



MEMORANDUM

DATE: May 15, 2020

TO: Office of Acquisition and Assistance, Cost Audit and Support Division, Acting Supervisory Auditor, Eleanor C. Jefferson

FROM: Director of External Financial Audits Division (IG/A/EFA), David A McNeil /s/

SUBJECT: Independent Audit Report on Training Resources Group's Proposed Amounts on Unsettled Flexibly Priced Contracts for Fiscal Years 2016 and 2017 (3-000-20-009-D)

This memorandum transmits the final audit report on the Training Resources Group's (TRG) certified indirect cost proposal and related books and records for reimbursement of fiscal years (FY) 2016 and 2017. The U.S. Agency for International Development (USAID) Office of Acquisition and Assistance, Cost Audit and Support Division contracted with the Defense Contract Audit Agency (DCAA) to conduct the audit. DCAA stated that it performed the 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 TRG's proposed amounts on unsettled flexibly priced contracts comply, in all material respects, with contract terms pertaining to accumulating and billing incurred amounts.¹ The objective of the audit was to express an opinion on whether TRG's proposed direct and indirect amounts for contract reimbursement on unsettled flexibly priced contracts contained in its FYs 2016 and 2017 final indirect cost rate proposals submitted on June 28, 2017, and June 29, 2018, respectively, comply with contract terms pertaining to accumulating and billing incurred amounts. To answer the objective, DCAA examined whether TRG's claimed direct and indirect costs were allowable in accordance with Federal Acquisition Regulations (FAR), USAID Acquisition Regulations (AIDAR) and contract terms. DCAA audited \$14,378,644 of USAID amounts for FYs 2016 and 2017.

Due to a scope limitation, DCAA was unable to complete certain procedures that it deemed necessary to complete the scope of the audit. Specifically, the auditor did not perform real-time testing of labor (employee physical observation and interview) to ensure that employees are: (1) at work; (2) performing in their assigned job classification; and (3) charging time to the

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.

proper cost objective. DCAA applied alternate procedures, but stated that these procedures were not sufficient to substitute for the lack of testing labor on a real-time basis. As a result, audit results related to labor costs could be significantly impacted by the performance of such procedures.

DCAA expressed a qualified opinion that, except for the effects of the noncompliance, if any, that DCAA might have identified had they completed the procedures described in the scope limitation above. TRG's proposed amounts on unsettled flexibly priced prime contracts comply, in all material respects, with contract terms pertaining to accumulating and billing incurred amounts and that direct and indirect costs are allowable under the FAR, AIDAR, and contract terms. There were no questioned costs.

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").