



National Science Foundation

4201 Wilson Boulevard
Arlington, Virginia 22230

Office of Inspector General

MEMORANDUM

DATE: September 30, 2011

TO: Jeffrey M. Lupis, Director
Division of Acquisition and Cooperative Support (DACS)

FROM: Dr. Brett M. Baker /s/
Assistant Inspector General for Audit

SUBJECT: NSF OIG Audit Report No. 11-1-18; *Independent Audit of EDJ Associates, Incorporated Post Award Accounting System*

At the request of the Director of NSF, we contracted with the Defense Contract Audit Agency (DCAA) Reston Branch Office, to perform a post award accounting system audit of EDJ Associates (EDJ). EDJ has several small contracts with NSF for conference and proposal processing support, including event planning, peer review support, and information management. We have attached the DCAA audit report on EDJ's accounting system.

The objective of this audit was to assess the adequacy of EDJ's accounting system to properly accumulate and bill costs under NSF awards, in accordance with federal and NSF requirements. DCAA reported that EDJ's accounting system is adequate for accumulating and billing costs on its government contracts.

The audit was performed in accordance with Government Auditing Standards.

We are providing a copy of this memorandum to NSF's program and administrative offices. 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;
- Evaluated the qualifications and independence of the auditors;
- Monitored the progress of the audit at key points;

- Coordinated periodic meetings with DCAA and NSF officials as necessary 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 audit report on EDJ and the conclusions expressed in the reports. The NSF OIG does not express any opinion on EDJ's accounting system or the conclusions presented in DCAA's audit reports and memorandum.

We thank you and your staff for the assistance extended to us during the audit. If you have any questions about this report, please contact Sherrye McGregor (703) 292-5003 or Jannifer Jenkins at (703) 292-4996.

Attachment: DCAA Audit Report No. 6321-2011H17741004, Independent Audit of EDJ Associates, Incorporated Post Award Accounting System

cc: Mary Santonastasso, CAAR
Paul Perez, DAS

Defense Contract Audit Agency



United States
Department of Defense



July 14, 2011

Independent Audit of EDJ Associates, Incorporated
Post Award Accounting System

AUDIT REPORT NO. 6321-2011H17741004

RESTRICTIONS:



[REDACTED]

[REDACTED]

[REDACTED]

DEFENSE CONTRACT AUDIT AGENCY

PREPARED FOR: Assistant Inspector General for Audit
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REFERENCES: Relevant Dates: See Page 5

CONTRACTOR: EDJ Associates, Incorporated
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(CAGE Code: 3CCR8)

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SUBJECT OF AUDIT

As you requested on September 21, 2010 , we examined EDJ Associates, Inc.'s accounting system as of June 15, 2011 to determine whether it is adequate for accumulating costs under Government contracts and whether the billing procedures are adequate for the preparation of cost reimbursement claims; i.e., interim public vouchers and progress payments.

EDJ Associates is responsible for establishing and maintaining an adequate accounting system for accumulating and billing costs under Government contracts. Our responsibility is to express an opinion on the adequacy of the accounting system based on our examination.

SCOPE OF AUDIT

We conducted our examination in accordance with Generally Accepted Government Auditing Standards (GAGAS), except DCAA does not currently have an external opinion on its quality control system as required by GAGAS 3.55. The most recent external quality control review opinion expired on August 26, 2009. GAGAS requires that we plan and perform the examination to obtain reasonable assurance about whether the data and records examined are free of material misstatement. An examination includes:

- obtaining an understanding of internal control for accumulating and billing costs under Government contracts;
- examining, on a test basis, evidence supporting the amounts and disclosures in the data and records evaluated;
- assessing the accounting principles used and significant estimates made by the contractor; and
- evaluating the overall data and records presentation.

We evaluated the accounting system using the applicable requirements contained in:

- Federal Acquisition Regulation (FAR);
- National Science Foundation Grant Policy Manual; and
- OMB Circular A-110 - Revised 11/19/93 as Further Amended 9/30/99.

Our examination included determining if the accounting system provides for the following procedures:

- direct and indirect costs are appropriately identified, accumulated, and reported;
- unallowable costs are appropriately identified and segregated;
- indirect costs are allocated equitably and consistently to contracts and other cost objectives;



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- direct and indirect labor costs are identified to intermediate or final cost objectives by the timekeeping system and charged to appropriate cost objectives by the labor distribution system;
- indirect billing rates are acceptable to the contracting officer or contract auditor in accordance with FAR 42.704;
- cost information for billings is based on currently posted accounting data;
- contractor and vendor costs are paid in accordance with subcontract and invoice terms and conditions and ordinarily paid prior to the contractor's next payment request to the Government; and
- contract billings are reviewed by management to assure compliance with contract terms and provisions; e.g., frequency of billings, special withholding provisions, contract unallowables, etc.

Our examination was performed from February 7, 2011 to June 15, 2011.

We believe that our examination provides a reasonable basis for our opinion.

The contractor claims exemption under 48 CFR 9903.201-1(b) (3) from the practices required by the Cost Accounting Standards Board rules and regulations because it considers itself a small business concern.

Our examination did not include tests to determine whether internal control is in operation or operating effectively. Because of inherent limitations in any internal control, misstatements due to error or fraud may occur and not be detected. Also, accounting system internal control is subject to the risk that the internal control may become inadequate because of changes in conditions.

RESULTS OF AUDIT

In our opinion, EDJ Associates' accounting system is adequate for accumulating and billing costs under Government contracts.

Our examination was limited to determining whether the contractor's accounting system is adequate for accumulating and billing costs under Government contracts. We did not perform a comprehensive examination of the contractor's overall accounting system and its related internal controls. Accordingly, we express no opinion on contractor's system of internal control taken as a whole.

We discussed the results of our examination with [REDACTED] Controller, in an exit conference held on June 23, 2011.

CONTRACTOR ORGANIZATION AND SYSTEMS

1. Organization

EDJ Associates is a closely held Corporation incorporated in the Commonwealth of Virginia in January 1999. EDJ provides services for the planning, design, and implementation of a wide range of projects in the areas of event planning, peer review support, and information management. For the calendar year ended December 31, 2010, the contractor had sales of [REDACTED] with the Governments share being 100 percent. At the end of CY 2010, the contractor had [REDACTED]

2. Accounting System

EDJ's accounting system is acceptable for accumulating and reporting costs under Government contracts. EDJ's accounting period is from January 1 to December 31. The contractor maintains an automated job-order cost accounting system utilizing the Deltek GCS accounting software. All direct costs associated with a project are accumulated under that project's specific project code. Indirect costs are accumulated in pools. These indirect costs are allocated to projects based on the specific pool's allocation base. The following schedule describes the contractors indirect cost pools and related allocation bases.

<u>Indirect Expense Pools</u>	<u>Description of Allocation Base</u>
[REDACTED]	[REDACTED]

3. Estimating System

We have not performed an estimating system survey at this contractor location.

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4. Billing System

We have not performed a billing system audit at this contractor location.

5. Cost Accounting Standards

The contractor claims exemption under 48 CFR 9903.201-1(b) (3) from the practices required by the Cost Accounting Standards Board rules and regulations because it considers itself a small business concern.

DCAA PERSONNEL

Primary contacts regarding this audit:

Telephone No.

[REDACTED]

[REDACTED]

Other contact regarding this audit report:

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

General information on audit matters is available at <http://www.dcaa.mil>.

RELEVANT DATES

Request for Audit: Dated September 21, 2010

Due Date: March 31, 2011

Revised Due Date: July 15, 2011

AUDIT REPORT AUTHORIZED BY:

[REDACTED]

[REDACTED]

AUDIT REPORT DISTRIBUTION

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(Copy furnished thru PCO)