

# AUDIT OF PAYMENTS TO DAMES & MOORE

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Audit Report No. 99-036  
August 17, 1999



OFFICE OF AUDITS

OFFICE OF INSPECTOR GENERAL

**DATE:** August 17, 1999

**MEMORANDUM TO:** Michael J. Rubino, Associate Director  
Acquisition and Corporate Services Branch  
Division of Administration



**FROM:** Steven A. Switzer  
Deputy Inspector General

**SUBJECT:** *Audit of Payments to Dames & Moore*  
(Audit Report Number 99-036)

The Office of Inspector General (OIG) has completed an audit of payments made to Dames & Moore (D&M) under contract 96-01495-C-DR. The Chief, Headquarters Operations Unit, Acquisitions Section, Acquisition and Corporate Services Branch (ACSB), requested that the OIG review D&M's billings related to this contract. The Federal Deposit Insurance Corporation (FDIC) contracted with D&M on August 27, 1996, to help ensure that the quality of the air, water, and the presence of asbestos or radon gas (where applicable) at FDIC occupied facilities met federal, state, and local health and environmental regulations and standards. The contract covered 31 occupied facilities nationwide.

## **BACKGROUND**

The FDIC's contract with D&M included a combination of fixed-fees for certain elements and labor hour pricing for other elements. Fixed-fee elements included such tasks as conducting air and water quality tests, preparing reports, and developing operation and maintenance plans. The labor hour element consisted of project management time at fixed hourly rates.

The FDIC executed a contract with D&M on August 27, 1996, with an effective date of August 19, 1996. The performance period was August 19, 1996 through July 30, 1998. The FDIC ordered environmental services through the issuance of task assignments. Task assignments include a description of the work and deliverables, a schedule of performance and completion dates, and other provisions necessary to achieve a successful performance. Contract article 1.5.B specifies that the contractor is only authorized to incur costs in performing task assignments.

During the performance of the contract, a number of task assignments were not completed. D&M has submitted 27 invoices totaling \$120,255 that were outstanding as of April 28, 1999. ACSB is awaiting the results of our audit before remitting final payment to D&M.

On September 18, 1998, the OIG requested that D&M provide original documents (supporting the sampled invoices) to be available for review on October 5, 1998. D&M agreed to provide this

information on October 27, 1998. We visited D&M's offices on October 27, 1998, and found that this support was still not available for our use. We met with the D&M Manager of Government Rates/Audit Compliance and discussed workload, the location of support, and the reconciliation process required to determine the applicable support. We then reached agreement that the original support would be available to us for review on November 27, 1998. However, on December 1, 1998, the D&M Manager of Government Rates/Audit Compliance informed us that he was unable to reconcile the sampled invoices with supporting documentation because the invoices did not include the names of employees or the dates that services were performed. In addition, according to the D&M representative, there were instances when the FDIC did not provide an explanation for costs disallowed from D&M invoices to assist with record keeping.

On December 11, 1998, D&M provided an electronic database containing information recorded in D&M's electronic time and billing system, and we began reconstructing the charges for the sampled task assignments. On March 10, 1999, D&M provided us with schedules that attempted to reconcile the sampled invoices with the electronic database. We used these schedules to evaluate support for site labor billed to the FDIC.

## **OBJECTIVES, SCOPE, AND METHODOLOGY**

The objectives of this audit were to determine whether invoices submitted by D&M were (1) adequately supported and (2) allowable under the terms and conditions of the contract. The FDIC paid D&M \$360,722 under contract 96-01495-C-DR from January 1, 1997 through July 8, 1998. To accomplish our objectives, we judgementally selected 13 task assignments for which the FDIC paid \$192,481 through 34 invoices and 2 claims. Because the invoices did not identify contractor personnel and time devoted to specific invoices under individual task assignments, the contractor could not readily provide support for billed amounts. As a result, it was necessary for us to attempt to reconstruct the underlying charges.

These alternative procedures included obtaining a database of information recorded in D&M's electronic time and billing system for costs charged to the FDIC contract. These costs consisted of employee time charges and subcontractor expenses. We then reviewed support for employee time charges and subcontractor expenses. This required (1) tracing time charges to either an electronic or manually prepared time record and (2) tracing subcontractor expenses to vendor invoices. We then determined whether amounts paid by the FDIC were supported and in compliance with contract requirements based on charges related to the sampled task assignments.

The electronic and manual records break down employee time into project management labor and other various direct labor activities related to the performance of a task assignment. The task assignments provide for unit pricing of services which were to be inclusive of labor, lab fees, and other expenses. We analyzed the labor charges for allowability in relation to the pricing of the task assignments.

We did not perform tests of data integrity internal controls associated with D&M's Electronic Timerecord System (ETS). We consulted with a Defense Contract Audit Agency (DCAA) auditor who was in the process of performing contract audit work of D&M. Based on discussions with this auditor, we concluded that D&M's ETS did not contain the minimum

internal controls we considered necessary to preserve data integrity for the period under audit. Internal controls over data integrity that are deemed critical include (1) unique identifiers and/or passwords; (2) an access profile for controlling user access; (3) identification of the individual who entered, changed, or deleted data; (4) an audit trail that identifies dates of entry, change, or deletion; (5) information that shows the extent of the change or the reason for the deletion; and (6) provisions for a user identification code or other certification when the information entered is approved and forwarded for processing of the final invoice. DCAA staff also informed us that D&M improved controls to correct this situation. Electronic records supporting time billed accounted for the majority of the labor billed under the FDIC's contract. To help mitigate this issue for audit trail purposes, we reviewed manually prepared time sheets where available.

Our audit methodology included the following:

- ◆ Sampling task assignments 1A, 1B, 1D, 1F, 2A, 3A, 6A, 7A, 8A, 9A, 10A, 11A, and 12A.
- ◆ Gathering and examining support for the sampled task assignments.
- ◆ Analyzing the population for duplicate payments.
- ◆ Visiting the DCAA office in Columbia, Maryland, to interview staff and review DCAA's work associated with D&M.
- ◆ Reviewing FDIC contract monitoring files.
- ◆ Reviewing pertinent sections of the contract with the FDIC Legal Division and ACSB officials.
- ◆ Reviewing the timeliness of payments to D&M.
- ◆ Reviewing invoices for approval, accuracy, and compliance with contract requirements.
- ◆ Providing ACSB and D&M staff with preliminary findings to verify factual accuracy, solicit input into the causes of findings, and assist in developing workable recommendations.
- ◆ Obtaining a management representation letter from D&M's Project Manager providing assurance of the truth, accuracy, and completeness of information provided by D&M officials during the course of the audit.

The audit was conducted in accordance with the *Government Auditing Standards* issued by the Comptroller General and included such tests of the accounting records as was considered necessary under the circumstances. We conducted the audit from August 1998 through May 1999.

## **RESULTS OF AUDIT**

Of the \$192,481 in payments sampled, we question a total of \$80,504. By performing alternative procedures, we determined that \$16,146 for charges related to the sampled task assignments were not supported. We also identified \$64,358 in labor charges that were not allowable per the terms of the contract, as shown in table 1.

**Table 1: Unallowable Charges under Contract 96-01495-C-DR**

<b>Billing Type</b>	<b>Amount Questioned</b>
Labor charged to air and water quality tests	\$20,378
Labor charged to report preparation, peer reviews, and developing an operation and maintenance plan	22,873
Fees billed or paid in error	15,792
Billings in excess of task assignment ceiling	5,315
<b>Total</b>	<b>\$64,358</b>

*Source:* Analysis of files maintained by ACSB and D&M.

Finally, we identified \$44,923 paid for services performed by D&M personnel that were inappropriately assigned to the contract. We are not recommending a disallowance of the \$44,923 since this amount has been captured in findings associated with billings for labor hours charged to fixed-fee items. To question the amounts again would result in duplication of questioned costs. However, the \$44,923 for inappropriate personnel will be questioned if ACSB does not disallow questioned costs for labor hours billed to fixed-fee items.

### **UNSUPPORTED CHARGES**

D&M could not provide employee time records and/or subcontractor invoices to support billings of \$16,146. The contract's audit clause (General Provision number 15, Audit of Records) states the following at Part C:

Contractor shall maintain, and the Contracting Officer or any designated representatives of the Contracting Officer shall have the right to examine and audit, books, records, documents, and other evidence and accounting procedures, and practices, regardless of the form (e.g., machine readable media such as disk, tape, etc.) or type (e.g., data bases, applications software, data base management software, utilities, etc.) sufficient to reflect properly all costs claimed to have been incurred in performing this Contract....

The audit clause further states at Part E. that the Contractor is to make these materials available until 3 years after final payment under the Contract.

### **Recommendation**

The Associate Director, ACSB, Division of Administration (DOA), should:

- (1) Disallow \$16,146 for unsupported time and subcontractor billings.

## UNALLOWABLE CHARGES

We identified several instances in which D&M billed unallowable charges. These unallowable charges included labor hours billed for fixed-fee items. This labor was billed in addition to amounts billed for project management labor for each task assignment. We also identified billing errors such as unauthorized rush rates, billings for an excessive number of tests, the use of unauthorized subcontractors, excessive contract rates, and amounts paid in error by the FDIC. Finally, we identified billings in excess of task assignment ceilings and inappropriate personnel used to staff task assignments.

### Unallowable Labor Charged to Air and Water Quality Tests

D&M billed a total of \$93,481 for costs associated with air and water quality tests. Of this amount, D&M appropriately billed the FDIC \$49,174. D&M also billed \$20,378 for labor charged to air and water quality testing. Finally, D&M billed an additional \$23,928 for project management labor to complete these tasks. Labor hours are not billable for time charged to air and water quality testing. The invoices submitted by D&M and accepted by the FDIC did not provide a description of services performed. As a result, the FDIC could not identify billings for labor charged to air and water quality testing.

According to personnel from ACSB, task assignments issued by the FDIC provided for unit pricing of these services. This method of pricing is inclusive of lab fees, labor, and any other expenses associated with performing these services. Therefore, the task assignments prohibited D&M from submitting a separate bill for labor hours charged to air and water quality testing (other than charges for project management labor). We did not question labor charged to project management. Table 2 summarizes our analysis of billings for these tests.

**Table 2: Unit Charges, Unallowable Labor Charged to Air and Water Quality Tests, and Project Management Labor**

<b>Task Assignment No.</b>	<b>Air and Water Unit Charges</b>	<b>Labor Charged to Air and Water Testing</b>	<b>Labor Charged to Project Management</b>	<b>Total</b>
1A	\$6,670.76	\$3,411.00	\$3,235.50	\$13,317.26
2A	7,428.76	2,085.00	1,503.00	11,016.76
3A	7,968.76	3,325.00	1,269.00	12,562.76
6A	3,309.76	2,895.00	3,346.00	9,550.76
7A	6,142.76	2,277.50	557.50	8,977.76
8A	4,013.00	1,380.00	1,624.50	7,017.50
9A	4,353.00	1,210.00	2,270.00	7,833.00
10A	2,441.50	1,365.00	3,540.00	7,346.50
11A	4,151.00	2,055.00	4,390.00	10,596.00
12A	2,695.00	375.00	2,192.50	5,262.50
<b>Total</b>	<b>\$49,174.30</b>	<b>\$20,378.50</b>	<b>\$23,928.00</b>	<b>\$93,480.80</b>

Source: Analysis of files maintained by ACSB and D&M

**Recommendation:**

The Associate Director, ACSB, DOA, should:

- (2) Disallow \$20,378 for non-project management labor associated with air and water quality testing.

**Unallowable Labor Charged to Fixed-Fee Items**

D&M billed the FDIC \$41,468 for report preparation, peer reviews, and the development of an operation and maintenance plan. According to the contract, these are fixed-fee items (with not-to-exceed ceilings), and D&M billed the maximum allowable for each. However, D&M billed an additional \$22,873 for labor hours charged to these fixed-fee items. The task assignment prohibited D&M from submitting a separate bill for labor hours charged to fixed-fee items. When D&M submitted the invoices to the FDIC, the invoices did not provide a description of services performed. As a result, the FDIC could not identify that D&M was billing for labor charged to report preparation, peer reviews, and the development of an operation and maintenance plan – clearly fixed-fee items under the contract. FDIC accepted the billings as submitted. Table 3 shows the fixed-fee charges and unallowable labor charges by task assignment.

**Table 3: Fixed-Fees Charged for Report Preparation, Peer Reviews, and the Development of an Operation and Maintenance Plan and Unallowable Labor**

<b>Task Assignment No.</b>	<b>Fixed-Fee Charges</b>	<b>Labor Charges</b>	<b>Total</b>
1A	\$5,445.00	\$5,891.00	\$11,336.00
1B	250.00	370.00	620.00
2A	3,180.00	3,133.50	6,313.50
3A	3,780.00	3,197.50	6,977.50
6A	6,000.00	1,030.00	7,030.00
7A	5,295.00	2,685.00	7,980.00
8A	4,050.00	2,141.00	6,191.00
9A	3,720.00	435.00	4,155.00
10A	1,500.00	1,638.00	3,138.00
11A	4,500.00	1,210.00	5,710.00
12A	3,747.50	1,141.50	4,889.00
<b>Total</b>	<b>\$41,467.50</b>	<b>\$22,872.50</b>	<b>\$64,340.00</b>

Note: Project management labor not included in this table since it is already reflected in table 1.

Source: Analysis of files maintained by ACSB and D&M

**Recommendation:**

The Associate Director, ACSB, DOA, should:

(3) Disallow \$22,873 for labor associated with fixed-fee tasks of report preparation, peer review, and developing an operation and maintenance plan.

**Fees Billed or Paid in Error**

The FDIC paid \$15,792 to D&M for fees billed or paid in error. D&M billed in excess of authorized rates for report preparation, safety codes, and labor categories. D&M billed for unauthorized rush rates, rush rates when rush deadlines were not met, and, in one instance, for too many tests. Also, D&M billed for an unauthorized subcontractor and a labor category not in the contract. Finally, on two occasions, the FDIC paid for lab fee amounts not charged by D&M. Table 4 below details the amounts billed in error and the related task assignments.

**Table 4: Fees Billed or Paid in Error**

Task Assign.	Rush Rates Not Author.	Rush Deadline Not Met	In Excess of Allowable # of Tests	Unauth. Sub-contractor	In Excess of Authori. Amount	Labor Category not in Contract	Rates In Excess of Contract Rates	Amounts Paid in Error by FDIC	Total
1A	\$765.00	\$1,015.00	\$126.00						\$1,906.00
1D				\$2,300.00	\$350.00				2,650.00
2A		619.00							619.00
3A		618.76							618.76
6A					3,000.00			\$933.00	3,933.00
7A					2,295.00			1,443.76	3,738.76
1G						\$880.00	\$1,120.00		2,000.00
1H						275.00			275.00
14D							51.00		51.00
<b>Total</b>	\$765.00	\$2,252.76	\$126.00	\$2,300.00	\$5,645.00	\$1,155.00	\$1,171.00	\$2,376.76	\$15,791.52

Source: Analysis of files maintained by ACSB and D&M

**Recommendation**

The Associate Director, ACSB, DOA, should:

(3) Disallow \$15,792 for erroneous billings and payments.

**Billings in Excess of Task Assignment Ceiling**

The FDIC paid D&M \$61,833 for labor hours in excess of those authorized under the task assignments. There was no documentation in the Contracting Officer or Oversight Manager files showing that D&M requested approval for additional hours to complete the assigned tasks. This resulted in D&M exceeding the ceiling in 3 of the 13 selected task assignments by \$5,315.

Contract section 1.5.A provides that the Oversight Manager will issue task assignments. Section 1.5.B provides that the Contractor shall incur costs under this contract only in performance of task

assignments issued in accordance with the task assignment procedures. No other costs are authorized without prior express written consent of the Contracting Officer. Section 1.5.F provides that the contractor shall not incur costs for any “Labor Rates” or “Tests” in article IV, “Compensation and Billing,” unless they are authorized in a task assignment issued under this contract. Any costs incurred without such authorization shall be at the sole risk of the Contractor.

### **Recommendation**

The Associate Director, ACSB, DOA, should:

(5) Disallow \$5,315 for payments in excess of task assignment ceilings.

### **D&M Used Personnel from Inappropriate Labor Categories to Staff Task Assignments**

D&M billed the FDIC for services performed by professional staff in labor categories that were not designated by the task assignments. D&M also billed the FDIC for services performed by employees lacking qualifications required by the contract. The FDIC paid \$44,923 for these services. We are not recommending disallowance of the monies associated with this finding since the monies are recommended for disallowance in the findings for labor hour charges related to fixed-fee items. However, the \$44,923 for personnel from inappropriate labor categories will be questioned if ACSB does not disallow questioned costs for labor hours billed to fixed-fee items.

The contract dictated the qualifications required for employees in various labor categories. The task assignments dictated the labor categories required to complete various tasks. We reviewed employee resumes to evaluate contract compliance. The Chief, Safety and Health Unit, Facilities Management Section, ACSB, reviewed our findings to determine whether the use of inappropriate personnel resulted in weaknesses in D&M work products. He concluded that there were instances in which inferior work products resulted from the use of personnel from inappropriate labor categories.

### **CORPORATION COMMENTS AND OIG EVALUATION**

On August 2, 1999, the Associate Director, ACSB, provided a written response to the draft report. The response is presented as Appendix I to this report.

The written response provides the requisites for a management decision on each of the recommendations in the draft report. The response is not summarized because the actions planned or already taken are identical to those recommended. We will report questioned costs of \$80,504 (including \$16,146 in unsupported costs) in our *Semiannual Report to the Congress*.

**FDIC**

Federal Deposit Insurance Corporation  
Washington, D.C. 20429

Division of Administration

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**DATE:** August 2, 1999

**MEMORANDUM TO:** Steven A. Switzer  
Deputy Inspector General



**FROM:** Michael J. Rubino  
Associate Director  
Acquisition and Corporate Services Branch

**SUBJECT:** MANAGEMENT DECISION  
Draft Report Entitled *Audit of Payments to Dames & Moore*

The Acquisition and Corporate Services Branch (ACSB) has completed its initial review of the subject Office of Inspector General (OIG) draft report. Our review focused on those recommendations in the report that would be entered into the Internal Review Information System (IRIS). The management decision is presented in three parts: (1) the Executive Summary; (2) Management Decision detail; and (3) an Office of Internal Control Management working summary, presented as Exhibit A.

**EXECUTIVE SUMMARY**

The following table represents an overview of the management decision. A more comprehensive summary of the decision that details specific areas of agreement or disagreement with the findings and describes necessary corrective actions, including milestone dates, is presented in the table below.

Finding #	Finding Description	Questioned Costs	Management Response	Recovery Amount	Difference
1	Unsupported Charges	\$16,146	Agree	\$16,146	\$0
2	Unallowable Labor Charged to Air and Water Quality Tests	\$20,378	Agree	\$20,378	\$0
3	Unallowable Labor Charged to Fixed-Fee Items	\$22,873	Agree	\$22,873	\$0
4	Fees Billed or Paid in Error	\$15,792	Agree	\$15,792	\$0
5	Billings in Excess of Task Assignment Ceiling	\$ 5,,315	Agree	\$ 5,315	\$0

## **MANAGEMENT DECISION**

### **FINDING # 1: Unsupported Charges**

**CONDITION:** OIG questioned \$16,146 that Dames & Moore (D&M) billed in labor charges and/or subcontractor costs. The costs were questioned because D&M could not provide support for the expenses billed.

**RECOMMENDATION:** The FDIC should disallow \$16,146 for unsupported time and subcontractor billings.

**MANAGEMENT DECISION:** We agree with the recommendation.

**CORRECTIVE ACTION:** We will allow D&M an opportunity to refute the OIG findings and provide additional supporting documentation, if available. We will consider whatever information they have to provide before we decide what amount to seek to recover. Also, in conjunction with the Division of Legal Services, we will review the circumstances surrounding this overpayment. We will consider our legal position and determine how much of the questioned costs to attempt to recover. We will then take appropriate measures to resolve the questioned costs.

### **FINDING # 2: Unallowable Labor Charged to Air and Water Quality Tests**

**CONDITION:** D&M inappropriately billed FDIC \$20,378 in unallowable labor charges that were charged to air and water quality tests.

**RECOMMENDATION:** The FDIC should disallow \$20,378 for non-project management labor associated with air and water quality testing.

**MANAGEMENT DECISION:** We agree with the recommendation.

**CORRECTIVE ACTION:** We will allow D&M an opportunity to refute the OIG findings and consider whatever information they have to provide before we decide what amount to seek to recover. Also, in conjunction with the Division of Legal Services, we will review the circumstances surrounding this overpayment. We will consider our legal position and determine how much of the questioned costs to attempt to recover. We will then take appropriate measures to resolve the questioned costs.

**FINDING # 3: Unallowable Labor Charged to Fixed-Fee Items**

**CONDITION:** D&M billed FDIC \$41,468 for report preparation, peer reviews, and the development of an operation and maintenance plan. Then, D&M billed FDIC an additional \$22,873 for labor hours charged to these fixed-fee items.

**RECOMMENDATION:** The FDIC should disallow \$22,873 for labor associated with fixed-fee tasks of report preparation, peer review, and developing an operation and maintenance plan.

**MANAGEMENT DECISION:** We agree with the recommendation.

**CORRECTIVE ACTION:** We will allow D&M an opportunity to refute the OIG findings and consider whatever information they have to provide before we decide what amount to seek to recover. Also, in conjunction with the Division of Legal Services, we will review the circumstances surrounding this overpayment. We will consider our legal position and determine how much of the questioned costs to attempt to recover. We will then take appropriate measures to resolve the questioned costs.

**FINDING # 4: Fees Billed or Paid in Error**

**CONDITION:** D&M billed and FDIC paid \$15,792 for fees billed or paid in error. D&M billed in excess of authorized rates for report preparation, safety codes, and labor categories. D&M billed for unauthorized rush rates, rush rates when rush deadlines were not met, and, in one instance, for too many tests.

**RECOMMENDATION:** The FDIC should disallow \$15,792 for erroneous billings and payments.

**MANAGEMENT DECISION:** We agree with the recommendation.

**CORRECTIVE ACTION:** We will allow D&M an opportunity to refute the OIG findings and consider whatever information they have to provide before we decide what amount to seek to recover. Also, in conjunction with the Division of Legal Services, we will review the circumstances surrounding this overpayment. We will consider our legal position and determine how much of the questioned costs to attempt to recover. We will then take appropriate measures to resolve the questioned costs.

**FINDING # 5: Billings in Excess of Task Assignment Ceiling**

**CONDITION:** D&M billed and FDIC paid \$15,792 for fees billed or paid in error. D&M billed in excess of authorized rates for report preparation, safety codes, and labor categories. D&M billed for unauthorized rush rates, rush rates when rush deadlines were not met, and, in one instance, for too many tests.

**RECOMMENDATION:** The FDIC should disallow \$15,792 for erroneous billings and payments.

**MANAGEMENT DECISION:** We agree with the recommendation.

**CORRECTIVE ACTION:** We will allow D&M an opportunity to refute the OIG findings and consider whatever information they have to provide before we decide what amount to seek to recover. Also, in conjunction with the Division of Legal Services, we will review the circumstances surrounding this overpayment. We will consider our legal position and determine how much of the questioned costs to attempt to recover. We will then take appropriate measures to resolve the questioned costs.

cc: David McDermott  
Howard Furner  
Andrew Nickle  
Mary Rann

**EXHIBIT A**

**SUMMARY OF ACQUISITION AND CORPORATE SERVICES BRANCH MANAGEMENT DECISIONS**

<b>NO.</b>	<b>FINDING DESCRIPTION</b>	<b>QUESTIONED COST/OTHER FINANCIAL ADJUSTMENT</b>	<b>MANAGEMENT RESPONSE</b>	<b>DESCRIPTION OF CORRECTIVE ACTION</b>	<b>EXPECTED COMPLETION DATE</b>	<b>DOCUMENT VERIFYING COMPLETION</b>
1	Unsupported Charges	\$16,146	Agree	CORRECTIVE ACTION: We will allow D&M an opportunity to refute the OIG findings and consider whatever information they have to provide before we decide what amount to seek to recover. Also, in conjunction with the Legal Division, we will consider the circumstances surrounding this overpayment. We will consider our legal position and determine how much of the questioned costs to attempt to recover. We will then take appropriate measures to resolve the questioned costs.	March 31, 2000	Settlement Agreement
2	Unallowable Labor Charged to Air and Water Quality Tests	\$20,378	Agree	CORRECTIVE ACTION: We will allow D&M an opportunity to refute the OIG findings and consider whatever information they have to provide before we decide what amount to seek to recover. Also, in conjunction with the Legal Division, we will consider the circumstances surrounding this overpayment. We will consider our legal position and determine how much of the questioned costs to attempt to recover. We will then take appropriate measures to resolve the questioned costs.	March 31, 2000	Settlement Agreement
3	Unallowable Labor Charged to Fixed Fee Items	\$22,873	Agree	CORRECTIVE ACTION: We will allow D&M an opportunity to refute the OIG findings and consider whatever information they have to provide before we decide what amount to seek to recover. Also, in conjunction with the Legal Division, we will consider the circumstances surrounding this overpayment. We will consider our legal position and determine how much of the questioned costs to attempt to recover. We will then take appropriate measures to resolve the questioned costs.	March 31, 2000	Settlement Agreement
4	Fees Billed or Paid in Error	\$15,792	Agree	CORRECTIVE ACTION: We will allow D&M an opportunity to refute the OIG findings and consider whatever information they have to provide before we decide what amount to seek to recover. Also, in conjunction with the Legal Division, we will consider the circumstances surrounding this overpayment. We will consider our legal position and determine how much of the questioned costs to attempt to recover. We will then take appropriate measures to resolve the questioned costs.	March 31, 2000	Settlement Agreement
5	Billings in Excess of Task Assignment Ceiling	\$5,315	Agree	CORRECTIVE ACTION: We will allow D&M an opportunity to refute the OIG findings and consider whatever information they have to provide before we decide what amount to seek to recover. Also, in conjunction with the Legal Division, we will consider the circumstances surrounding this overpayment. We will consider our legal position and determine how much of the questioned costs to attempt to recover. We will then take appropriate measures to resolve the questioned costs.	March 31, 2000	Settlement Agreement

### MANAGEMENT RESPONSES TO RECOMMENDATIONS

The Inspector General Act of 1978, as amended, requires the OIG to report the status of management decisions on its recommendations in its semiannual reports to the Congress. To consider FDIC's responses as management decisions in accordance with the act and related guidance, several conditions are necessary. First, the response must describe for each recommendation

- the specific corrective actions already taken, if applicable;
- corrective actions to be taken together with the expected completion dates for their implementation; and
- documentation that will confirm completion of corrective actions.

If any recommendation identifies specific monetary benefits, FDIC management must state the amount agreed or disagreed with and the reasons for any disagreement. In the case of questioned costs, the amount FDIC plans to disallow must be included in management's response.

If management does not agree that a recommendation should be implemented, it must describe why the recommendation is not considered valid.

Second, the OIG must determine that management's descriptions of (1) the course of action already taken or proposed and (2) the documentation confirming completion of corrective actions are responsive to its recommendations.

This table presents the management responses that have been made on recommendations in our report and the status of management decisions. The information for management decisions is based on management's written response to our report.

<b>Rec. Number</b>	<b>Corrective Action: Taken or Planned/Status</b>	<b>Expected Completion Date</b>	<b>Documentation That Will Confirm Final Action</b>	<b>Monetary Benefits</b>	<b>Management Decision: Yes or No</b>
1	The Associate Director, ACSB, agreed with the recommendation. He will allow D&M an opportunity to refute the findings and consider whatever information D&M provides before deciding what amount to recover.	March 31, 2000	Settlement Agreement	\$16,146 (unsupported costs)	Yes
2	The Associate Director, ACSB, agreed with the recommendation. He will allow D&M an opportunity to refute the findings and consider whatever information D&M provides before deciding what amount to recover.	March 31, 2000	Settlement Agreement	\$20,378 (disallowed costs)	Yes
3	The Associate Director, ACSB, agreed with the recommendation. He will allow D&M an opportunity to refute the findings and consider whatever information D&M provides before deciding what amount to recover.	March 31, 2000	Settlement Agreement	\$22,873 (disallowed costs)	Yes
4	The Associate Director, ACSB, agreed with the recommendation. He will allow D&M an opportunity to refute the findings and consider whatever information D&M provides before deciding what amount to recover.	March 31, 2000	Settlement Agreement	\$15,792 (disallowed costs)	Yes
5	The Associate Director, ACSB, agreed with the recommendation. He will allow D&M an opportunity to refute the findings and consider whatever information D&M provides before deciding what amount to recover.	March 31, 2000	Settlement Agreement	\$5,315 (disallowed costs)	Yes