

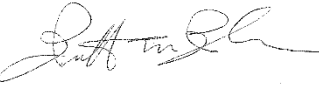


National Science Foundation • Office of Inspector General
4201 Wilson Boulevard, Suite I-1135, Arlington, Virginia 22230

MEMORANDUM

DATE: January 13, 2016

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

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

SUBJECT: NSF OIG Report No. OIG-16-6-002, Additional Information Concerning
*Independent Audit Report on CH2M Hill Constructors Inc.'s (CCI) Proposed
Amounts on Unsettled Flexibly Priced Contracts for FY 2008*

The purpose of this memo is to convey additional information related to the Defense Contract Audit Agency (DCAA) incurred cost audit of CH2M HILL Constructors, Inc. (CCI) for fiscal year (FY) 2008.¹ The audit covered approximately [REDACTED] in proposed costs on NSF Award No. ARC-0520837.

The DCAA incurred cost audit report identified \$373,815 of questioned NSF direct and indirect costs. However, [REDACTED] we obtained additional information from the DCAA auditors to determine the amount ultimately questioned for the audited NSF contract which also applies the subsequently negotiated final indirect cost rate.

The direct costs initially questioned by DCAA were [REDACTED]. However, DCAA informed us that based on indirect rates negotiated after the DCAA report was issued, the questioned direct costs dropped to [REDACTED]. Applying the NSF contract ceiling indirect rate of [REDACTED] to the questioned direct costs of [REDACTED], results in [REDACTED] of questioned indirect costs. Therefore, the adjusted total NSF questioned cost amount is \$346,543. [REDACTED]

¹ DCAA Audit Report No. 3151-2008E10100945, *Independent Audit Report on CH2M Hill Constructors Inc.'s (CCI) Proposed Amounts on Unsettled Flexibly Priced Contracts for FY 2008*, dated March 17, 2015, was issued by DCAA with a qualified opinion, due to material non-compliances with contract terms and scope limitations. This report was transmitted to NSF separately - OIG report number OIG-16-1-001.

The audits of CCI's home office allocations for FY 2008, which were also performed by DCAA, were factored into the calculations above and do not have any further impact on the amount of questioned costs applicable to NSF.²

We ask that you consider this additional information when resolving the questioned costs in OIG report OIG-16-1-001. No response to this memo is required. 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 at (703) 292-5003 or Jannifer Jenkins at (703) 292-4996.

Attachment: Schedule A

cc: Richard Buckius
Kelly Falkner
Mary Rouse
Martha Rubenstein
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Michael Van Woert
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² Both of CCI's home office allocation reports were transmitted to NSF separately: DCAA Audit Report No. 03151-2008E10100104, *Independent Audit Report on CH2M HILL Companies, Ltd.'s (LTD) Proposed Amounts on Unsettled Flexibly Priced Contracts for FY 2008*, dated November 13, 2014 – OIG report number OIG-16-1-003; and DCAA Audit Report No. 03151-2008E10100597, *Independent Audit Report on CH2M HILL Group Management's (Group) Proposed Home Office Allocation Amounts on Unsettled Flexibly Priced Contracts for FY 2008*, dated November 26, 2014 – OIG report number 16-1-002.

Schedule A

Questioned Costs Identified for NSF Contract No. ARC0520837

Cost Category	Questioned Amount	Cause	Auditee Response
Travel	\$554	Inadequate supporting documentation. Airline ticket cost charged to but not used for this contract	CCI concurred with the \$554 questioned airfare that was not used for the project due to employee illness.
Other Direct Costs	██████	Inadequate supporting documentation. CH2M HILL purchased several gift cards which it stated were provided to employees to purchase food supplies for the time the employee was on the project location. CH2M was not able to provide receipts showing how each gift card was used by the employee to ensure only allowable items were purchased.	CCI stated that due to the age of the transactions, not all of the documentation was available.
Affiliated Subcontractors	██████	Inadequate supporting documentation. The proposed amount of Fringe and G&A for CH2M HILL commercial entities is unallowable because CH2M HILL has not supported the costs and the entities have not submitted an incurred cost proposal for FY 2008. The allocating company should submit certified incurred cost proposals for any years it allocates costs to government flexibly priced contracts.	Final questioned costs based on negotiated indirect rates are ██████ DCAA stated that CCI should concur to the full questioned amount.
Total Questioned Direct Costs	██████		
Questioned Indirect Costs (questioned direct cost ██████)	██████		
Total Questioned Costs	\$346,543		