs. However, IIE reported in its written response that for DT2, it did not always account for severance in this manner. That is, it charged some payments to expatriate staff as direct costs.

The above notwithstanding, OIG does not agree with IIE’s position that hiring a workforce of local national employees for DT2, who were subject to local labor laws, sets up a unique situation concerning severance. The stated purpose of severance is to compensate employees whose jobs have been eliminated. Although the severance amounts might have been calculated differently for local nationals and U.S. employees, the costs for severance were incurred for the same purpose, to compensate for job elimination. Therefore, accounting for severance costs should have followed IIE’s normal practice, which was to treat such costs as indirect expenses. Furthermore, in its written response, IIE only reported how it handled severance concerning the DT2 award; however, OIG found another USAID award (Environment Program Susta) where IIE was not consistently accounting for severance payments.

In summary, OIG agrees that severance is a legitimate cost of doing business and therefore an allowable expense. Likewise, OIG does not question the amounts charged for severance in this instance, as the IIE response specifically acknowledges. Rather, OIG is only questioning the inconsistent accounting for severance as direct and indirect costs. If, as IIE reported, its “normal process over the years was to treat severance payments to its employees as indirect costs paid out of its benefits cost pool,” then it should have applied this standard consistently in all cases. Therefore, IIE needs to determine whether to account for severance payments as direct or indirect costs, and then make the appropriate adjustments to correct IIE accounting records for the years in question.

Severance Payments

IIE was overpaying employees for severance. IIE has a formal severance pay policy only for employees who leave the organization because their positions are eliminated. This policy, from 1999 until 2005, stated that a "*termination supplement* of 1 week will be paid for each completed year of service to *a maximum of 26 weeks*." (Emphasis in original policy.) Instead of following this policy, however, IIE followed an informal one, resulting in overpayments to employees whose jobs had been eliminated as well as to employees who had retired, resigned, or were rehired by the organization. Furthermore, IIE was not consistently applying this informal policy. OMB Circular A-122 provides that severance pay is allowable only to the extent that it is required by established organizational policy. OIG's review of FY 2005 severance payments and selected payments for FYs 2002-04 charged as indirect costs found that IIE overpaid severance to 37 current and former employees totaling [redacted]

Although IIE had a formal severance pay policy dating from July 1999, it followed an ad hoc approach in paying severance to former employees, using individual severance agreements that in most cases conflicted with the organization's formal policy. In general, the agreement offered the employee additional compensation, above the amount the employee normally would be entitled to, if the employee agreed to a formal release of IIE from all current and future liabilities and refrained from disclosing IIE business regardless of whether the employee was leaving the organization because of retirement or remaining with the organization after being rehired. In the latter case, OIG found that two currently active employees, who according to IIE were rehired, were receiving severance pay.

In addition to the portion of severance related to salary, OIG noted that the individual severance agreements included additional amounts covering certain employee benefits that were being paid to active employees. IIE's policy handbook is silent on the payment of these extra benefits as part of the severance entitlement. In August 2005, IIE revised its formal policy on job elimination.[2] The revision to the domestic employee handbook makes the receipt of a termination supplement, or severance, conditional on an employee's signing a release with IIE. The formal change also provides for prorating partial years of service. The above notwithstanding, the August 2005 revision did not change the amount of severance to which an employee would be entitled; that is "1 week for each year of service …to a maximum of 26 weeks."

IIE was using the informal, ad hoc severance agreements for the years covered by the OIG review. Nevertheless, OIG does not view this practice as an established severance policy because IIE did not consistently apply the ad hoc agreements. IIE routinely made severance payments for more than the amounts earned based on the years of creditable service, and there was no clear basis for differences in the amounts paid. For example, in FY 2004, two employees with similar positions, annual salary, and years of service were paid severance of [redacted] and [redacted] respectively. Also, six employees were paid severance when no severance pay was due at all, including one who received a payment of [redacted]

[2] The revised severance policy states "If you sign a release with IIE, you will be paid a termination supplement of 1 week for each year of service, prorated for a partial year of service, to a maximum of 26 weeks."

Overall, OIG's review of severance transactions for FYs 2002-05 disclosed that the excessive payment of severance was a systemic problem. More specifically, as shown in Appendix B, OIG's selective review disclosed 37 severance overpayments during the four-year period.[3] The total amount due to these employees was (b) (4) [redacted] but the actual payment was (b) (4) [redacted] for a total overpayment of (b) (4) [redacted]

The above overpayments, which OIG determined to be unallowable, were likely to be understated because OIG did not review all severance transactions for FYs 2002-05 and the approved severance packages included other benefits that OIG was not able to quantify (medical, retirement, payroll taxes, etc.). In addition, IIE did not charge these other benefits to a severance account, and the IIE accounting records did not readily identify the cost associated with these benefits by employee name or expense code. As a result, OIG believes that the payments for these other benefits also should be unallowable because they were not specifically authorized under IIE's formal severance policy.

At the August 2006 exit conference, IIE officials acknowledged that the individual severance agreements did not conform to IIE formal policy; however, the use of the ad hoc, individual severance agreements had become standard practice. In its October 12, 2006, written response, IIE further stated that its use of ad hoc severance agreements was appropriate and that the severance amounts paid as a consideration for signing a release were normal, reasonable business expenses that should be allowable. IIE pointed out that the total amount of the overpayments in question was attributable to IIE's paying an additional week of severance per year of service when departing employees signed a noncompete agreement. In addition, the written response stated that IIE might have paid severance as consideration for employees' signing a release. Furthermore, IIE stated that the requirement that employees sign a release or noncompete agreement as a condition of receiving severance pay is a common provision in modern severance agreements.

A substantial part of IIE's written response addressed the issue of whether the practice of requiring employees to sign a release or noncompete agreement in order to receive severance is appropriate. OIG does not take a position on the reasonableness of this practice. Rather, the report finds that IIE was not following any established policy in how it was paying severance to its employees, as called for by OMB Circular A-122. IIE's written response attributed the total amount of the overpayment to "IIE paying an additional week of severance per year of service" to departing employees; however, IIE's assertion is not accurate. As detailed above, severance overpayments were the result of multiple factors, whereas the IIE policy authorizes the payment of severance *only for* "job elimination." In addition, IIE was routinely paying severance in excess of its stated policy (1 week for each year of service, to a maximum of 26 weeks) without any clear justification for the amounts paid. As noted above, the severance overpayment amount (b) (4) [redacted] was likely to be understated because OIG did not review all severance payments for FYs 2002-04 and the amount did not include what IIE defined as "enhanced separation benefits," which were paid over and above the regular termination or severance payments.

In summary, because of the deficiencies noted above in accounting for and paying severance, as well as other unallowable costs identified later in this report, OIG was unable to make a

[3] For this period, the universe of severance payments with sufficient information to enable OIG to perform a review was 128, from which OIG sampled 91, and of those, 37 employees received severance overpayments.

recommendation on final IIE indirect cost rates. Regarding the severance issues, IIE first needs to decide whether to account for severance pay as a direct charge to programs or as an indirect cost to be charged to its fringe benefits pool. After this determination, IIE needs to make the necessary adjustments to account for the unallowable severance and other costs and then recompute the indirect cost rates. Costs in the fringe benefits pool must be adjusted and recalculated first because these costs are allocated to the other cost pools in determining the other indirect cost rates.

Recommendation 1: OIG recommends that the Bureau of Educational and Cultural Affairs grants officer require the Institute of International Education to:

- consistently account for severance pay for FYs 2002-05 as indirect or direct costs;
- identify overpayments of severance and other benefits related to the severance pay;
- reimburse the Department for unallowable severance pay and benefits;
- reduce the fringe benefits pool by the overpayments; and
- recompute the fringe benefits pool for allocation to the other cost pools.

Interest Expenses

IIE was not accounting for bond and loan interest expenses charged as indirect costs to the New York facilities pool, in accordance with OMB Circular A-122. As a result, OIG classified as unallowable, (b) (4) [redacted] for expenses related to IIE's repurchase of its New York headquarters building, including bond interest totaling (b) (4) [redacted] and loan interest of (b) (4) [redacted]

With respect to the bond interest, Attachment B Item 23.a.(6)(a) and Item 23.c.(1) of OMB Circular A-122, related to reacquired assets, states:

> Interest on debt incurred to finance or refinance assets acquired before or reacquired after September 29, 1995, is not allowable. . . . Re-acquired assets means assets held by the nonprofit organization prior to September 29, 1995 that have again come to be held by the organization, whether through repurchase or refinancing.

In this regard, IIE sold its New York headquarters building on December 18, 1998, a building it had owned and occupied since 1963. Immediately after the sale, IIE leased back 61,699 square feet in the building. On June 30, 2001, IIE repurchased the building for (b) (4) [redacted] IIE financed the repurchase using tax-exempt bonds, the cost of which IIE charged to the New York facilities pool. According to OMB Circular A-122, the bond interest costs were unallowable and therefore should not have been accounted for as indirect costs charged to Department grants because IIE had owned the building before September 29, 1995, and reacquired the same building after that date.

IIE also did not account for other interest expenses in accordance with OMB Circular A-122 (Attachment B Item 23.a.) concerning borrowed capital. OIG identified as unallowable two transactions for the payment of a bridge loan and its interest expense in the New York facilities pool.

IIE disagreed with OIG's position that the bond and loan interest expenses related to the repurchase of its headquarters building were unallowable. IIE claimed that it kept the government officials informed of its plans to finance the reacquisition of the building with tax-exempt bonds. In this regard, IIE provided a copy of a letter dated April 4, 2001, from its former vice president of finance and administration (chief financial officer (CFO)) to a Department senior contract advisor,

- referencing discussions between these same officials from an earlier meeting,
- informing the Department of IIE's proposed plan,
- outlining the planned steps regarding the repurchase, and
- attaching an economic analysis of an "own" versus "lease" model.

IIE also included an exhibit to its October 2006 comments, a consultant's study dated December 19, 2001, that addressed the reasonableness of costs associated with ownership versus lease of the building for purposes of allowability under OMB Circular A-122.

Subsequently, by letter dated November 30, 2006, responding to questions raised by OIG's Office of Counsel, IIE's chief counsel informed OIG that further discussions with IIE's former CFO reconfirmed that the Department was fully informed of the planned repurchase and the related financing of the building from a meeting and other conversations the CFO had with the Department contracting officer. IIE's counsel, however, stated that the former CFO currently could not recall whether the meeting with the contracting officer occurred before or after the April 4, 2001, letter or the June purchase of the building.

Furthermore, the November 2006 letter noted that the former CFO commented "to his knowledge there is no contemporaneous documentation showing the Government's concurrence, nor did he believe that their written agreement was required." The chief counsel's letter also explained that the consultant's study, which was completed about six months after the repurchase of the building, was an effort to revisit the issues and ensure that there was no misunderstanding that might affect the government's approval of IIE's indirect cost rates. In summary, IIE believed that its actions to inform the government about the accounting treatment of the transaction were in accordance with the regulations and that the government concurred.

OIG does not concur with IIE's position for several reasons. IIE's primary basis for its position that the bond interest costs should be allowed was that the Department's contracting officer did not specifically deny its proposal to include bond interest in the indirect cost rate calculation. The chief counsel's letter said that IIE therefore "detrimentally relied" on the Department's silence in concluding that the bond interest expense was allowable. IIE's reliance was misplaced, however, because OMB Circular A-122 clearly states that seven criteria must be met in order for costs to be allowable.[4] One of those criteria is conformance with exclusions; another is reasonableness. In this regard, OMB Circular A-122, Attachment B, item 23, "Interest," provides that costs incurred for interest on borrowed capital are unallowable. As opposed to the "reasonableness" criteria, which allows for subjectivity in the determination, there is no ambiguity concerning the allowability of bond interest expense. The contracting officer could not waive or override OMB regulations on what costs are allowable. Further, neither IIE nor the Department could provide OIG with any documentation showing that the Department approved IIE's proposal for including the bond interest in the indirect cost rate calculation.

[4] OMB Circular A-122, Attachment A, subsection A.2.

According to the documents IIE provided to OIG, IIE notified the Department at the end of March 2001 verbally, and in writing on April 4, 2001, that it intended to purchase the property it was currently leasing. IIE calculated that the costs of owning versus leasing the property would result in significant savings (approximately $7 million over a 17-year period) and noted that the Net Present Value ownership costs would include the "Cost of Capital." There was nothing in the April 4 letter to the Department indicating IIE's intention to account for the bond interest as an indirect cost. In closing the letter, IIE stated that it needed to exercise the option to purchase the property by April 12, 2001, a mere two weeks after first discussing the proposal with the Department's contracting officer.

Additionally, as late as a meeting held in January 2002 (the last period for which OIG was provided records about this issue), IIE was still attempting to convince the Department of the allowability of the "ownership costs"; i.e., the bond interest. IIE acknowledged as much in its November 30, 2006, letter to OIG, in which the chief counsel stated that IIE's previous CFO confirmed that the presentation on the allowability of the ownership costs at the January 2002 meeting "was part of an effort by IIE to confirm that the Government was on board with regard to the accounting treatment of the transaction." In other words, seven months *after* IIE exercised the option to purchase the property, it was still attempting to convince the Department to accept IIE's *proposed* accounting treatment of the transaction, including the bond interest.

Finally, the last IIE indirect cost rates approved by the Department were for FY 2001. IIE has been subject to provisional indirect cost rates for FYs 2002-05, the years covered in OIG's review. The documents the Department provided to OIG on IIE's accounting for provisional indirect cost rates made no specific mention of the bond interest. Therefore, IIE needs to reduce the New York facilities pool by the amount of the bond and loan interest expenses and recalculate the applicable indirect cost rate.

Housing and Educational Expenses

IIE included in the fringe benefits pool, the costs associated with maintaining a corporate apartment and the education-related expenses for family members of one of its officers. OIG views these costs as personal and unallowable under the provisions of OMB Circular A-122. Specifically, Section 20 of the circular provides "the cost of housing (e.g., utilities, furnishings, rent, etc.) and personal living expenses for the organization's officers are unallowable as fringe benefits or indirect costs regardless of whether the cost is reported as taxable income to the employees." Also, according to OMB Circular A-122, Section 49, educational-type expenses are allowable only to the extent that such costs are incurred by employees. There is no mention in Section 49 about educational costs incurred by employees' family members. Therefore, OIG classified as unallowable [redacted] for rent of the corporate apartment and [redacted] for tuition of family members recorded as Other Employee Benefits. Likewise, OIG identified as unallowable [redacted] for tuition and university housing costs for an employee's family members reported as Staff Training and Development. Table 2 provides details on the corporate apartment costs.

Table 2: Summary of Corporate Apartment Costs

FY	Rental Expense	Furniture Rental	Utilities	Cleaning Services	Total
2002	(b) (4) [redacted]				
2003					
2004					
2005					
Total					

Source: IIE ledgers FYs 2002-05, lease agreements, invoices, and journal entries.

According to IIE, the purpose of the corporate apartment was to facilitate visits to the New York office by one of its officers about two days a week. IIE officials also said that when the officer was not in town, the apartment was available for use by other employees for IIE functions. OIG was unable to verify the apartment usage because IIE did not maintain a record to show who had used the apartment and the purpose and frequency of use. OIG's review of the cleaning service records for the apartment did show that the services occurred between five and six times per year, which did not seem to support frequent use of the apartment. OMB Circular A-122 allows nonprofit organizations to charge rent as direct costs to sponsored awards, when necessary for the performance of the sponsored award, as long as it is approved by the awarding agency. In this case, approval would need to come from the ECA grants officer to charge these costs to the grant awards.

Overall, IIE officials told OIG that the organization offered the use of a corporate apartment and a family educational allowance for tuition as employment incentives, including them as provisions of the employment agreement with the officer. The employment agreement makes no specific mention of a subsidy for university housing or tuition for family members. As noted above, charges to indirect costs for the corporate apartment and for the educational expenses (housing and tuition) of family members are not allowed. Therefore, IIE should reimburse the Department for these unallowable costs and reduce the fringe benefits pool by the same amount.

Other Indirect Costs

IIE included other unallowable costs in its indirect cost pools. OMB Circular A-122 specifically identifies certain costs as unallowable and also states that costs charged to federal awards must be supported by adequate documentation. For FYs 2002-05, OIG questioned a number of costs charged to the G&A and DC Facilities pools as unallowable under provisions of OMB Circular A-122, including holiday parties, fundraising costs, bank deficiency fees, and unsupported legal and travel expenses. (Specific details on each of the questionable charges are included in Schedules 3 and 4 and the associated notes.) In summary, for other indirect costs, OIG identified unallowable costs totaling (b) (4) [redacted] in the G&A pool and (b) (4) [redacted] in the DC Facilities pool. (See Appendix A.)

__Recommendation 2__: OIG recommends that the Bureau of Educational and Cultural Affairs grants officer require the Institute of International Education to:

- reimburse the Department for bond and loan interest, personal living, and other indirect costs classified as unallowable;
- reduce the indirect cost pools by the unallowable costs; and
- recompute the indirect cost rates in the appropriate pools.

__Recommendation 3__: OIG recommends that the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management negotiate and establish a final indirect cost rate agreement with the Institute of International Education after the actions under Recommendation 2 are completed.

Appendix A

IIE Questioned Indirect Cost Summary for FYs 2002-05

Indirect Cost Pool	FY 2002	FY 2003	FY 2004	FY 2005	Total
	(b) (4) [redacted]				
Fringe Benefits (See Schedule 1)					
Severance					
Other Employee Benefits (Rent Subsidy and Tuition)					
Staff Training & Development (Education Subsidy-Tuition)					
Total Fringe Benefits					
NY Facilities (See Schedule 2)					
Bond Fund Issuance & Interest					
Other Direct Admin. Costs					
Total NY Facilities					
G&A (See Schedule 3)					
Depreciation & Amortization					
Information Services					
Travel Expenses					
Meetings & Conferences					
Communications					
Outside Services					
Other Direct Admin. Costs					
Total G&A					
DC Facilities (See Schedule 4)					
Outside Services					
Rent & Insurance					
Total DC Facilities					
Grantee Management (See Schedule 5)					
Total Grantee Management[c]					
Total					

[a] Severance total excludes unallowable direct costs totaling (b) (4) [redacted]

[b] IIE recorded (b) (4) [redacted] in tuition as other employee benefits.

[c] OIG reviewed transactions in the grantee management pool; however, nothing came to its attention that would cause OIG to classify any of the indirect costs as unallowable.

Schedule 1

Schedule of Indirect Cost Allocation: Fringe Benefits Pool

Category	FY 2002	Quest'd	OIG	FY 2003	Quest'd	OIG	FY 2004	Quest'd	OIG	FY 2005	Quest'd	OIG	Notes
Salaries & Related Benefits	(b) (4) [redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Severance	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Statutory Benefits	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Health & Welfare	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Life Insurance	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Annuities	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Other Employee Benefits	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Staff Training & Development	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Travel Expenses	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Receptions & Meetings	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Communications	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Printing & Duplication	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Stationery & Supplies	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Outside Services	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Information Services	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Insurance	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Miscellaneous Expenses	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Total Indirect Expenses	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]

Note: See Appendix A for cumulative total of questioned costs for this pool for FYs 2002-05.
Source: Costs from IIE's detailed transactions report.

Notes:

1. <u>Severance</u>

OIG questioned [redacted] as unallowable for severance pay recorded in FYs 2002-05 because IIE did not comply with OMB Circular A-122 cost principles and its own severance pay policy. OMB Circular A-122 states, "To be allowable, costs must be accorded consistent treatment and determined in accordance with generally accepted accounting principles." IIE charged severance pay as direct and as indirect cost and paid severance in excess of the amounts authorized by its policy.

2. Other Employee Benefits

OIG questioned [redacted] as follows:

- [redacted] as unallowable for corporate apartment rent, cleaning, and furniture rental expense recorded FYs 2002-04. OMB A-122, Attachment B, Section 20 states, "Housing and personal living expenses (e.g., depreciation, maintenance, utilities, furnishings, rent, etc.), housing allowances and personal living expenses for the organization's officers are unallowable as fringe benefit or indirect costs. These costs are allowable as direct costs to sponsored awards when necessary for the performance of the sponsored award and approved by the awarding agencies."

- [redacted] as unallowable for tuition for one officer's family members in FY 2002. (See note 3.)

3. Staff Training & Development

OIG questioned [redacted] as unallowable for tuition and university housing costs for one officer's family members recorded in FYs 2002-04. OMB A-122, Attachment B, Section 19 states, "Costs of goods and services for personal use of the organization's employees are unallowable regardless of whether the cost is reported as taxable income to the employees."

Schedule 2

Schedule of Indirect Cost Allocation: NY Facilities Pool

Category	FY 2002	Quest'd	OIG	FY 2003	Quest'd	OIG	FY 2004	Quest'd	OIG	FY 2005	Quest'd	OIG	Notes
Salaries & Related Benefits	(b) (4) [redacted]												
Receptions & Meetings													
Communications													
Printing and Duplication													
Stationery & Supplies													
Outside Services													
Information Services													
Insurance, Rent, and Taxes													
Utilities													
Bond Fund Issuance & Interest													
Depreciation													
Repairs & Maintenance													
Other Direct Admin Costs													
Total Indirect Expenses													

Note: See Appendix A for cumulative total of questioned costs for this pool for FYs 2002-05.
Source: Costs from IIE's detailed transactions report.

Notes:

1. Bond Fund Issuance & Interest

OIG questioned (b) (4) [redacted] as unallowable for bond interest recorded in FYs 2002-05. OMB Circular A-122, Attachment B, Paragraph 23a(6)(a) states, "interest on debt incurred to finance or refinance assets acquired before or reacquired after September 29, 1995, is not allowable." On September 30, 2005, IIE reversed a FY 2004 bond interest accrual transaction totaling (b) (4) [redacted] which reduced the FY 2005 bond interest account. The FY 2004 accounting ledger did not show that IIE had recorded the accrual. Therefore, the questioned costs exceed the bond interest account balance.

2. Other Direct Administrative Costs

OIG questioned (b) (4) [redacted] as unallowable for loan interest expense used to close out a bridge loan in FY 2002. OMB Circular A-122, Attachment B, Paragraph 23a states, "costs incurred for interest on borrowed capital, temporary use of endowment funds, or the use of the nonprofit organization's own funds, however represented, are unallowable." OIG classified the full amount of the loan interest as unallowable because IIE significantly reduced the amount by credits unrelated to the loan interest costs. Specifically, IIE charged the loan interest to bank charges and reduced the (b) (4) [redacted] by (b) (4) [redacted] for the reimbursement of prior expenses. IIE also included the remaining $169,759 in Other Direct Admin Costs, which included a $125,800 credit for an allocation transfer of fund. After other miscellaneous expenses totaling $45,149, the Other Direct Admin Costs balance was reduced to $89,108.

Schedule 3

Schedule of Indirect Cost Allocation: G&A Pool

Category	FY 2002	Quest'd	OIG	FY 2003	Quest'd	OIG	FY 2004	Quest'd	OIG	FY 2005	Quest'd	OIG	Notes
Salaries & Related Benefits	(b) (4) [redacted]												
Insurance, Rent and Taxes													
Furniture & Equipment													
Depreciation & Amortization													
Information Services													
Travel Expenses													
Meetings & Conferences													
Communications													
Printing & Duplication													
Stationery & Supplies													
Outside Services													
Other Direct Adm. Costs													
Facility Charges													
Total Indirect Expenses													

Note: See Appendix A for cumulative total of questioned costs for this pool for FYs 2002-05.
Source: Costs from IIE's detailed transactions report.

Notes:

1. Depreciation & Amortization

OIG questioned [redacted] as follows:

- [redacted] as unallowable for program costs recorded in FY 2004. OMB Circular A-122 defines direct costs as those that can be identified specifically with a particular award, project, or other direct activity of an organization.

- [redacted] as unallowable for loan interest expense recorded in FY 2004. OMB Circular A-122, Attachment B, Paragraph 23a states, "costs incurred for interest on borrowed capital, temporary use of endowment funds, or the use of the non-profit organization's own funds, however represented, are unallowable."

- [redacted] as unallowable for write-off expenses recorded in FY 2005. OMB Circular A-122, Attachment B, Paragraph 5 states, "Bed debts, including losses, (whether actual or estimated) arising from uncollectible accounts and other claims, related collection costs and related legal costs, are unallowable."

2. Information Services

OIG questioned [redacted] as unallowable for fundraising expenses recorded in FY 2002. OMB Circular A-122, Attachment B, Paragraph 17a states, “Costs of organized fundraising, including financial campaigns, endowment drives, solicitation of gifts and bequests, and similar expenses incurred solely to raise capital or obtain contributions are unallowable.”

3. Travel Expenses

OIG questioned [redacted] as follows:

- [redacted] as unallowable for travel expenses recorded in FY 2005 that were paid in excess of the approved per diem rates. OMB Circular A-122, Attachment B, Paragraph 51b states that reasonable costs incurred for lodging, other subsistence, and incidental expenses shall be allowable only to the extent such costs do no exceed charges normally allowed. IIE uses U.S. government per diem rates as the maximum amount to be reimbursed.

- [redacted] as unallowable for conference and luncheon expenses not supported by adequate documentation. OMB Circular A-122 states that costs must be supported by adequate documentation when they are incurred in the normal course of administration of the organization.

4. Meetings & Conferences

OIG questioned [redacted] as unallowable expenses related to holiday parties, luncheons, and receptions in FYs 2003-05. Of the total, [redacted] was for holiday parties, including about [redacted] OIG was able to identify in FYs 2004-05 relating to charges for alcoholic beverages. OMB Circular A-122, Attachment B, states that entertainment costs (Item 14) and alcoholic beverages (Item 3) are unallowable. Regarding entertainment, the circular provides that “social activities and any cost associated with such costs are unallowable.” OIG believes that holiday parties are “social activities” and the fact that alcoholic beverages are a part of these events tends to support this view. Therefore, all costs associated with the holiday parties are unallowable. Without exception, the costs of alcohol are unallowable.

5. Communications

OIG questioned [redacted] as unallowable for telephone expenses recorded in FY 2005. OMB Circular A-122, Attachment B, Paragraph 20 states “Costs of housing (e.g., depreciation, maintenance, utilities, furnishings, rent, etc.), housing allowances and personal living expenses for/of the organization’s officers are unallowable as fringe benefit or indirect costs regardless of whether the cost is reported as taxable income to the employees.” IIE included the telephone expenses for the corporate apartment.

6. Outside Services

OIG questioned [redacted] as unallowable for legal expenses recorded in FYs 2002-04. OMB Circular A-122, Attachment B, Paragraph 37b(8) states that a description of the service, estimate of time required, rate of compensation, and termination of provisions are required to determine the adequacy of the contractual agreement. IIE recorded legal expenses that were not supported by invoices detailing the hours worked, rate of compensation, or type of service provided.

7. <u>Other Direct Administrative Costs</u>

OIG questioned [redacted]3 as follows:

- [redacted] as unallowable for write-off expenses recorded in FYs 2002-05. OMB Circular A-122, Attachment B, Paragraph 5 states, "Bad debts, including losses (whether actual or estimated) arising from uncollectible accounts and other claims, related collection costs and related legal costs, are unallowable."

- [redacted] as unallowable for bank fees recorded in FY 2005. OMB Circular A-122, Attachment A, paragraph 2g states that a factor affecting allowability is that costs should be adequately documented. For FY 2005, IIE was unable to provide supporting documentation for costs described as balance deficiency fees.

- [redacted] as unallowable for gifts recorded in FY 2004. OMB Circular A-122 states that costs such as contributions and gifts, and other unnecessary or unreasonable expenses are unallowable.

Unallowable Other Direct Administrative Costs by Fiscal Year

Category	**FY 2002**	**FY 2003**	**FY 2004**	**FY 2005**	**Total**
Write-off expenses	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Bank fees	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Gift costs	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Total	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]

Schedule 4

Schedule of Indirect Cost Allocation: DC Facilities Pool

Category	FY 2002	Quest'd	OIG	FY 2003	Quest'd	OIG	FY 2004	Quest'd	OIG	FY 2005	Quest'd	OIG	Notes
Rent & Insurance	(b) (4) [redacted]												
Salaries & Related Benefits													
Travel Expenses													
Receptions & Meetings													
Communications													
Printing & Duplication													
Stationery & Supplies													
Information Services													
Furniture & Equipment													
Cleaning Expenses													
Outside Services													
Depreciation													
Other Building Expenses													
Total Indirect Expenses													

Note: See Appendix A for cumulative total of questioned costs for this pool for FYs 2002-05.
Source: Costs from IIE's detailed transactions report.

Notes:

1. <u>Rent & Insurance</u>

OIG questioned (b) (4) [redacted] as unallowable for an adjustment in FY 2003 because of a lack of supporting documentation. OMB Circular A-122, Attachment A, paragraph 2g states that one factor affecting allowability is that costs be adequately documented.

2. <u>Outside Services</u>

OIG questioned (b) (4) [redacted] as unallowable for outside services in FY 2002 because of a lack of supporting documentation. (See Note 1.)

Schedule 5

Schedule of Indirect Cost Allocation: Grantee Management Pool[a]

Category	FY 2002	Quest'd	OIG	FY 2003	Quest'd	OIG	FY 2004	Quest'd	OIG	FY 2005	Quest'd	OIG	Notes
Salaries & Related Benefits	(b) (4) [redacted]												
Travel Expenses													
Receptions & Meetings													
Communications													
Printing & Duplication													
Stationary & Supplies													
Information Services													
Outside Services													
Other Direct Administration Costs													
Facilities													
G&A Overhead													
Total Indirect Expenses													

[a] OIG reviewed transactions in the grantee management pool; however, nothing came to its attention that would cause OIG to classify any of the indirect costs as unallowable. Any differences are due to rounding and division methods.
Source: Costs from IIE's detailed transactions report.

Appendix B

Examples of IIE Severance Overpayments and Reasons for Termination

Fiscal Year	Service (yrs./mos.)	Annual Salary	Total Severance Due	Total Severance Paid	Total Overpayment	Reason for Termination
2002	5.6	(b) (4) [redacted]	[redacted]	[redacted]	[redacted]	Position Eliminated
	5.1	[redacted]	[redacted]	[redacted]	[redacted]	Position Eliminated
	1.8	[redacted]	[redacted]	[redacted]	[redacted]	Position Eliminated
2003	39.9	[redacted]	[redacted]	[redacted]	[redacted]	Position Eliminated
	35.9	[redacted]	[redacted]	[redacted]	[redacted]	Retired
	24.9	[redacted]	[redacted]	[redacted]	[redacted]	Resigned
	11.8	[redacted]	[redacted]	[redacted]	[redacted]	Position Eliminated
	8.6	[redacted]	[redacted]	[redacted]	[redacted]	Position Eliminated
	13.2	[redacted]	[redacted]	[redacted]	[redacted]	Position Eliminated
	1.4	[redacted]	[redacted]	[redacted]	[redacted]	Position Eliminated
	4.9	[redacted]	[redacted]	[redacted]	[redacted]	Contract End
	10.0	[redacted]	[redacted]	[redacted]	[redacted]	Position Eliminated
	8.9	[redacted]	[redacted]	[redacted]	[redacted]	Position Eliminated
2004	12.8	[redacted]	[redacted]	[redacted]	[redacted]	Contract End
	10.8	[redacted]	[redacted]	[redacted]	[redacted]	Contract End
	10.0	[redacted]	[redacted]	[redacted]	[redacted]	Position Eliminated
	2.6	[redacted]	[redacted]	[redacted]	[redacted]	Position Eliminated
	2.9	[redacted]	[redacted]	[redacted]	[redacted]	Contract End
2005	5.5	[redacted]	[redacted]	[redacted]	[redacted]	Position Eliminated
	16.8	[redacted]	[redacted]	[redacted]	[redacted]	Resigned
	10.3	[redacted]	[redacted]	[redacted]	[redacted]	Position Eliminated
	0.4	[redacted]	[redacted]	[redacted]	[redacted]	Dismissed for Cause
	N/A	[redacted]	[redacted]	[redacted]	[redacted]	Rehired
	N/A	[redacted]	[redacted]	[redacted]	[redacted]	Rehired
	1.3	[redacted]	[redacted]	[redacted]	[redacted]	Separation
	33.4	[redacted]	[redacted]	[redacted]	[redacted]	Resigned
	9.4	[redacted]	[redacted]	[redacted]	[redacted]	Position Eliminated
	1.3	[redacted]	[redacted]	[redacted]	[redacted]	Position Eliminated
	10.9	[redacted]	[redacted]	[redacted]	[redacted]	Contract End
	4.2	[redacted]	[redacted]	[redacted]	[redacted]	Undetermined
	7.2	[redacted]	[redacted]	[redacted]	[redacted]	Contract End
	3.3	[redacted]	[redacted]	[redacted]	[redacted]	Position Eliminated
	0.1	[redacted]	[redacted]	[redacted]	[redacted]	Undetermined
	0.5	[redacted]	[redacted]	[redacted]	[redacted]	Undetermined
	1.9	[redacted]	[redacted]	[redacted]	[redacted]	Undetermined
	4.0	[redacted]	[redacted]	[redacted]	[redacted]	Contract End
	2.4	[redacted]	[redacted]	[redacted]	[redacted]	Reduction in Force
		[redacted]	[redacted]	[redacted]	[redacted]	

Note: Fourteen people were paid in two different fiscal years but all the payments for each individual in the table above were noted in the last fiscal year the individual received payment.

[a] According to the IIE Domestic Employee Handbook, July 1999, as revised August 2005, "terminated employees are paid a supplement of 1 week for each year of service. Partial service years are prorated and the maximum weeks allowed for total service time is 26 weeks."