



MEMORANDUM

DATE: February 14, 2020

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: Examination of the Indirect Cost Rate Proposals and Reimbursement for TerraTherm, Inc. for the Fiscal Years Ended December 31, 2014 and December 31, 2015 (3-000-20-014-1)

This memorandum transmits the final report on the examination of the indirect cost rate proposals and reimbursement for TerraTherm, Inc. (TerraTherm) on in-scope contracts and subcontracts for the fiscal years (FY) ended December 31, 2014 and 2015. The U.S. Agency for International Development (USAID) Office of Acquisition and Assistance, Cost, Audit, and Support Division contracted with the independent certified public accounting firm of Booth Management Consulting, LLC (BMC) to conduct the audit and determine whether costs claimed are allowable, allocable and reasonable in accordance with contract terms, Part 31 of the Federal Acquisition Regulation (FAR), Agency for International Development Acquisition Regulation (AIDAR), Department of State Standardized Regulations (DSSR) and 2 Code of Federal Regulations (CFR) 200, *Uniform Administrative Requirements Cost Principles and Audit Requirements for Federal Awards*, as applicable. The audit firm stated that it performed its examination in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in generally accepted government auditing standards. The audit firm is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on whether costs claimed by TerraTherm on in-scope contracts and subcontracts for each of the years ended December 31, 2014 and 2015 are allowable, allocable and reasonable in accordance with contract terms; Part 31 of the FAR; AIDAR; DSSR; and 2 CFR 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Award*, as applicable.¹

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.

The examination's objective was to express an opinion on whether the costs claimed by TerraTherm on in-scope contracts and subcontracts for each of the years ended December 31, 2014 and 2015 are allowable, allocable, and reasonable in accordance with award terms; Part 31 of the FAR; AIDAR; DSSR; and 2 CFR 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, as applicable. To answer the examination's objective, BMC designed its testing procedures to evaluate the internal control environment surrounding TerraTherm's subcontract management process and to verify that TerraTherm had adequate controls in place for monitoring subcontractor costs. Its examination included the reconciliation of the adjusted total costs booked to date and the cumulative amount billed, by contract or subcontract and reporting any over/under-billings. The audit firm examined USAID incurred costs of \$14,668,017 for the two years ended December 31, 2015.

BMC expressed a qualified opinion that indirect rates and costs claimed by TerraTherm's in-scope contracts and subcontracts for the FYs ended December 31, 2014 and 2015, with the exception of the amounts questioned, are acceptable as proposed in accordance with contract terms; Part 31 of the FAR; AIDAR; DSSR; and 2 CFR 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, as applicable. BMC did not question any direct costs. BMC questioned indirect costs of \$123,679 composed of General and Administrative pool costs.

We appreciate the assistance extended during the engagement.

OIG does not routinely distribute independent public accounting reports beyond the immediate addresses 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").