



OFFICE OF INSPECTOR GENERAL

U.S. Agency for International Development

MEMORANDUM

DATE: March 7, 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 of Costs Claimed on Flexibly Priced Contracts by Development Professionals, Inc. for the Fiscal Year Ended December 31, 2018 (3-000-22-017-I)

This memorandum transmits the final examination report on costs claimed by Development Professionals, Inc. (DPI) on in-scope contracts and subcontracts 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 Booth Management Consulting, LLC (BMC) to conduct the audit. 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 the costs claimed by DPI on in-scope contracts and subcontracts 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 Requirements for Federal Awards*, as applicable.¹

The examination's objective was to express an opinion on whether the costs claimed by DPI on in-scope contracts and subcontracts for FY 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 examination's objective DPI designed its testing procedures to evaluate the internal control environment surrounding DPI's subcontract management process

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.

and to determine whether DPI had adequate controls in place for monitoring subcontract costs. Its examination included the reconciliation of the adjusted total costs booked to date and the cumulative amount billed, by contracts or subcontracts, for the FY ended December 31, 2018 and reported any over/under-billings. The audit firm examined USAID incurred costs of \$3,124,638 for the FY ended December 31, 2018.

BMC expressed a qualified opinion stating that, except for the instances of noncompliance described below, costs claimed by DPI on in-scope contracts and subcontracts for FY2018 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, in all material respects. BMC identified questioned direct costs, as unresolved and subsequently confirmed as questioned, \$19,695 (\$19,695 ineligible) pertaining to subcontractor costs, and other amounts billed. BMC identified total indirect questioned costs, of \$28,100, described as instances of material noncompliance, pertaining to timesheets not approved for direct labor, fringe, and indirect labor. Since the questioned direct costs did not meet the OIG's established threshold of \$25,000 for making a recommendation, we are not making a recommendation. Nevertheless, we suggest that USAID/Management/Office of Acquisition and Assistance/Cost, Audit and Support Division determine the allowability of the \$19,695 in questioned costs and recover any amount determined to be unallowable. BMC questioned indirect costs of \$28,100 from the General & Administrative pool.

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 I. Verify that Development Professionals, Inc. corrects the material weakness in internal control detailed on pages 2, and 8, Finding #1 of the audit report.

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").