

NATIONAL SCIENCE FOUNDATION
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ARLINGTON, VIRGINIA 22230



OFFICE OF
INSPECTOR GENERAL
MEMORANDUM

FILE COPY

07-1-015

DATE: MAR 30 2007

TO: David A. Elizalde, Director
Division of Acquisition and Cooperative Support

FROM: *Deborah H. Cureton*
Deborah H. Cureton
Associate Inspector General for Audit

SUBJECT: NSF OIG Audit Report No. 07-1-015 - Supplemental Schedule
Questioning Additional Fringe Benefit Costs to NSF OIG Audit Report
No. OIG-06-1-023, Audit of Raytheon Polar Services Company's Costs
Claimed For Fiscal Years 2003 to 2004

In response to NSF's request for audit assistance, we contracted with the Defense Contract Audit Agency (DCAA) to perform a series of audits of the Raytheon Polar Services Company's (RPSC) Fiscal Year (FY) 2000-2004 incurred cost proposal submitted under NSF Contract OPP-0000373. As these audits are completed and issued to the NSF OIG by DCAA's Herndon Branch Office, we provide the results and our recommendations to the Division of Acquisition and Cooperative Support (DACS) for appropriate action. We previously provided your office with two Defense Contract Audit Agency (DCAA) Audit Reports, dated September 25, 2006 and September 26, 2006 that provided the results of its audit of [REDACTED] in costs claimed for payment by RPSC under NSF Contract No. OPP-0000373 from January 1, 2003 through December 31, 2004.

The purpose of this memorandum is to transmit the results of DCAA's audit of RPSC's FY 2004 Fringe Benefits which resulted in questioned costs of [REDACTED]. At the time we issued the DCAA FY 2004 audit to your office the FY 2004 Fringe Benefit audit, performed by DCAA under a separate assignment, was not complete. RPSC claimed [REDACTED] in estimated fringe benefit costs. However, DCAA determined that the actual amount of Fringe Benefit costs incurred was [REDACTED]. Therefore, RPSC claimed more fringe benefit costs than it actually incurred, thus increasing questioned Fringe Benefit costs by [REDACTED]. These additional questioned 2004 Fringe Benefit costs increase DCAA's total questioned costs to [REDACTED], or [REDACTED] of the total [REDACTED] that RPSC claimed for payment for FYs 2003 and 2004. We are providing your office with an attachment that replaces Schedule B-2 of the original report (DCAA Audit Report No. 6161-2004P10100201, dated September 26, 2006).

We continue to recommend that NSF ensure that RPSC establishes adequate policies and procedures to routinely adjust the amount of its claimed costs to reflect actual rather than budgeted fringe benefit costs. Implementation of this recommendation will allow RPSC to report its costs correctly to NSF.

We are providing a copy of this memorandum to the Director of the Office of Polar Programs, the Director of Budget, Finance and Award Management, and the Director of the Division of Institution and Award Support. The responsibility for audit resolution rests with DACS. Accordingly, we ask that no action be taken concerning the report's findings without first consulting DACS at (703) 292-8242.

OIG Oversight of Audit

To fulfill our responsibilities under Government Auditing Standards, the Office of Inspector General:

- Reviewed DCAA's approach and planning of the audit;
- Monitored the progress of the audit at key points;
- Coordinated periodic meetings with DCAA and OIG management to discuss audit progress, findings, and recommendations;
- Reviewed the audit report, prepared by DCAA to ensure compliance with Government Auditing Standards and Office of Management and Budget Circulars; and
- Coordinated issuance of the audit report.

DCAA is responsible for the attached Schedule B-2 Fringe Benefits Computation of Audit Adjustments and the conclusions expressed. The NSF OIG does not express any opinion on the conclusions presented in DCAA's Schedule B-2.

We thank you and your staff for the assistance that was extended to us during the audit. If you have any questions about the attached schedule, please contact Kenneth Stagner or Jannifer Jenkins at (703) 292-4996.

Attachment: DCAA Audit Report No. 6161-2004P10100201-S1, Schedule B-2, Fringe Benefits Computation of Audit Adjustments, RTSC Polar FY 2004 Incurred Cost Audit, dated December 14, 2006.

cc: Karl Erb, Director, OPP
Thomas Cooley, Director, BFA
Mary Santonastasso, DIAS

**FRINGE BENEFITS
COMPUTATION OF AUDIT ADJUSTMENT**

Union Code	Fringe Pool	Audited Rate	Labor Base	Audited Fringe	Claimed Fringe	Questioned Costs (Upward Adjustment)
RTQ	21925	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
RTT	21903	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
RTJ	20912	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
R01	20900	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Total						
Total Fringe Questioned/Audit Adjustment						[REDACTED]

EXPLANATORY NOTE:

1. Fringe Expense:

a. Summary of Conclusions:

An audit of the claimed fringe expenses resulted in questioned costs of [REDACTED] for FY 2004. The questioned costs resulted from the application of audited RTSC rates as opposed to the contractor's claimed rates to the applicable fringe codes to Polar Services.

b. Basis of Contractor's Cost:

The contractor applies RTSC claimed fringe rates to the labor bases that the Polar program participates in. Participation is based on the various union codes applicable to the labor incurred.

c. Audit Evaluation:

We determined the applicable labor bases for each of the union codes that RPSC participates in. The RTSC audited fringe rates for FY 2004 were applied to the labor according to the union code associated with the labor bases. The applied fringe was then compared to the claimed fringe from the contractor's incurred cost submission for the same time frame resulting in an over application of claimed fringe cost of [REDACTED] (See Schedule B-2).