



MEMORANDUM

DATE: October 16, 2020

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

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

SUBJECT: Audit on International Development Group Advisory Services, LLC Proposed Amounts on Unsettled Flexibly Priced USAID Agreements for Fiscal Years 2015, 2016, and 2017 (3-000-21-001-D)

This memorandum transmits the final audit report on International Development Group Advisory Services, LLC's (IDG) proposed direct and indirect amounts for agreement reimbursement on unsettled flexibly priced contracts contained in its fiscal years (FY) ended December 31, 2015, 2016, and 2017 incurred cost proposal submitted on June 30, 2016, March 30, 2018, and June 30, 2018. 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 they conducted their 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 IDG's proposed amounts on unsettled flexibly priced contracts comply with contract terms pertaining to accumulating and billing incurred amounts.¹

The objective of this audit was to express an opinion on whether IDG's proposed direct and indirect amounts for contract reimbursement on unsettled flexibly priced contracts contained in its incurred cost proposals submitted on June 30, 2016, March 30, 2018, and June 30, 2018, to determine if the proposed amounts comply with contract terms pertaining to accumulating and billing incurred amounts. To answer this objective, DCAA planned and performed an audit in accordance with GAGAS to obtain reasonable assurance on whether IDG's proposed direct amounts for contract reimbursement materially comply with contract terms). USAID's audited direct costs were \$13,385,773 for Fiscal Years 2015, 2016, and 2017.

¹ We reviewed DCAA'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 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 review performed.

DCAA expressed a qualified opinion due to instances of material noncompliance, and a scope limitation on their ability to perform real time procedures on proposed direct labor costs for IDG's direct employees for FYs 2015, 2016 and 2017. As a result, DCAA was unable to perform sufficient audit procedures to determine with reasonable assurance as to the existence and/or allocability of labor costs incurred. DCAA stated that except for the instances of material noncompliance, and the scope limitation, IDG's proposed amounts on unsettled flexibly priced contracts comply, in all material respects, with the contract terms pertaining to accumulating and billing incurred amounts. DCAA identified total questioned direct costs of \$120,838 (\$120,776 ineligible, \$62 unsupported) applicable to USAID. DCAA also questioned (\$84,245) in negative indirect costs composed of (\$35,678) in Home Office Fringe, (\$22,474) in Overhead and (\$26,093) in General & Administrative pool expenses. The audit report disclosed six instances of material noncompliance with various FAR requirements.

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

Recommendation 1. Determine the allowability of \$120,838 (\$120,776 ineligible, \$62 unsupported) in direct questioned costs on pages 3 and 14 through 60 of the report and recover any amount that is unallowable.

Recommendation 2. Verify that International Development Group Advisory Services, LLC corrects the six instances of material noncompliance detailed on pages 3 and 4 of audit report.

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

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