



MEMORANDUM

DATE: December 11, 2019

TO: USAID/Management/Office of Acquisition and Assistance/Cost, Audit and Support Division, Branch Chief, David A. McNeil

FROM: Acting Director of External Financial Audits Division, Steve Shea/s/

SUBJECT: Independent Audit Report on Checchi and Company Consulting, Inc.'s Proposed Amounts on Unsettled Flexibly Priced Contracts for Fiscal Years 2014 - 2017 (3-000-20-007-D)

This memorandum transmits the final audit report on Checchi and Company Consulting, Inc.'s (Checchi) proposed direct and indirect amounts for contract reimbursement on unsettled flexibly priced contracts contained in its final indirect rate proposal for fiscal years (FY) 2014, 2015, 2016, and 2017, submitted on December 23, 2014, December 23, 2015, December 22, 2016, and December 22, 2017, respectively. The U.S. Agency for International Development (USAID) Office of Acquisition and Assistance, Cost, Audit, and Support Division contracted with the United States Defense Contract Audit Agency (DCAA) to conduct the audit. DCAA stated that it performed its audit in accordance with generally accepted government auditing standards. DCAA is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on whether Checchi's proposed amounts on unsettled flexibly priced contracts comply, in all material respects, with contract terms pertaining to accumulating and billing incurred amounts¹.

The objective of this audit was to express an opinion on whether Checchi's proposed direct and indirect amounts for contract reimbursement on unsettled flexibly priced contracts contained in its FYs 2014 through 2017 final indirect rate proposals, comply, in all material respects, with contract terms pertaining to accumulating and billing incurred amounts. To answer this objective DCAA planned and performed its audit in accordance with generally accepted government auditing standards to obtain reasonable assurance on whether Checchi's

¹ We reviewed the audit firm's report for conformity with professional reporting standards. Our desk reviews are typically performed to identify any items needing clarification or issues requiring management attention. Desk reviews are limited to review of the audit report itself and excludes review of the auditor's supporting working papers; they are not designed to enable us to directly evaluate the quality of the audit performed.

proposed direct and indirect amounts for contract reimbursements materially comply with contract terms. USAID's audited direct costs were \$76,551,195 in total for FYs 2014 through 2017.

DCAA expressed a qualified opinion because their audit disclosed proposed amounts that did not materially comply with contract terms pertaining to accumulating and billing incurred amounts, and encountered scope limitations on their ability to perform real time testing on proposed direct labor costs. DCAA was unable to: observe the generation of field office accounting reports, review original documents maintained within field offices, fully verify the accuracy and completeness of the contractor's procurement files and determine whether the amounts claimed may include unallowable value added tax. DCAA stated that except for the effects of the noncompliances described above, and the effects of the additional noncompliances, if any, that they might have identified had DCAA not been constrained by the scope limitations, Checchi's proposed amounts on unsettled flexibly priced contracts comply, in all material respects, with the contract terms pertaining to accumulating and billing incurred amounts.

The audit report disclosed six instances of material noncompliance, four relating to direct and two to indirect costs. DCAA questioned \$24,416 of Checchi's other direct costs under the administrative fringe benefit subaccount in FYs 2015 through 2017 based on noncompliance with FAR 31.201-2, determining allowability, and FAR 31.201-3, determining reasonableness, and \$50,434 of Checchi's claimed indirect costs under the fringe benefits pool for FYs 2014 through 2017 based on noncompliances with FAR 31.201-3, and FAR 31.205-6, compensation for personal services. Since the questioned direct costs did not meet the OIG's established threshold of \$25,000 for making a recommendation, we are not making a recommendation. Nevertheless, we suggest that USAID's Office of Acquisition and Assistance, Cost, Audit and Support Division determine the allowability of the \$24,416 in questioned direct costs detailed on page 4 of the audit report and recover any amount determined to be unallowable.

To address the issues identified in the report, we recommend that USAID's Office of Acquisition and Assistance, Cost, Audit and Support Division:

Recommendation I. Verify that Checchi and Company Consulting, Inc. corrects the six instances of material noncompliance detailed on pages 4 and 5 of the audit report.

We ask that you provide your written notification of actions planned or taken to reach management decision. We appreciate the assistance extended during the engagement.

OIG does not routinely distribute independent public accounting reports beyond the immediate addressees because a high percentage of these reports contain information restricted from release under the Trade Secrets Act, 18 U.S.C 1905 and Freedom of Information Act Exemption Four, 5 U.S.C. 552(b)(4) ("commercial or financial information obtained from a person that is privileged or confidential").