



MEMORANDUM

DATE: April 30, 2021

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

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

SUBJECT: Examination of Costs Claimed by Nexant, Inc. for Fiscal Years ended December 31, 2016 and 2017 (3-000-21-037-1)

This memorandum transmits the final examination report on costs claimed by Nexant, Inc. (Nexant) on in-scope contracts and subcontracts for the fiscal years ended December 31, 2016 and 2017. 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 examination. 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 Nexant on in-scope contracts and subcontracts for the fiscal years ended December 31, 2016 and 2017 are allowable, allocable and reasonable in accordance with award terms; Part 31 of the Federal Acquisition Regulation (FAR); Agency for International Development Acquisition Regulation (AIDAR); Department of State Standardized Regulation (DSSR); and 2 Code of Federal Regulations (CFR) 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, as applicable.¹

The examination's objective was to express an opinion on whether the costs claimed by Nexant on in-scope contracts and subcontracts for the fiscal years ended December 31, 2016 and 2017 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 Awards*, as applicable. To answer the examination's objective, BMC designed its testing procedures to evaluate the internal control environment surrounding Nexant's subcontract management process and to verify that Nexant had adequate controls in place for monitoring subcontractor costs. Its examination included the reconciliation of 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.

adjusted total costs booked to date and the cumulative amount billed, by contract and reporting any over/under-billings. The audit firm examined USAID incurred costs of \$29,306,190 for the two years ended December 31, 2016 and 2017.

BMC expressed a qualified opinion due to submitted amounts that did not materially comply with contract terms pertaining to accumulating and billing incurred amounts. According to BMC, except for the instances of non-compliance described below, costs claimed by Nexant on in-scope unsettled flexibly priced contracts and subcontracts for the fiscal years ended December 31, 2016 and 2017 comply, in all material respects, with contract terms pertaining to accumulating and billing incurred amounts. The audit firm identified \$339,200 in total direct questioned costs (\$339,200 unsupported) applicable to USAID. BMC also identified indirect questioned costs of \$14,025,151 composed of \$16,258 in Material Overhead, \$1,731,403 in UK Overhead, \$3,365,943 in US Overhead and \$8,911,547 in G&A. The audit firm's examination disclosed one finding that is required to be reported under government auditing standards. Finding #1 is a material weakness for an inadequate cost proposal.

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 \$339,200 (\$339,200 unsupported) in direct questioned costs on pages 5, and 61 through 64 of the report and recover any amount that is unallowable.

Recommendation 2. Verify that Nexant, Inc. corrects the material weaknesses in internal control detailed on pages 2 and 13 through 16 of the audit report.

We ask that you provide your written notification of actions planned or taken to reach a management decision.

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