



UNITED STATES DEPARTMENT OF EDUCATION
OFFICE OF INSPECTOR GENERAL

Audit Services
New York Audit Region

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ED-OIG/A02I0024

Jack Hayon
Vice President - Finance
Educational Testing Service
Rosedale Road
Mailstop 01-C
Princeton, NJ 08541

Dear Mr. Hayon:

This **Final Audit Report**, entitled *Audit of NAEP Contract, ETS Incurred Costs under Contract No. ED-02-CO-0023*, presents the results of our audit. The purpose of the audit was to determine whether the direct labor costs (excluding employee benefits) and other direct costs incurred under the Educational Testing Service (ETS) National Assessment of Educational Progress (NAEP) contract No. ED-02-CO-0023 were reasonable, allowable, and allocable in accordance with the terms and conditions of the contract and applicable acquisition regulations. Our audit period was January 1, 2006, through December 31, 2006.

BACKGROUND

The NAEP, often referred to as “The Nation’s Report Card,” was authorized under The National Assessment of Educational Progress Improvement Act to provide, in a timely manner, a fair and accurate measurement of educational achievement in reading, mathematics, and other content areas. The NAEP reports directly to the Commissioner of Education Statistics at the National Center for Education Statistics (NCES) located in the Institute of Education Sciences, U.S. Department of Education (ED). There were six core components in the NAEP operations: (1) Alliance Coordination; (2) Design, Analysis, and Reporting; (3) Item Development; (4) Materials Preparation, Distribution, and Scoring; (5) Sampling and Data Collection; and (6) Web Operations and Maintenance.

NCES contracted with ETS and other organizations, referred to as the NAEP Alliance, to perform the core components of the NAEP operations. ETS was awarded the Alliance Coordination and Design, Analysis, and Reporting components under ED contract No. ED-02-CO-0023 (NAEP 2002-2007) on September 16, 2002. This NAEP 2002-2007

contract with ETS was a 5-year, cost-plus-fixed-fee contract with value estimated at more than \$90 million as of June 2007. This contract was extended on September 29, 2006, for a revised end date of April 2008.¹

Under the NAEP 2002-2007 contract, it was the responsibility of ETS to: (1) ensure coordination among the contractors in the team and to maintain data for tracking the program progress; (2) design all pilot and field tests, operational assessments, and special studies; (3) analyze data to ensure the reporting of valid results; (4) propose and study psychometric and statistical analyses compatible with previous NAEP methodologies; (5) determine the data needed to meet the goals for reporting; (6) prepare reports; and (7) develop items in mathematics, reading, science, and writing.

During our audit period, ETS submitted 12 monthly invoices for costs incurred totaling \$17,197,521, excluding the fixed fee. Direct labor costs (permanent and temporary staff salaries) accounted for 34 percent of the total costs, and other direct costs (ODC) accounted for 7 percent. The remaining 59 percent of the costs were for overhead and benefits.

AUDIT RESULTS

We sampled \$1,086,864 from a total of \$7,083,231 in ODC and labor costs. We found ETS charged \$57,747 of unallowable costs and \$46,772 of unsupported costs to the NAEP contract. In addition, we found that ETS did not always properly report incurred costs in appropriate cost categories on its invoices. In other matters, we noted that ETS improperly billed ED \$2,715,917 of unallowable post-retirement medical benefits expenses and imputed interest.

In its comments to the draft report, ETS partially agreed with findings 1 and 2 but did not specifically comment on finding 3. ETS concurred with all recommendations, including the recommendations for finding 3, except recommendations 1.1 and 2.1 where it partially agreed. ETS' comments are summarized at the end of each finding.

Except for personally identifiable information (that is, information protected under the Privacy Act of 1974 (5 U.S.C. § 552a)), the entire narrative of ETS' comments is included as Attachment C to this report. All personally identifiable information mentioned in ETS' comments was either replaced with bracketed text or redacted.

¹ ETS was also awarded three components under the NAEP 2008-2012 operations. On September 27, 2007, ETS was awarded contracts ED-07-CO-0078, ED-07-CO-0082, and ED-07-CO-0107. The estimated value of the three new contracts totaled more than \$94 million.

FINDING 1 – ETS Charged \$57,747 of Unallowable Costs to the Contract

From our sample of \$1,086,864, ETS charged \$57,747 of unallowable costs to the contract. The unallowable costs consisted of \$29,450 for unreasonable meals, alcoholic beverages, and a birthday cake; \$15,298 in improperly calculated labor charges; \$4,669 for ED employees' meals; \$2,572 for unreasonable lodging charges; \$2,179 for meeting commitment fee incurred from "no-show" attendees; \$1,706 for "no-show" and double billed lodging charges; \$1,291 in overcharged mainframe costs; \$300 in unallocable freight charges; and \$282 for pet sitting service charges. For details of the unallowable costs, see Attachment A.

According to the NAEP contract, ETS was to (a) provide space, equipment, and lunch, if necessary, for the meetings between contractors; (b) provide meeting space and accommodations, if required, for the Standing Committees meetings; and (c) pay associated costs for meeting space, refreshments during the meeting day, and travel expenses (including lodging and meals outside the meeting day) for Design and Analysis Committees (DAC) members, ETS staff, and its design, analysis, and reporting (DAR) subcontractors who attended the DAC meetings.

Per the NAEP Contract, Section H.7, entitled Payment of Travel Expenses and Fees for ED Employees, ETS shall not use any contract funds to pay travel expenses for ED employees for lectures, attending program functions, or any activities in connection with this contract.

Office of Management and Budget (OMB) Circular A-122, Cost Principles for Non-Profit Organizations, states:

- Costs of alcoholic beverages are unallowable;
- To be allowable under a contract, costs must be (1) accorded consistent treatment, (2) adequately documented, (3) consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the organization and accorded consistent treatment, and (4) reasonable for the performance of the contract, and in determining the reasonableness of a given cost, consideration shall be given to whether the cost is generally recognized as ordinary and necessary for the performance of the contract;
- A cost is allocable to a particular cost objective, such as a contract, in accordance with the relative benefits received or if it is incurred specifically for the contract; and
- In the absence of an acceptable, written non-profit organization policy regarding travel costs, the rates and amounts established under subchapter I of Chapter 57, Title 5 United State Code, or by the Administrator of General Services, shall apply to travel under Federal award.

ETS charged unallowable costs totaling \$57,747 to the NAEP contract because (1) ETS lacked controls to ensure it consistently complied with the contractual terms and its own

policies, procedures, and practices; (2) ETS did not effectively communicate with ED Contract and Acquisitions Management (CAM) staff in determining the reasonableness of costs; and (3) ETS' Travel Policy did not exclude items that were unallowable under the Federal regulations.

Recommendation

We recommend that the Chief Financial Officer (CFO), in collaboration with the Director of the Institute of Education Sciences (IES), require ETS to:

- 1.1 Return the \$57,747 of unallowable costs, with applicable interest, to ED.
- 1.2 Review all costs charged to the contract that were not in our sample and return any additional unallowable costs, and determine the effect on the indirect cost rates, if any.
- 1.3 Establish and implement a process and controls to ensure that costs charged to the contract are reasonable and allowable according to the terms of the contract and treated consistently with ETS' policies, procedures, and practices.
- 1.4 Update its Travel Policy to remove reimbursement provisions for unallowable costs to Federal contracts per Federal regulations.

ETS Comments

ETS partially agreed with the finding and recommendation 1.1, and agreed with recommendations 1.2 through 1.4. Of the \$57,747 identified as unallowable, ETS contended that only \$18,355 was unallowable. ETS disputed the remaining \$39,392 of the questioned costs and provided the following comments:

1. The \$28,638 in meal charges for breakfasts and dinners should be allowable because these meals related to DAC and Standing Committees meetings, which required overnight accommodations. ETS cited OMB Circular A-122 which defines travel costs as "expenses for transportation, lodging, subsistence, and related items" and that ETS was responsible for paying the travel expenses related to the DAC meetings. Therefore, ETS stated it was responsible for paying subsistence related to the DAC meetings. Further, it believed that it should include breakfast and dinner for the Standing Committees meetings because it was responsible for providing accommodations for those meetings.
2. The \$4,669 for ED employees' meals should be allowable because meetings that these ED employees attended were not lectures or simple program functions but were instead part of ongoing operational work on the project. ETS stated that it provided food during the meetings to accommodate working meetings throughout the working day. The meetings in question represented an important opportunity to meet face-to-face with NCES (ED) and gain critical guidance or reach decisions regarding the direction of the program. Also, at no point were government funds used to pay directly for government employees travel expenses.
3. The \$2,572 in lodging charges were considered reasonable and consistent with other lodging costs normally reimbursed under the ETS travel policy relating to

- other non-federally funded activities. ETS stated it followed its own written travel policy for the meetings in question and that OMB Circular A-122 indicates that such costs [travel costs] may be charged on an actual basis provided that the method used results in charges consistent with those normally allowed by the organization in its regular operations.
4. The \$2,179 in questioned meeting commitment fee and the \$1,334 for no-show (\$962) and doubled billed lodging charges (\$372) pertained to group meetings. ETS contended that these meetings were convened at the request of ED and paid out of a contractual obligation. Further, ETS contended its travel policy section on no-show charges applied only to individual travelers and not to group meetings.

OIG Response

We considered ETS' response to the finding and recommendation 1.1; however, our position remains unchanged. Our response to each of ETS comments are presented below:

1. The OMB Circular A-122 section on travel expenses refers to individual employees of the non-profit organization who travel for official business. It does not refer to group meetings or conferences where extra fees and expenses are usually added. OMB Circular A-122 further states that costs must be reasonable, and one of the factors in determining reasonableness is the restraints or requirements imposed by the terms and conditions of the contract. In this case, the NAEP contract did not specify that breakfasts and dinners were to be provided in meetings. Therefore, charges for breakfast and dinner provided during these meetings were not allowable.
2. The fact that the meetings in question were important opportunities to meet face-to-face with NCES does not present an exception to the NAEP contract's terms and conditions. The contract stated that ETS shall not use *any* contract funds to pay travel expenses (i.e., subsistence and related items) for ED employees related to lectures, attending program functions, or *any activities* in connection with this contract. Also, ETS' statement that at no point were government funds used to pay directly for government employee travel expenses is not supported because ETS did use the contract funds to directly pay for ED employees' meals.
3. Although OMB Circular A-122 states that travel costs *may* be charged on an actual cost basis, it further states that travel costs shall be considered reasonable and allowable *only* to the extent such costs do not exceed charges normally allowed by the non-profit organization in its regular operations as the result of its written travel policy. However, ETS' travel policy is not an acceptable written policy for determining the reasonableness of lodging costs because ETS' travel policy only provided a guideline and it was not consistently being followed. We found 8 out of 11 meetings reviewed had lodging rates that exceeded the guideline stated in ETS' travel policy. According to OMB Circular A-122, in the absence of an acceptable written non-profit organization policy, the GSA rate should be used. As a result, we used GSA's Federal Travel Regulations.

4. ETS' treatment of the no-show costs was not consistent because ETS stated that its travel policy on no-show charges only applied to individual travelers and not to meeting participants. As stated in the finding, to be allowable under a contract, costs must be accorded consistent treatment. ETS should have treated the no-show costs consistently to minimize the Federal government's loss. For the double billed hotel charges, ETS agreed that double-booked room charges were unallowable but only agreed that half of the total \$744 doubled billed charges, or \$372, was unallowable. However, ETS did not provide additional information to support its position that only half of the \$744 should be unallowable, therefore, the entire amount, \$744, remains unallowable.

In addition, we modified the table in Attachment A to include the amounts ETS agreed with or disputed.

FINDING 2 – ETS Charged \$46,772 of Unsupported Costs to the Contract

From our sample of \$1,086,864, we found that ETS could not provide adequate support for \$46,772 it charged to the contract. The unsupported costs included \$21,687 for meeting meal charges; \$6,681 for meals provided to unverified attendees, \$6,318 for charges from the hotel meeting package; \$3,807 in labor charges; \$3,800 in consultant charges; \$2,749 for "business conferences" and dinners with alcoholic beverages; \$1,610 in parking charges; and \$120 in gratuities. For details of the unsupported costs, see Attachment B.

According to the NAEP contract, ETS was to (a) provide space, equipment, and lunch, if necessary, for the meetings between contractors; (b) provide meeting space and accommodations, if required, for the Standing Committees meetings; and (c) pay associated costs for meeting space, refreshments during the meeting day, and travel expenses (including lodging and meals outside the meeting day) for DAC members, ETS staff, and its DAR subcontractors who attended the DAC meetings.

OMB Circular A-122, Attachment A, A.2 states that for costs to be allowable under a contract, the costs must be adequately documented.

Further, FAR 52.215-2 states that the contractor shall make records for all costs claimed to have been incurred directly or indirectly in performance of the contract available at its office at all reasonable times for 3 years from the time of the final payment under the contract.

The NAEP contract was charged unsupported costs totaling \$46,772 because ETS did not have policies and procedures in place to ensure that costs charged to the NAEP contract were properly supported and documented. Also, ETS did not follow its record retention policy in maintaining records for the labor charges.

Recommendation

We recommend that the CFO, in collaboration with the Director of IES, require ETS to:

- 2.1 Return the \$46,772 of unsupported costs, with applicable interest to ED, or provide support.
- 2.2 Review all costs charged to the contract that were not in our sample and return any additional unsupported costs and determine the effect on the indirect cost rates, if any.
- 2.3 Establish and implement policies and procedures to ensure that costs charged to the NAEP contract are properly supported and documented.
- 2.4 Establish controls to ensure its record retention policy is enforced.

ETS Comments

ETS mostly disagreed with the finding and recommendation 2.1 and agreed with recommendations 2.2 through 2.4. Of the \$46,772 in question, ETS agreed that \$1,757 was unsupported. ETS disputed the remaining \$45,015 and provided additional documents for \$2,267 in questioned labor charges. ETS' comments on the disputed \$45,015 are summarized below:

1. For the questioned meal charges of \$21,687, although the charges did not include a breakdown by meal, any breakfast and dinners in question were related to DAC and Standing Committees meetings because most participants' travel distance required overnight accommodations. ETS reiterated that OMB Circular A-122's definition for travel costs includes subsistence and related items. Since ETS was responsible for paying the travel expenses, it was responsible for paying subsistence related to the meetings.
2. For the \$6,681 in lunch charges for unverified meeting attendees, ETS stated that the Puerto Rico Department of Education (PRDE) maintained the list of invitees to this meeting. ETS requested the list of meeting attendees from PRDE but had not yet received any documentation.
3. For the \$6,318 in meeting costs for a Standing Committees meeting, ETS stated that these meal charges were allowable because most participants' travel distance required overnight accommodations. ETS reiterated that it believed it should include breakfast and dinner for the Standing Committees meetings because it was responsible for providing accommodations for those meetings.
4. Of the \$3,807 questioned labor charges, ETS stated that it obtained supporting invoices for \$2,267, but it had not been able to locate payment information. It provided (a) a copy of an invoice prepared by the temporary employee, [Individual A]; (b) two invoices from the temporary employment agency (Adecco Employment Services) showing the hours billed to ETS in December 2005 and January 2006; and (c) data from ETS' time and labor (T&L) system. ETS further explained that the \$2,267 was for [Individual A]'s hours incurred in May 2005, but this was not processed through the Adecco Employment Services until 7 or 8 months later.

5. For the \$3,800 in consultant fees, ETS indicated that on November 26, 2008, a meeting attendee list was provided confirming the attendance of [Individual B] who received \$800. The remaining \$3,000 was paid to [Individual C] and it was made into a finding because the purchase order had lapsed at the end of the previous month. ETS further stated that [Individual B]'s and [Individual C]'s attendance was not in question.
6. For the \$2,749 in question, ETS stated it verified that \$1,897 of "business conferences" meals costs had a meeting purpose and attendees and that no alcohol costs were charged to the NAEP contract. For the amounts that it could not verify that the charges excluded alcohol, ETS assumed unallowable alcohol charges of 20 percent, or \$159.²
7. For \$1,610 in parking charges, ETS has requested the meeting attendees list from PRDE but has not yet received any documentation.
8. ETS "checked" with the hotel and was told that the \$120 for gratuity was for bellman gratuity for 24 bags because the hotel had a routine charge of \$5 per bag.

OIG Response

We considered ETS' response to the finding and recommendation 2.1; however, our position remains unchanged. For ETS comments 1, 2, 3, 7, and 8, because ETS did not provide additional documentation or support to sustain its position, the charges in question remain unsupported.

For comment 4, ETS provided certain documents, but it did not include the weekly timesheet. Based on our review of the other Adecco Employment Services charges in our sample, the timesheet was required and used by Adecco Employment Services for billing ETS. Without the timesheet, we could not verify that the hours were correct or that the work was authorized and signed off by an ETS employee. Without the payment information, we could not verify that these charges were actually paid and that ETS should have been reimbursed for these charges.

For comment 5, the meeting attendee list ETS provided on November 26, 2008, for [Individual B] who received \$800 was not consistent with the names recorded in the meeting summary provided on May 20, 2008. The validity of the documents ETS provided is questionable because they contained conflicting information. As for [Individual C] who received \$3,000, ETS officials informed us that there should have been a new contract letter for [Individual C]'s services rendered in October 2006 because the existing letter expired in September 2006. However, ETS never provided a copy of the new contract. Without the new contract, it was not possible to determine whether the service and/or payment were approved and authorized.

² In addition to the \$159 that ETS assumed unallowable, it agreed that \$58 of the honor bar charge was unallowable. In total, ETS agreed that \$217 was unallowable.

For comment 6, ETS did not provide adequate documentation that detailed the validity of these dinners (\$1,897) as business related conferences. Further, ETS did not provide any basis to support its assumption of 20 percent unallowable alcohol costs.

In addition, we modified the table in Attachment B to include the amounts ETS agreed with or disputed.

FINDING 3 – ETS Improperly Reported Certain Cost Categories on Its Invoices

ETS did not always report incurred costs in the appropriate invoice cost categories to reflect where the funds were actually spent. From the 12 monthly invoices reviewed, we found ETS reported adjustments for permanent staff labor charges as temporary staff charges in 5 of the invoices.³ These permanent staff labor adjustments represented manual accruals, year-end “true-ups”⁴ for benefits and division overhead, and the labor dilution adjustment applied to permanent staff charges. However, ETS reported these adjustments improperly under the line item “Adjustments” in the temporary staff category on the invoices without any explanation.

ETS also improperly reported the Test Creation System (TCS) costs. According to ETS, TCS costs were indirect costs, but were reported as a direct cost line item under the ODC category on the invoices. These TCS costs were calculated using a fixed percentage that was based on the items (test questions) developed and the TCS pool that was used to accumulate expenses incurred to support the systems and operations of ETS’ Assessment Development group. ETS officials stated that these TCS costs were clearly indirect costs, and that they were instructed by ED’s Contracting Officer’s Representative to report these costs under the ODC line item. Starting January 2007, ETS changed the methodology for calculating the TCS costs and created a new line item for reporting these costs under the permanent staff category. Since 2007 was not in our scope, we did not review the appropriateness of the TCS charges reported under the new line item.

According to Attachment C of the NAEP contract, the contractor was required to submit proper invoices for payment. A proper invoice process includes the contractor providing information on where the funds were spent.

Attachment C of the NAEP contract also states that ED has the responsibility to pay the invoice after it determines that the costs are reasonable, allocable, and allowable. To make that determination, ED must receive a detailed invoice with the costs broken out. ETS did not communicate with CAM staff for clarification on how the detailed costs should be reported on its invoices. As a result, ETS did not provide sufficient and

³ ETS’ invoices contained the following major cost categories: (1) Permanent Staff, (2) Temporary Staff, (3) Other Direct Costs, and (4) Overhead. These four cost categories were further broken down into line item cost categories.

⁴ ETS performed adjustments called “true-ups” to reflect the actual costs incurred.

accurate invoice information for ED to adequately determine whether the costs were reasonable, allocable, and allowable. Consequently, ED made payments to ETS based on cost information that was inaccurately reported on the invoices.

Recommendation

We recommend that the CFO, in collaboration with the Director of IES, require ETS to:

- 3.1 Implement procedures, with approval from ED CAM, to accurately report detailed costs on its future invoices.
- 3.2 Review and determine if the TCS costs incurred from 2007 and forward were reported under the proper cost category.

ETS Comments

ETS did not comment on this finding but agreed with the recommendations. It indicated that it has implemented reporting procedures and reviewed the TCS costs.

OTHER MATTERS

During the second week of our audit, ETS informed us that it had improperly billed ED \$1,981,715 of post-retirement medical benefits expenses under the NAEP 2002-2007 contract. ETS improperly billed ED from the inception of the contract in September 2002 through December 2007. The estimated \$1,981,715 of improper billing was a result of ETS' inclusion of the "fully funded" post-retirement medical benefits in the total benefits expense charged to ED.⁵

ETS maintained a post-retirement medical benefits plan for retired employees and last funded the plan in 1999. According to OMB Circular A-122, Attachment B, the costs of the organization's pension plan are allowable if the costs assigned to a given fiscal year are funded within 6 months after the end of that year. Since ETS did not fund the plan during the contract period, the post-retirement medical benefits expenses were unallowable charges to the contract. ETS excluded these post-retirement medical benefits expenses when calculating the Federal overhead expense but included them when calculating the total benefits expense charged to the contract.

Approximately 3 months subsequent to ETS' disclosure of the improper billings to OIG, ETS revised the total improper billing amount to \$2,307,327. The revised amount included (1) the unallowable post-retirement medical benefits expenses billed to ED under the "NAEP 1996-1998 National and State SAR and Development Cooperative Agreement" and the "NAEP 2000 Development, Analysis and Reporting Cooperative

⁵ ETS last funded the post-retirement benefit plan in September 1999 because the plan's return was sufficient to fund the plan itself.

Agreement;” and (2) the actual unallowable amount billed to ED under the NAEP 2002-2007 contract.

ETS contracted with Amper, Politziner & Mattia, P.C. (APM) to verify the improper billing amount through agreed upon procedures. In APM’s report dated May 30, 2008, APM indicated that it recomputed the \$2,336,842 improper billing amount and found no exceptions. APM also calculated the imputed interest through April 2008 on the improper billings to be \$379,075. In total, ETS’ liability amounted to \$2,715,917, including interest. The \$2,715,917 improper billing amount was based solely upon APM’s report which was furnished to OIG. OIG did not review the work of APM in verifying this amount.

This matter has been referred to the appropriate authorities for further review.

Subsequent to the issuance of the draft report, ETS entered into an agreement with ED to facilitate the repayment of the improper billings. On April 22, 2009, ETS remitted \$2,715,917 to ED by wire transfer.

OBJECTIVE, SCOPE, AND METHODOLOGY

The audit objective was to determine whether the direct labor costs (excluding employee benefits) and ODC incurred under the ETS NAEP 2002-2007 contract were reasonable, allowable, and allocable in accordance with the terms and conditions of the contract, and applicable acquisition regulations during the period, January 1, 2006 through December 31, 2006. The original survey objective was to determine whether the costs incurred under the ETS NAEP 2002-2007 contract were reasonable, allowable, and allocable in accordance with the terms and conditions of the contract and applicable acquisition regulations during the period from August 1, 2006 through September 30, 2007. Due to ETS’ improper billings to ED for post-retirement medical benefit expenses under the NAEP 2002-2007 contract, we revised the objective and the scope.

To accomplish our audit objective, we:

- Reviewed ED contract No. ED-02-CO-0023, related modifications, tasks orders, the deliverable order, and applicable acquisition regulations;
- Reviewed ETS accounting policies and procedures relevant to our audit objective; Obtained an understanding of ETS’ practices pertaining to T&L and ODC through interviews with ETS staff and review of ETS’ policies and procedures;
- Analyzed and verified the accuracy of the 12 monthly invoices for the audit period;

- Reviewed ETS' consolidated financial statements and OMB A-133 reports for the year ended December 31, 2006;
- Reviewed supporting accounting data from ETS' PeopleSoft system for charges on the 12 monthly invoices for the audit period;⁶
- Judgmentally sampled June 2006, the month with the highest dollar amount, totaling \$717,650, from permanent staff labor charges totaling \$5,516,218;
- Judgmentally sampled June 2006, the month with the highest dollar amount, totaling \$44,079, from temporary staff labor charges totaling \$392,472;
- Randomly selected \$227,376 and judgmentally selected \$2,445 of travel costs,⁷ and randomly selected \$95,314 of non-travel costs, from a total of \$1,174,541 in ODC;
- Verified the sampled June 2006 permanent staff salaries charged to the contract by (1) validating the total hours, (2) recomputing the hourly rates, and (3) applying the applicable hourly rates to the hours to determine the total charges;
- Verified the total hours charged and the hourly rates to the vendor invoices for the sampled June 2006 temporary staff salaries;
- Traced the amount charged to the contract to the invoices and reviewed them for allowability for the sampled non-travel costs;
- Reviewed supporting travel vouchers and meeting invoices, attendee lists, and meeting summaries to determine the allowability of sampled travel costs; and
- Reviewed cancelled checks and bank payment confirmations for sampled ODC.

To achieve our audit objective, we relied, in part, on computer-processed data obtained from ETS' PeopleSoft system. We verified the accuracy and completeness of the data by comparing the data to the costs claimed on the monthly invoices submitted to ED. We randomly and judgmentally selected samples from the labor costs and ODC for testing. Based on our testing, we concluded that the computer-processed data were sufficiently reliable for the purpose of our audit.

We conducted this audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

⁶ PeopleSoft was ETS' main financial accounting system.

⁷ We judgmentally sampled the \$2,445 unselected remaining balances of the invoices in the random sample.

ADMINISTRATIVE MATTERS

Statements that managerial practices need improvements, as well as other conclusions and recommendations in this report, represent the opinions of the Office of Inspector General. Determinations of corrective action to be taken, including the recovery of funds, will be made by the appropriate Department of Education officials in accordance with the General Education Provisions Act.

If you have any additional comments or information that you believe may have a bearing on the resolution of this audit, you should send them directly to the following Department of Education officials, who will consider them before taking final Departmental action on this audit:

Thomas P. Skelly
Acting Chief Financial Officer
Office of the Chief Financial Officer
U.S. Department of Education
400 Maryland Avenue, SW, Room 5W313
Washington, DC 20202

Sue Betka
Acting Director
Institute of Education Sciences
U.S. Department of Education
555 New Jersey Avenue, NW, Room 600-G
Washington, DC 20208

It is the policy of the U. S. Department of Education to expedite the resolution of audits by initiating timely action on the findings and recommendations contained therein. Therefore, receipt of your comments within 30 days would be appreciated.

In accordance with the Freedom of Information Act (5 U.S.C. § 552), reports issued by the Office of Inspector General are available to members of the press and general public to the extent information contained therein is not subject to exemptions in the Act.

Sincerely,

/s/
Daniel P. Schultz
Regional Inspector General
for Audit

Attachments

Attachment A

**DETAILS FOR FINDING 1
ETS Charged \$57,747 of Unallowable Costs to the Contract**

Cost Type	Unallowable Amount	Amount ETS Agreed	Amount ETS Disagreed	
Meals	\$28,638			
Alcoholic Beverages & Birthday Cake	812			
	} \$29,450	\$812	\$28,638	(1)
Labor Charges	15,298	15,298		(2)
ED Employees' Meals	4,669		4,669	(3)
Unreasonable Lodging Charges	2,572		2,572	(4)
Meeting Commitment Fee	2,179		2,179	(5)
"No-show" and Double-Billed Lodging Charges	1,706	372	1,334	(6)
Mainframe Usage Charges	1,291	1,291		(7)
Freight Charges	300	300		(8)
Pet Sitting Service	282	282		(9)
Total Unallowable Charges	<u>\$57,747</u>			
Amount ETS Agreed/Disagreed		<u>\$18,355</u>	<u>\$39,392</u>	

- (1) The \$29,450 represents meal charges for the unallowable breakfasts and dinners (\$28,638) provided to ETS employees,⁸ other NAEP contractors' employees, NCES staff, and others during various types of meetings; alcoholic beverage charges (\$739); and a birthday cake (\$73). OMB Circular A-122 states that for costs to be allowable under a contract, costs must be reasonable; and in determining the reasonableness of a cost, consideration shall be given to the restraints or requirements imposed by the terms and conditions of the contract. According to the contract, ETS was to (a) provide space, equipment, and lunch, if necessary, for the meetings between contractors; (b) provide meeting space and accommodations, if required, for the Standing Committees meetings; and (c) pay associated costs for meeting space, refreshments during the meeting day, and travel expenses (including lodging and meals outside the meeting day) for DAC members, ETS staff, and its DAR subcontractors who attended the DAC meetings. Since the contract did not specify breakfast and dinner be provided during meetings, charges for breakfasts and dinners for meetings are unallowable. Further, per OMB Circular A-122, costs of alcoholic beverages in meetings are unallowable.

⁸ The invoices for the \$28,638 of unallowable meal charges contained the cost breakdown for individual dinners, breakfasts, lunches, and/or breaks.

Attachment A

- (2) The \$15,298 represents the unallowable labor charges resulting from improperly calculated hourly rates. ETS subtracted the hours from seven employees' regularly scheduled hours but not the dollar amounts associated with these hours when it calculated the diluted hourly rates.⁹ This caused the employees' hourly rates to increase improperly, and as a result, the contract was overcharged. Per OMB Circular A-122, Attachment A, A.2, to be allowable under a contract, costs must be accorded consistent treatment and adequately documented.
- (3) The \$4,669 represents the portion of meal charges paid, under travel expenses, for ED employees who attended various meetings. Per the contract, Section H.7, Payment of Travel Expenses and Fees for ED Employees, ETS shall not use any contract funds to pay the travel expenses for ED employees related to lectures, attending program functions, or any activities in connection with this contract. Therefore, these meal charges are unallowable.
- (4) The \$2,572 represents the unreasonable lodging costs that exceeded 125 percent of the lodging per diem rates established by the General Services Administration (GSA). OMB Circular A-122 states that in the absence of an acceptable written policy regarding travel costs, the rates and amounts established by the GSA shall apply. We concluded that ETS' guideline was not an equitable basis for determining the reasonableness of lodging costs because 8 out of 11 meetings in our sample had lodging rates greater than the \$125 guideline stated in ETS' Travel Policy. We conservatively used 125 percent of GSA lodging per diem rates as a basis for determining the reasonableness of lodging charges, because according to GSA's Federal Travel Regulations § 301-74.8, Federal agencies are allowed to exceed the GSA lodging per diem rates by up to 25 percent for conferences. Therefore, lodging costs that exceeded 125 percent of the GSA per diem rates are unreasonable, and thus, unallowable.
- (5) The \$2,179 represents the meeting package (including lodging and three meals) commitment fee that ETS was charged when meeting attendees failed to show up. According to ETS' Travel Policy, hotel no-show (cancellation) charges are non-reimbursable expenses. ETS should not have paid these charges under its Travel Policy, and therefore, ETS should not have charged the NAEP contract. Also, per OMB Circular A-122, to be allowable under a contract, costs must be (1) consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the organization and (2) accorded consistent treatment.

⁹ ETS performed a year-end T&L journal entry adjustment ("dilution") to ensure all labor charges incurred in the fiscal year were properly accounted for. The "dilution" adjustment was necessary to capture (by either subtracting or adding) all the hours not previously reported by the employees, hours not previously approved by their supervisors within the appropriate month, or hours removed that were not allocable to the specific project.

Attachment A

- (6) The \$1,706 represents lodging charges incurred from meeting attendees who did not show up (\$962) and hotels' double billed lodging costs (\$744). According to ETS' Travel Policy, hotel no-show (cancellation) charges are non-reimbursable expenses. Therefore, ETS should not have paid the \$962 of lodging charges and ETS should not have charged it to the contract. Also, per OMB Circular A-122, to be allowable under a contract, costs must be allocable to a contract in accordance with the relative benefits received. Double billed lodging costs are not allocable to the contract because the contract did not receive benefits from it; hence, the \$744 is not allowable.
- (7) The \$1,291 represents the mainframe usage costs that ETS overcharged the NAEP contract. According to OMB Circular A-122, to be allowable under a contract, costs must be allocable to the contract in accordance with the relative benefits received. The overcharged mainframe costs are not allocable to the contract because the actual rates charged to the contract were higher than the rates charged by the vendor; hence, these charges are not allowable.
- (8) The \$300 represents the freight charges incurred for a package sent to Korea for a non-NAEP contract, SAT program. According to OMB Circular A-122, to be allowable under a contract, costs must be allocable under [OMB Circular A-122] principles. A cost is allocable to a particular cost objective, such as a contract, in accordance with the relative benefits received or if it is incurred specifically for the contract. The freight charges were not incurred for the NAEP contract and are therefore unallowable.
- (9) The \$282 represents pet sitting service charges that ETS reimbursed to its employees. Per OMB Circular A-122, Attachment A, to be allowable under a contract, costs must be reasonable for the performance of the contract; and in determining the reasonableness of a given cost, consideration shall be given to whether the cost is generally recognized as ordinary and necessary for the performance of the contract. Pet care was a reimbursable item in ETS' Travel Policy; however, these charges were not a type of cost that is generally recognized as ordinary and necessary for the performance of a contract. Therefore, these charges were not a reasonable cost to the contract.

Attachment B

DETAILS FOR FINDING 2
ETS Charged \$46,772 of Unsupported Costs to the Contract

Cost Type	Unsupported Amount	Amount ETS Agreed	Amount ETS Disagreed	
Meeting Meal Charges	\$21,687		21,687	(1)
Meals to Unverified Attendees	6,681		6,681	(2)
Hotel Meeting Package	6,318		6,318	(3)
Labor Charges	3,807	1,540	2,267	(4)
Consultant Charges	3,800		3,800	(5)
"Business Conferences" and Dinners with Alcohol	2,749	217	2,532	(6)
Parking Charges	1,610		1,610	(7)
Gratuities	120		120	(8)
Total Unsupported Charges	<u>\$46,772</u>			
Amount ETS Agreed/Disagreed		<u>\$1,757</u>	<u>\$45,015</u>	

- (1) The \$21,687 represents meal charges for breakfasts, lunches, and breaks provided during meetings where we could not determine the applicable allowable and unallowable amounts due to the lack of cost breakdown information.¹⁰ These breakfasts and lunches were for ETS employees, other NAEP contractors' employees, NCES staff, and others who attended various types of meetings. These meal charges were based on per-person meeting package rates that included breakfasts, lunches, and continuous breaks. According to the contract, ETS was to (a) provide space, equipment, and lunch, if necessary, for the meetings between contractors; (b) provide meeting space and accommodations, if required, for the Standing Committees meetings; and (c) pay associated costs for meeting space, refreshments during the meeting day, and travel expenses (including lodging and meals outside the meeting day) for DAC members, ETS staff, and its DAR subcontractors who attended the DAC meetings. Since the contract did not specify breakfast and dinner be provided during meetings, charges for breakfasts and dinners for meetings are unallowable. Because there was no cost breakdown for the charges for breakfasts, lunches, or breaks, we could not determine the applicable allowable and unallowable amount for these meeting meals. Per OMB Circular A-122, Attachment A, A.2, to be allowable under a contract, costs must be adequately documented.

¹⁰ The invoices for the \$21,687 of unsupported meeting meal charges did not contain the cost breakdown for individual breakfasts, lunches, and/or breaks.

Attachment B

- (2) The \$6,681 represents lunch charges for unverified meeting attendees. The lunch charges were for 140 individuals for whom ETS could not provide adequate support, such as names, to verify their attendance at a meeting. Per OMB Circular A-122, Attachment A, A.2, to be allowable under a contract, costs must be adequately documented.
- (3) The \$6,318 represents meeting costs for a Standing Committees meeting that ETS could not provide detailed breakdowns to determine the allowable lodging amount or the unallowable amounts for meeting meals. These charges were based on the hotel's per-person meeting package rate that included lodging, three-meal (breakfast, lunch, and dinner), and meeting space costs. According to the contract, ETS was to provide meeting space and accommodations, if required, for the Standing Committees meetings. Since the contract did not specify meals to be provided during these meetings, these meals were unallowable. Because there was no cost breakdown for the charges for lodging or meals, we could not determine the allowable amounts for lodging or the unallowable amounts for meeting meals.
- (4) The \$3,807 represents labor charges for which ETS could not provide support. ETS' officials informed us that the temporary staff time sheets and invoices were stored at ETS' record retention facility, and these had to be retrieved. Although requested, ETS did not provide us with the invoice and payment information for the \$3,807 in temporary staff charges. As a result, we could not determine that these charges were actually incurred and paid. Per OMB Circular A-122, Attachment A, A.2, to be allowable under a contract, costs must be adequately documented. Further, FAR 52.215-2 states that the contractor shall make records for all costs claimed to have been incurred directly or indirectly in performance of the contract available at its office at all reasonable times for 3 years from the time of the final payment under the contract.
- (5) The \$3,800 represents consultant fees paid to two NAEP committee members for an October 2006 meeting (\$3,000) and a March 2006 meeting (\$800). ETS provided an email stating that it had a purchase order for January 1, 2006, through September 30, 2006, for the individual who attended an October 2006 meeting, but it could not locate the new contract for October 2006 to support the \$3,000 charges. For the March 2006 meeting, ETS could not provide valid documentation to show that the individual who received the \$800 actually attended the meeting. According to OMB Circular A-122, Attachment A, A.2, to be allowable under a contract, costs must be adequately documented.
- (6) The \$2,749 represents the dinner costs claimed by ETS employees. ETS employees claimed \$2,511 as "business conference" expenses on their travel vouchers. However, for these "business conferences," ETS did not provide documentation that detailed (a) the purpose of these dinners or who attended them

Attachment B

- since the vouchers we reviewed did not provide this information, or (b) the validity of the dinners as business related conferences because alcoholic beverages were served during these dinners. ETS employees also claimed \$180 in dinner costs that included alcoholic beverages without segregating the unallowable alcoholic beverages or specifying who and how many actually attended the dinners. In addition, we could not determine the allowability of a \$58 “honor bar” charge from a hotel bill because there was no documentation showing whether it included alcoholic beverages. According to OMB Circular A-122, Attachment A, A.2, to be allowable under a contract, costs must be adequately documented.
- (7) The \$1,610 represents parking charges incurred during meetings. ETS did not provide documentation to show who incurred these charges. As a result, we could not determine the validity of these charges. According to OMB Circular A-122, Attachment A, A.2, to be allowable under a contract, costs must be adequately documented.
 - (8) The \$120 represents a gratuity amount on a hotel’s invoice for one meeting. This charge showed up on the hotel invoice with a date that was 3 days after the meeting. There was no explanation or information on who incurred the charge, when it was incurred, or what was it for. As a result, we could not determine the validity of this charge. According to OMB Circular A-122, Attachment A, A.2, to be allowable under a contract, costs must be adequately documented.

Attachment C



Educational Testing Service
Rosedale Road
Princeton, NJ 08541

March 27, 2009

Jack Hayon
Vice President
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Mr. Daniel Schultz
Regional Inspector General for Audit
U.S. Department of Education
Office of Inspector General
Financial Square
32 Old Slip, 26th Floor
New York, New York 10005

Dear Mr. Schultz:

We have reviewed the draft audit report dated February 27, 2009, Control Number ED-OIG/A02I0024, for the audit entitled *Audit of NAEP Contract, ETS Incurred Costs under Contract No. ED-02-CO-0023*. As requested, this letter provides our written comments on the findings and recommendations within 30 days of the issued draft report.

The attached provides an overall response to each specific recommendation in the draft report. In addition, we have provided responses to Attachments A and B which provide detail of the audit findings. Lastly, we have also provided a brief analysis (Schedule A) as a summary of our response.

I would like to express my appreciation for the professional manner in which you and your staff conducted the audit fieldwork and for allowing us the opportunity to respond to the draft report before its issuance.

Please let me know if you require any additional information.

Sincerely,

/s/
Jack Hayon
Vice President, Finance
Educational Testing Service

Attachment C

2006 NAEP New Millennium OIG Audit Draft – ETS Reply

RECOMMENDATION 1 (page 5 of DRAFT Audit Report)

We recommend that the Chief Financial Officer (CFO), in collaboration with the Director of the Institute of Education Sciences (IES), require ETS to:

- 1.1 Return the \$57,747 of unallowable costs, with applicable interest, to ED.
- 1.2 Review all costs charged to the contract that were not in our sample to determine and return any additional unallowable costs, and determine the effect on the indirect cost rates, if any.
- 1.3 Establish and implement a process and controls to ensure that costs charged to the contract are reasonable and allowable according to the terms of the contract and treated consistently with ETS' policies, procedures, and practices.
- 1.4 Update its Travel Policy to remove reimbursement provisions for unallowable costs to Federal contracts per Federal regulations.

ETS RESPONSE

- 1.1 *Of the \$57,747 identified as unallowable costs, ETS believes that only \$18,355 was unallowable. Our position is detailed in response to the specific components of the \$57,747 outlined in Attachment A of the audit report.*
- 1.2 *ETS agrees with the recommendation to review the unselected Labor Charges and Mainframe Charges to determine the effect on the indirect cost rates, if any. Given our substantial compliance in the other cost categories, ETS proposes to extrapolate the findings to determine the appropriate amount to be reimbursed.*
- 1.3 *ETS will be implementing a separate NAEP travel policy and additional review procedures by April 30 to ensure that only allowable costs are charged on government contracts, including the design and use of a separate travel voucher form for federal contracts.*
- 1.4 *We have reinforced existing travel voucher approval procedures with an additional review for unallowable charges.*

RECOMMENDATION 2 (page 6 of DRAFT Audit Report)

We recommend that the CFO, in collaboration with the Director of IES, require ETS to:

- 2.1 Return the \$46,772 of unsupported costs, with applicable interest to ED, or provide support.
- 2.2 Review all costs charged to the contract that were not in our sample to determine and return any additional unsupported costs, and determine the effect on the indirect cost rates, if any.
- 2.3 Establish and implement policies and procedures to ensure that costs charged to the NAEP contract are properly supported and documented.
- 2.4 Establish controls to ensure its record retention policy is enforced.

ETS RESPONSE

- 2.1 *Of the \$46,772 identified as unsupported costs, ETS believes that only \$1,757 was unsupported. Our position is detailed in response to the specific components of the \$46,772 outlined in Attachment B of the audit report.*
- 2.2 *Same as 1.2*
- 2.3 *Same as 1.3*
- 2.4 *We will be implementing a tracking and storage tool for meeting documentation and will also investigate whether additional controls are needed for records retention.*

Attachment C
2006 NAEP New Millennium OIG Audit Draft – ETS Reply

RECOMMENDATION 3 (page 7 of DRAFT Audit Report)

We recommend that the CFO, in collaboration with the Director of IES, require ETS to:

- 3.1 Implement procedures, with approval from ED CAM, to accurately report detailed costs on its future invoices.
- 3.2 Review and determine if the TCS costs incurred from 2007 and forward were reported under the proper cost category.

ETS RESPONSE

- 3.1 *Effective October 2007, ETS has implemented reporting procedures to accurately report detailed costs on its invoices. Adjustments for permanent staff labor charges are no longer included as temporary staff charges in the reports. We will confirm that this is approved by and meets the requirements of ED CAM.*
- 3.2 *ETS has reviewed the TCS costs incurred from 2007 and forward and has determined that the costs are reported under the proper cost category.*

The following pages contain ETS's responses to the specific findings included in Attachments A and B of the DRAFT Audit Report.

Attachment C

2006 NAEP New Millennium OIG Audit Draft – ETS Reply

Attachment A

DETAILS FOR FINDING 1
ETS Charged \$57,747 of Unallowable Costs to the Contract

Unallowable Cost Type Amount

Meals	\$28,638		
Alcoholic Beverages & Birthday Cake	812	\$29,450	(1)
Labor Charges		15,298	(2)
ED Employees' Meals		4,669	(3)
Unreasonable Lodging Charges		2,572	(4)
Meeting Commitment Fee		2,179	(5)
"No-show" and Double-Billed Lodging Charges		1,706	(6)
Mainframe Usage Charges		1,291	(7)
Freight Charges		300	(8)
Pet Sitting Service		282	(9)
Total Unallowable Charges		<u>\$57,747</u>	

(1) The \$29,450 represents meal charges for the unallowable breakfasts and dinners (\$28,638) provided to ETS employees, other NAEP contractors' employees, NCES staff, and others during various types of meetings; alcoholic beverage charges (\$739); and a birthday cake (\$73). OMB Circular A-122 states that for costs to be allowable under a contract, costs must be reasonable; and in determining the reasonableness of a cost, consideration shall be given to the restraints or requirements imposed by the terms and conditions of the contract. According to the contract, ETS was to (a) provide space, equipment, and lunch, if necessary, for the meetings between contractors; (b) provide meeting space and accommodations, if required, for the Standing Committees meetings; and (c) pay associated costs for meeting space, refreshments during the meeting day, and travel expenses (including lodging and meals outside the meeting day) for DAC members, ETS staff, and its DAR subcontractors who attended the DAC meetings. Since the contract did not specify breakfast and dinner be provided during meetings, charges for breakfasts and dinners for meetings are unallowable. Further, per OMB Circular A-122, costs of alcoholic beverages in meetings are unallowable.

(1 – ETS Reply) We agree that an alcoholic beverage charge for \$739 and birthday cake for \$73 were incorrectly charged to the NAEP contract. However, we do not agree that the \$28,638 for meals was unallowable. The breakfasts and dinners in question relate to DAC meetings and Standing Committee meetings, for which most participants' travel distance required overnight accommodations.

As clarification, both types of meetings were critical to the operational success of the NAEP program. DAC meetings involved discussions with external technical experts that led to implementation decisions regarding assessment design, analysis procedures, and methodologies.

Attachment C

2006 NAEP New Millennium OIG Audit Draft – ETS Reply

In the case of Standing Committee meetings, external subject-area and assessment experts reviewed and revised test questions to ensure they were valid, fair, and grade-appropriate.

The DAR Technical Proposal (Part 1) Task 2.5.1.1, The Design and Analysis Committee (DAC) states that "ETS will be responsible for paying travel expenses...for DAC members and staff of ETS and its DAR subcontractors." Per OMB Circular No. A-122, Cost Principles for Non-Profit Organizations, "Travel costs are the expenses for transportation, lodging, subsistence, and related items...." Thus, since ETS was responsible for paying the travel expenses related to DAC meetings, it was responsible for paying for subsistence related to those meetings. In addition, the RFP Solicitation No. ED-02-R-0015, Section 2.5.1.2, Subject-Related Standing Committees states that "The contractor shall provide for meeting space and accommodations, if required." Since ETS was responsible for providing for accommodations for the Standing Committee meetings, we believe that should include meals, including breakfast and dinner. These Committee members were not also reimbursed a per diem for those same meals.

(2) The \$15,298 represents the unallowable labor charges resulting from improperly calculated hourly rates. ETS subtracted the hours from seven employees regularly scheduled hours, but not the dollar amounts associated with these hours when it calculated the diluted hourly rates. This caused the employees' hourly rates to increase improperly, and as a result, the contract was overcharged. Per OMB Circular A-122, Attachment A, A.2, to be allowable under a contract, costs must be accorded consistent treatment and adequately documented.

(2 – ETS Reply) We agree with the finding. On June 11, 2008, ETS shared a handout with the auditors, which outlined the corrective steps that have been taken. These include:

#1 Absence without Pay (NPO) time excluded from T&L calculation -- Corporate Accounting group to include "NPO" Time Reporting Code in its Year-End Time & Labor Adjustment Journal Entry, effective January 2008.

#2 Missing Time never corrected -- Enhancements made to the Peoplesoft Time & Labor System in CY2007 will prevent this type of error from recurring.

#3 Part-Time Staff not entering HOL Holiday Time -- It is the supervisor / primary approver's responsibility to assure that Holiday time entered is accurate.

#4 Missing Time due to Short-Term Disability -- Corporate Accounting group to include "STD" Time Reporting Code in its Year-End T&L Adjustment Journal Entry, effective January 2008.

(3) The \$4,669 represents the portion of meal charges paid, under travel expenses, for ED employees who attended various meetings. Per the contract, Section H.7, Payment of Travel Expenses and Fees for ED Employees, ETS shall not use any contract funds to pay the travel expenses for ED employees related to lectures, attending program functions, or any activities in connection with this contract. Therefore, these meal charges are unallowable.

(3 – ETS Reply) We disagree that these charges should be unallowable. ETS provided food during these DAC and Standing Committee meetings to accommodate working meetings throughout the working day. We believe that providing food during meetings was allowable under the contract. At no point were government funds used to pay directly for government employee travel expenses. The meetings in question were not lectures or simple program

Attachment C

2006 NAEP New Millennium OIG Audit Draft – ETS Reply

functions, but were instead part of ongoing operational work on the project.

As clarification, both types of meetings were critical to the operational success of the NAEP program. DAC meetings involved discussions with external technical experts that led to implementation decisions regarding assessment design, analysis procedures, and methodologies. In the case of Standing Committee meetings, external subject-area and assessment experts reviewed and revised test questions to ensure they were valid, fair, and grade-appropriate.

Each of the meetings in question represented an important opportunity to meet face-to-face with NCES and gain critical guidance or reach decisions regarding the direction of the program.

(4) The \$2,572 represents the unreasonable lodging costs that exceeded 125 percent of the lodging per diem rates established by the General Services Administration (GSA). OMB Circular A-122 states that in the absence of an acceptable written policy regarding travel costs, the rates and amounts established by the GSA shall apply. We concluded that ETS' guideline was not an equitable basis for determining the reasonableness of lodging costs because 8 out of 11 meetings in our sample had lodging rates greater than the \$125 guideline stated in ETS' Travel Policy. We conservatively used 125 percent of GSA lodging per diem rates as a basis for determining the reasonableness of lodging charges, because according to GSA's Federal Travel Regulations § 301-74.8, Federal agencies are allowed to exceed the GSA lodging per diem rates by up to 25 percent for conferences. Therefore, lodging costs that exceeded 125 percent of the GSA per diem rates are unreasonable, and thus, unallowable.

(4 – ETS Reply) We disagree. Per OMB Circular A-122 (see subparagraph 55.b: “Such costs may be charged on an actual basis...provided the method used results in charges consistent with those normally allowed by the organization in its regular operations.”), ETS followed its own written travel policy for the meetings in question. The amounts reimbursed were considered reasonable and consistent with other lodging costs normally reimbursed pursuant to the ETS travel policy relating to other activities not financed with federal funding.

(5) The \$2,179 represents the meeting package (including lodging and three meals) commitment fee that ETS was charged when meeting attendees failed to show up. According to ETS' Travel Policy, hotel no-show (cancellation) charges are non reimbursable expenses. ETS should not have paid these charges under its Travel Policy and therefore, ETS should not have charged the NAEP contract. Also, per OMB Circular A-122, to be allowable under a contract, costs must be (1) consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the organization and (2) accorded consistent treatment.

(5 – ETS Reply) We disagree. The ETS travel policy section on no-show charges applies only to individual travelers. The fees in question pertained to a group meeting – convened at the request of ED, and attended predominantly by committee members – which does not apply to the policy referenced since the fee was paid directly to the meeting location and not to individual employees.

(6) The \$1,706 represents lodging charges incurred from meeting attendees who did not show up (\$962) and hotels' double billed lodging costs (\$744). According to ETS' Travel Policy, hotel no-show (cancellation) charges are non-reimbursable expenses. Therefore, ETS

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2006 NAEP New Millennium OIG Audit Draft – ETS Reply

should not have paid the \$962 of lodging charges and ETS should not have charged it to the contract. Also, per OMB Circular A-122, to be allowable under a contract, costs must be allocable to a contract in accordance with the relative benefits received. Double billed lodging costs are not allocable to the contract because the contract did not receive benefits from it; hence, the \$744 is not allowable.

(6 – ETS Reply) We agree that hotel rooms were double-booked on two occasions in the amount of \$372 (\$744/2). With regard to the remaining \$1,334, the ETS travel policy section on no-show charges applies only to individual travelers. The fee was paid out of a contracted obligation. See also our reply to (5) above.

(7) The \$1,291 represents the mainframe usage costs that ETS overcharged the NAEP contract. According to OMB Circular A-122, to be allowable under a contract, costs must be allocable to the contract in accordance with the relative benefits received. The overcharged mainframe costs are not allocable to the contract because the actual rates charged to the contract were higher than the rates charged by the vendor; hence, these charges are not allowable.

(7 – ETS Reply) ETS agrees with the audit finding. A unit rate table that resides in the ETS Peoplesoft accounting system is used to calculate Mainframe project charges. Starting in 2008, these unit rates were established to reflect auditable Computer Sciences Corporation (CSC) base billing rates. These billing rates change annually.

(8) The \$300 represents the freight charges incurred for a package sent to Korea for a non-NAEP contract, SAT program. According to OMB Circular A-122, to be allowable under a contract, costs must be allocable under [OMB Circular A-122] principles. A cost is allocable to a particular cost objective, such as a contract, in accordance with the relative benefits received or if it is incurred specifically for the contract. The freight charges were not incurred for the NAEP contract and are therefore unallowable.

(8 – ETS Reply) We agree that \$300 in freight charges were incorrectly charged to the NAEP contract.

(9) The \$282 represents pet sitting service charges that ETS reimbursed to its employees. Per OMB Circular A-122, Attachment A, to be allowable under a contract, costs must be reasonable for the performance of the contract; and in determining the reasonableness of a given cost, consideration shall be given to whether the cost is generally recognized as ordinary and necessary for the performance of the contract. Pet care was a reimbursable item in ETS' Travel Policy; however, these charges were not a type of cost that is generally recognized as ordinary and necessary for the performance of a contract. Therefore, these charges were not a reasonable cost to the contract.

(9 – ETS Reply) We agree. Although these charges were permissible under ETS travel policy when incurred, we are not objecting to the finding. ETS's policy has since been revised.

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2006 NAEP New Millennium OIG Audit Draft – ETS Reply

Attachment B

DETAILS FOR FINDING 2
ETS Charged \$46,772 of Unsupported Costs to the Contract

Unsupported Cost Type	Amount
Meeting Meal Charges	\$21,687 (1)
Meals to Unverified Attendees	6,681 (2)
Hotel Meeting Package	6,318 (3)
Labor Charges	3,807 (4)
Consultant Charges	3,800 (5)
"Business Conferences" and Dinners with Alcohol	2,749 (6)
Parking Charges	1,610 (7)
Gratuities	120 (8)
Total Unsupported Charges	<u>\$46,772</u>

(1) The \$21,687 represents meal charges for breakfasts, lunches, and breaks provided during meetings where we could not determine the applicable allowable and unallowable amounts due to the lack of cost breakdown information. These breakfasts and lunches were for ETS employees, other NAEP contractors' employees, NCES staff, and others who attended various types of meetings. These meal charges were based on per-person meeting package rates that included breakfasts, lunches, and continuous breaks. According to the contract, ETS was to (a) provide space, equipment, and lunch, if necessary, for the meetings between contractors; (b) provide meeting space and accommodations, if required, for the Standing Committees meetings; and (c) pay associated costs for meeting space, refreshments during the meeting day, and travel expenses (including lodging and meals outside the meeting day) for DAC members, ETS staff, and its DAR subcontractors who attended the DAC meetings. Since the contract did not specify breakfast and dinner be provided during meetings, charges for breakfasts and dinners for meetings are unallowable. Because there was no cost breakdown for the charges for breakfasts, lunches, or breaks, we could not determine the applicable allowable and unallowable amount for these meeting meals. Per OMB Circular A-122, Attachment A, A.2, to be allowable under a contract, costs must be adequately documented.

(1 – ETS Reply) We disagree that there were \$21,687 of unsupported meals charged to the contract. Although the charge in question did not include a breakdown by meal, any breakfasts and dinners in question relate to DAC meetings and Standing Committee meetings, for which most participants' travel distance required overnight accommodations.

As clarification, both types of meetings were critical to the operational success of the NAEP program. DAC meetings involved discussions with external technical experts that led to implementation decisions regarding assessment design, analysis procedures, and methodologies. In the case of Standing Committee meetings, external subject-area and assessment experts reviewed and revised test questions to ensure they were valid, fair, and grade-appropriate.

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The DAR Technical Proposal (Part 1) Task 2.5.1.1, The Design and Analysis Committee (DAC) states that “ETS will be responsible for paying travel expenses...for DAC members and staff of ETS and its DAR subcontractors.” Per OMB Circular No. A-122, Cost Principles for Non-Profit Organizations, “Travel costs are the expenses for transportation, lodging, subsistence, and related items....” Thus, since ETS was responsible for paying the travel expenses related to DAC meetings, it was responsible for paying for subsistence related to those meetings. In addition, the RFP Solicitation No. ED-02-R-0015, Section 2.5.1.2, Subject-Related Standing Committees states that “The contractor shall provide for meeting space and accommodations, if required.” Since ETS was responsible for providing for accommodations for the Standing Committee meetings, it is our understanding that should include meals, including breakfast and dinner. These Committee members were not also reimbursed a per diem for those same meals.

(2) The \$6,681 represents lunch charges for unverified meeting attendees. The lunch charges were for 140 individuals for whom ETS could not provide adequate support, such as names, to verify their attendance at a meeting. Per OMB Circular A-122, Attachment A, A.2, to be allowable under a contract, costs must be adequately documented.

(2 – ETS Reply) We disagree. The Puerto Rico Department of Education maintained the list of invitees to this invitational conference. The conference report documented that the purpose of the meeting was to educate a large group of teachers from the region about the development and aims on the NAEP 2007 Mathematics Pilot Assessment. ETS requested the list of meeting attendees from the Puerto Rico Department of Education, but has not yet received any documentation.

(3) The \$6,318 represents meeting costs for a Standing Committees meeting that ETS could not provide detailed breakdowns to determine the allowable lodging amount or the unallowable amounts for meeting meals. These charges were based on the hotel’s per-person meeting package rate that included lodging, three-meal (breakfast, lunch, and dinner), and meeting space costs. According to the contract, ETS was to provide meeting space and accommodations, if required, for the Standing Committees meetings. Since the contract did not specify meals to be provided during these meetings, these meals were unallowable . Because there was no cost breakdown for the charges for lodging or meals, we could not determine the allowable amounts for lodging or the unallowable amounts for meeting meals.

(3 – ETS Reply) We disagree that charges for meals at Standing Committee meetings, for which most participants’ travel distance required overnight accommodations, are unallowable.

As clarification, these meetings were critical to the operational success of the NAEP program. The Standing Committee members, who are external subject-area and assessment experts, reviewed and revised test questions to ensure they were valid, fair, and grade-appropriate.

The RFP Solicitation No. ED-02-R-0015, Section 2.5.1.2, Subject-Related Standing Committees states that “The contractor shall provide for meeting space and accommodations, if required.” We believe that should include meals, including breakfast and dinner. These Committee members were not also reimbursed a per diem for those same meals.

Attachment C

2006 NAEP New Millennium OIG Audit Draft – ETS Reply

(4) The \$3,807 represents labor charges for which ETS could not provide support. ETS' officials informed us that the temporary staff time sheets and invoices were stored at ETS' record retention facility, and these had to be retrieved. Although requested, ETS did not provide us with the invoice and payment information for the \$3,807 in temporary staff charges. As a result, we could not determine that these charges were actually incurred and paid. Per OMB Circular A-122, Attachment A, A.2, to be allowable under a contract, costs must be adequately documented. Further, FAR 52.215-2 states that the contractor shall make records for all costs claimed to have been incurred directly or indirectly in performance of the contract available at its office at all reasonable times for three years from the time of the final payment under the contract.

(4 – ETS Reply) We have obtained supporting invoices for [Individual A]'s time charges for \$2,267 (see Schedule C). We agree with the finding for the remaining \$1,540. Although we have timesheets showing that the individuals logged their time, we have not been able to locate documents indicating proof of payment for the temporary labor charges.

(5) The \$3,800 represents consultant fees paid to two NAEP committee members for an October 2006 meeting (\$3,000) and a March 2006 meeting (\$800). ETS provided an email stating that it had a purchase order for January 1, 2006 through September 30, 2006 for the individual who attended an October 2006 meeting, but it could not locate the new contract for October 2006 to support the \$3,000 charges. For the March 2006 meeting, ETS could not provide valid documentation to show that the individual who received the \$800 actually attended the meeting. According to OMB Circular A-122, Attachment A, A.2, to be allowable under a contract, costs must be adequately documented.

(5 – ETS Reply) We disagree with the findings. The \$800 pertained to [Individual B]'s participation at the March 2006 NAEP Reading Standing Committee Meeting. On 11/26/08, subsequent to fieldwork, we submitted a meeting attendee list confirming [Individual B]'s attendance at the meeting. The \$3,000 was paid to [Individual C] for his participation at the October 2006 NAEP Math Bilingual Meeting in Ponce, Puerto Rico. The finding was made because the purchase order had lapsed at the end of the previous month. [Individual B]'s and [Individual C]'s attendance is not in question. Neither is the obligation to pay for services rendered in support of the contract.

(6) The \$2,749 represents the dinner costs claimed by ETS employees. ETS employees claimed \$2,511 as "business conference" expenses on their travel vouchers. However, for these "business conferences", ETS did not provide documentation that detailed (a) the purpose of these dinners or who attended them since the vouchers we reviewed did not provide this information, or (b) the validity of the dinners as business related conferences because alcoholic beverages were served during these dinners. ETS employees also claimed \$180 in dinner costs that included alcoholic beverages without segregating the unallowable alcoholic beverages or specifying who and how many actually attended the dinners. In addition, we could not determine the allowability of a \$58 "honor bar" charge from a hotel bill because there was no documentation showing whether it included alcoholic beverages. According to OMB Circular A-122, Attachment A, A.2, to be allowable under a contract, costs must be adequately documented.

Attachment C

006 NAEP New Millennium OIG Audit Draft – ETS Reply

(6 – ETS Reply) We partially disagree. For the Business Conference meals of \$2,511, there is a Section F “Business Conferences Expenses” on Page 2 of the ETS Employee Expense Report, where employees are asked to provide the meeting purpose and attendees. This documentation was supplied with the original submission to the auditors, and there is \$1,897 of the vouchers that we could verify attendees/meeting purpose/no alcohol charged (see Schedule B). For the remaining Business Conference meals, the meeting purpose and participants were documented, but we could not verify that the charges did not include alcohol. In those cases we are assuming a 20% alcohol charge that is unallowable, or \$123.

With respect to the \$180 in dinner costs for ETS employees which did not specifically segregate alcoholic beverages, if any, we are assuming 20% for alcohol, or \$36. We agree that the \$58 honor bar charge is not allowable since we could not document that it did not include alcoholic beverages.

(7) The \$1,610 represents parking charges incurred during meetings. ETS did not provide documentation to show who incurred these charges. As a result, we could not determine the validity of these charges. According to OMB Circular A-122, Attachment A, A.2, to be allowable under a contract, costs must be adequately documented.

(7 – ETS Reply) We disagree. The conference report documented that the purpose of the meeting was to educate a large group of teachers from the region about the development and aims on the NAEP 2007 Mathematics Pilot Assessment. The Puerto Rico Department of Education maintained the list of invitees to this meeting. ETS has requested the list of meeting attendees from the Puerto Rico Department of Education, but has not yet received any documentation.

(8) The \$120 represents a gratuity amount on a hotel’s invoice for one meeting. This charge showed up on the hotel invoice with a date that was three days after the meeting. There was no explanation or information on who incurred the charge, when it was incurred, or what was it for. As a result, we could not determine the validity of this charge. According to OMB Circular A-122, Attachment A, A.2, to be allowable under a contract, costs must be adequately documented.

(8 – ETS Reply) We disagree. ETS checked with the hotel (Hilton Alexandria Mark Center, 703-845-1010) and spoke with [Individual D] at x6373; he indicated that the bellman gratuity is a \$5 per bag charge, and is a routine charge added to a conference bill based on the number of bags handled (in this case for 24 bags).

Attachment C

SCHEDULE A

2006 NAEP New Millennium OIG Audit Draft - ETS Reply

Item	FINDING 1: Unallowable Cost Type	Amount	Agree	Disagree
1	Meals, Alcoholic Beverages & Birthday Cake	\$ 29,450	\$ 812	\$ 28,638
2	Labor Charges	15,298	15,298	-
3	ED Employees' Meals	4,669	-	4,669
4	Unreasonable Lodging Charges	2,572	-	2,572
5	Meeting Commitment Fee	2,179	-	2,179
6	"No-show" and Double-Billed Lodging Charges	1,706	372	1,334
7	Mainframe Usage Charges	1,291	1,291	-
8	Freight Charges	300	300	-
9	Pet Sitting Service	282	282	-
Subtotal Unallowable		\$ 57,747	\$ 18,355	\$ 39,392

Item	FINDING 2: Unsupported Cost Type	Amount	Agree	Disagree
1	Meeting Meal Charges	\$ 21,687	\$ -	\$ 21,687
2	Meals to Unverified Attendees	6,681	-	6,681
3	Hotel Meeting Package	6,318	-	6,318
4	Labor Charges (Temporary Staff)	3,807	1,540	2,267
5	Consultant Charges	3,800	-	3,800
6	"Business Conferences" and Dinners with Alcohol	2,749	217	2,532
7	Parking Charges	1,610	-	1,610
8	Gratuities	120	-	120
Subtotal Unsupported		\$ 46,772	\$ 1,757	\$ 45,015

GRAND TOTAL		\$ 104,519	\$ 20,112	\$ 84,407
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Attachment C

2006 NAEP New Millennium OIG Audit Draft - ETS Reply
SCHEDULE B

Sample No	Journal ID No	In Sample	Traveler Name	ID	Location	Description	Date of Travel	Conferences	Unknown Meals	Estimated Unallowable Charges	ETS Notes	OIG Comments
36	TRV0005808	Yes	[Individual E]	27613	Princeton, NJ	Scoring Planning Meeting	2/27/2006	\$ 542.26	\$ -	\$ -	Verified, see travel voucher section F, alcohol charged to non-billable project.	Dinner w/ Alcohol or Unknown Purpose/Participants
36	TRV0005808	Yes	[Individual E]	27613	Princeton, NJ	NAEP History Scoring	3/14/2006	\$ 623.70	\$ -	\$ -	Verified, see travel voucher section F, alcohol charged to non-billable project.	Dinner w/ Alcohol or Unknown Purpose/Participants
36	TRV0005808	Yes	[Individual F]	93616	Princeton, NJ	Scoring Meeting	3/13/2006	\$ 486.24	\$ -	\$ -	Verified, see travel voucher section F, alcohol charged to non-billable project.	Dinner w/ Alcohol or Unknown Purpose/Participants
37	TRV006125	Yes	[Individual G]	28500	San Francisco, CA	AERA Conference	4/9/2006	\$ -	\$ 40.00	\$ 8.00	Amount represents the individual portion of a group meal, which contained alcohol. Assume 20% of meal is unallowable.	Dinner w/ Alcohol & Unknown Purpose/Participants
37	TRV006125	Yes	[Individual G]	28500	San Francisco, CA	AERA Conference	4/10/2006	\$ -	\$ 50.00	\$ 10.00	Amount represents the individual portion of a group meal, which contained alcohol. Assume 20% of meal is unallowable.	Dinner w/ Alcohol & Unknown Purpose/Participants
37	TRV006125	Yes	[Individual H]	25212	San Francisco, CA	AERA Conference	4/9/2006	\$ -	\$ 40.00	\$ 8.00	Amount represents the individual portion of a group meal, which contained alcohol. Assume 20% of meal is unallowable.	Hotel over 125% Per Diem & Dinner w/ Alcohol & Unknown Purpose/Participants
37	TRV006125	Yes	[Individual H]	25212	San Francisco, CA	AERA Conference	4/10/2006	\$ -	\$ 50.00	\$ 10.00	Amount represents the individual portion of a group meal, which contained alcohol. Assume 20% of meal is unallowable.	Hotel over 125% Per Diem & Dinner w/ Alcohol & Unknown Purpose/Participants
39	TRV007126	Yes	[Individual E]	27613	Mesa, AZ	Scoring Meeting	4/13/2006	\$ 135.62	\$ -	\$ 27.12	Meeting purpose and participants documented - see travel voucher section F. Assume 20% of meal is unallowable.	Dinner w/ Alcohol or Unknown Purpose/Participants
43	TRV007126	Yes	[Individual I]	25277	Bethesda, MD	NAEP Reading State Review	5/23/2006	\$ 139.32	\$ -	\$ -	Verified, see travel voucher section F, alcohol charged to non-billable project.	Dinner w/ Alcohol & Unknown Participants
43	TRV007126	Yes	[Individual J]	25880	Dearborn, MI	NAGB Meeting	5/18/2006	\$ 63.94	\$ -	\$ 12.79	Amount represents the individual portion of a group meal, which contained alcohol. Assume 20% of meal is unallowable.	Hotel over 125% Per Diem & Dinner w/ Alcohol & Unknown Participants
43	TRV007126	Yes	[Individual J]	25880	Dearborn, MI	NAGB Meeting	5/20/2006	\$ -	\$ 58.00	\$ 58.00	could not verify	Hotel's "honor bar" charge
51	TRV0006650	Yes	[Individual K]	27361	Tucson, AZ	NAEP Economics Scoring	4/7/2006	\$ 105.27	\$ -	\$ -	Verified, see travel voucher section II, no alcohol.	Hotel over 125% Per Diem & Dinner w/ Alcohol & Unknown Participants
51	TRV0006650	Yes	[Individual L]	26997	Virginia Beach, VA	Writing Committee	4/24/2006	\$ 331.86	\$ -	\$ 66.37	Meeting purpose and participants documented - see travel voucher section F. Assume 20% of meal is unallowable.	Hotel over 125% Per Diem & Dinner w/ Alcohol & Unknown Participants
51	TRV0006650	Yes	[Individual M]	27766	Virginia Beach, VA	NAEP Scoring	3/29/2006	\$ 82.48	\$ -	\$ 16.50	Meeting purpose and participants documented - see travel voucher section F. Assume 20% of meal is unallowable.	(1) Hotel over 125% Per Diem (2) Dinner w/ Alcohol & Unknown Participants (3) Pet Sitting Services
										\$ 216.78		

Attachment C

**2006 NAEP New Millennium OIG Audit Draft – ETS Reply
SCHEDULE C**

3/26/09

Note to File

Educational Testing Service

NAEP New Millennium Contract

Re: Temporary Labor Charges for [Individual A]

[Individual A] completed work for ETS-NAEP in May 2005, for which he submitted an invoice to ETS in August 2005 (Exhibit A). However, payment was ultimately processed through Adecco Employment Services and invoiced to ETS in December 2005 (Exhibit B) and January 2006 (Exhibit C). [Individual A] was also required to enter his daily hours worked in the ETS Time & Labor system in order to allocate costs to the contract. When [Individual A] time was entered into the Time & Labor system in late-December / early-January, the system would not allow entry into the month of May 2005, so the time appears in December 2005 and was allocated to the contract in January 2006.

Please note that the invoiced amounts differ from the allocated amounts (Exhibit D), due to the employment agency markup.

Also, ETS confirmed with Adecco that there was no additional work invoiced for [Individual A] in 2005-2006, other than the work appearing on Exhibit A.

Attachment C



(A)

Invoice #2

August 18, 2005

From [Individual A]
[Address]
Augusta, GA

To: Educational Testing Service
NAEP
Attn: [ETS Employee]
Rosedale Road E319, 30-E
Princeton, NJ 08541

1. "Open Window" Passage Maps, Questions and Guides

5/2 6.5 hrs
5/4 7.75 hrs
5/6 8.25 hrs
5/7 7.5 hrs
5/8 9.5 hrs
5/9 2.5 hrs

39.5 invoice 62106424 12/26/05

Total 42 hrs X \$25/hr \$1050

2. "David Swan" Passage Maps, Questions and Guides

5/9 8.5 hrs
5/10 5.5 hrs
5/12 12.25 hrs
5/13 7.75

36.5 invoice 62140044 1/9/06

Total 34 hrs X \$25/hr \$850

3. "Simplicity" Passage Maps, Questions and Guides

5/14 8 hrs
5/15 10.75 hrs
5/16 6.5 hrs

Total 25.25 hrs X \$25/hr \$631.25

Total hours 101.25 X \$25/hr.

Total \$2531.25

\$2531.25

O.K.

[ETS Employee's
Signature]

1/3/06

Attachment C

(B)



better work, better life

ADECCO EMPLOYMENT SERVICES
175 BROADHOLLOW ROAD
MELVILLE NY 11747

RETURN SERVICE REQUESTED

ETS GENERAL ACCOUNT
[ETS Employee]
MAIL STOP 20-Q
ROSEDALE RD
PRINCETON NJ 08541

ELECTRONIC PROCESSING REPORT
(DO NOT PAY)

INVOICE #: 62106426
INVOICE DATE: 12/26/2005
AMOUNT DUE: \$10,726.56
CUSTOMER #: [XXXXXX]
BILL TO ID: 307242
OFFICE ID: 020654
PO #:
TAX ID #: [XX-XXXXXXX]

4001- -30 E

NAME	WEEK END DATE	DESCRIPTION	LABOR TYPE	HOURS	RATE	TAX	TOTAL W/ TAX	TRANSACTION NUMBER
[Individual A]	12/25/2005	RESEARCH ASSOC	REG	25.50	\$31.92	\$0.00	\$813.96	76489013-0654
	12/25/2005	SPECIAL ASSIGNMENT	REG	39.50	\$32.50	\$0.00	\$1,283.75	76487035-5772
	12/25/2005	SPECIAL ASSIGNMENT	REG	03.00	\$41.77	\$0.20	\$125.51	76486450-0947
				68.00		\$0.20	\$2,223.22	

SUBTOTAL FOR: 4001- -30 E 68.00 \$0.20 \$2,223.22

Attachment C



better work, better life

ADECCO EMPLOYMENT SERVICES
175 BROADHOLLOW ROAD
MELVILLE NY 11747

RETURN SERVICE REQUESTED

ETS GENERAL ACCOUNT
[ETS Employee]
MAIL STOP 20-Q
ROSEDALE RD
PRINCETON NJ 08541

(C)

ELECTRONIC PROCESSING REPORT
(DO NOT PAY)

INVOICE #: 62140044
INVOICE DATE: 01/09/2006
AMOUNT DUE: \$11,428.10
CUSTOMER #: [XXXXXX]
BILL TO ID: 307242
OFFICE ID: 020654
PO #:
TAX ID #: [XX-XXXXXXX]

4001- -30 E

NAME	WEEK END DATE	DESCRIPTION	LABOR TYPE	HOURS	RATE	TAX	TOTAL W/ TAX	TRANSACTION NUMBER
[Individual A]	01/08/2006	RESEARCH ASSOC	REG	26.00	\$31.92	\$0.00	\$829.92	76687993-0654
	05/15/2005	SPECIAL ASSIGNMENT	REG	36.50	\$32.50	\$0.00	\$1,186.25	76690002-5772
	05/22/2005	SPECIAL ASSIGNMENT	REG	14.50	\$32.50	\$0.00	\$471.25	76690003-5772
				77.00		\$0.00	\$2,487.42	

SUBTOTAL FOR: 4001-

-30 E

77.00

\$0.00

\$2,487.42

Attachment C



Acctg Date	Trans Date	DeptID	Account	Project	ID	Hour	\$	Name
1/23/2006	12/5/2005	4001	799909	234	48798	6.5	\$194	[Individual A]
1/23/2006	12/6/2005	4001	799909	234	48798	7.8	\$231	[Individual A]
1/23/2006	12/7/2005	4001	799909	234	48798	8.3	\$246	[Individual A]
1/23/2006	12/8/2005	4001	799909	234	48798	7.5	\$224	[Individual A]
1/23/2006	12/9/2005	4001	799909	234	48798	9.5	\$283	[Individual A]
						<u>39.6</u>	<u>\$1,178</u>	
1/23/2006	12/12/2005	4001	799909	234	48798	11	\$328	[Individual A]
1/23/2006	12/13/2005	4001	799909	234	48798	5.5	\$164	[Individual A]
1/23/2006	12/14/2005	4001	799909	234	48798	12.3	\$366	[Individual A]
1/23/2006	12/15/2005	4001	799909	234	48798	7.8	\$231	[Individual A]
						<u>38.6</u>	<u>\$1,089</u>	[Individual A] Total
						<u><u>76.2</u></u>	<u><u>\$2,267</u></u>	