



# OFFICE OF INSPECTOR GENERAL

## U.S. Agency for International Development

### MEMORANDUM

**DATE:** February 28, 2022

**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 Report of Incurred Costs Claimed on Flexibly Priced Contracts by Natural Resources Consulting Engineer, Inc. for Fiscal Year Ended December 31, 2018 (3-000-22-015-1)

This memorandum transmits the final examination report on costs claimed by Natural Resources Consulting Engineer, Inc. (NRCE) on in-scope awards and sub awards for the fiscal year (FY) ended December 31, 2018. 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 perform the examination. The audit firm stated that it performed its audit in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and to determine whether costs claimed 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. The audit firm is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion that costs claimed by NRCE on in-scope awards and sub-awards for the year ended December 31, 2018, 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, in all material respects.<sup>1</sup>

The examination's objective was to express an opinion on whether the cost claimed by

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<sup>1</sup> 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.

NRCE on in-scope awards and subawards for the year ended December 31, 2018, 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 objective, BMC designed its testing procedures to evaluate the internal control environment surrounding NRCE subcontract management process, and to determine whether NRCE had adequate controls in place for monitoring subcontract costs. The audit firm also performed procedures on a test basis to obtain reasonable assurance that the direct costs billed to NRCE by subcontractors and claimed as other direct costs in NRCE's incurred costs proposal are allowable, allocable, and reasonable, in all material respects. The audit firm audited \$5,265,091 of USAID's incurred costs for the year ended December 31, 2018.

The audit firm expressed a qualified opinion that, except for the instances of noncompliance described below, costs claimed by NRCE on in-scope contracts and subcontracts for the year ended December 31, 2018, 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. BMC did not question any direct costs but questioned \$16,374 in indirect pool costs consisting of \$5,807 in fringe pool and \$10,567 in overhead pool costs. The audit firm did not disclose any findings that are required to be reported under Government Auditing Standards.

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").