



# OFFICE OF INSPECTOR GENERAL

## U.S. Agency for International Development

### MEMORANDUM

**DATE:** December 9, 2022

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

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

**SUBJECT:** Examination of Incurred Costs Claimed on Flexibly Priced Contracts by ICF Macro for the Fiscal Year Ended December 31, 2018 (3-000-23-005-I)

This memorandum transmits the final examination report on incurred costs claimed on flexibly priced contracts by ICF Macro (ICF) for 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 Contract Audit Management 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 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 ICF on in-scope contracts and subcontracts for the fiscal year ended December 31, 2018 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 Regulation (DSSR); and 2 Code of Federal Regulation (CFR) 200, *Uniform Administrative Requirements, Cost Principles, and Examination Requirements for Federal Awards*, as applicable.<sup>1</sup>

The examination's objective was to express an opinion on whether the costs claimed by ICF on in-scope contracts and subcontracts for the fiscal 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. To answer the examination's objective, BMC designed its testing procedures to evaluate the internal control environment surrounding ICF's

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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.

subcontracts management process and to verify that ICF had adequate controls in place for monitoring subcontractor costs. BMC also performed procedures on a test basis to obtain reasonable assurance that the direct costs billed to ICF by the subcontractors and claimed as ODCs in ICF Incurred Cost Proposal are allowable, allocable, and reasonable in all material respects. The audit firm examined USAID incurred costs of \$51,677,287 for the fiscal year ended December 31, 2018.

BMC expressed a qualified opinion due to submitted amounts that did not materially comply with contract terms pertaining to accumulating and billing incurred amounts. BMC stated that except for the instances of non-compliance described below, costs claimed by ICF on in-scope contracts and subcontracts for the fiscal year 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. The audit firm identified indirect questioned costs of \$9,771,623 (\$2,002,238 in overhead pool costs; \$11,249 in regional facility pool costs; \$55,649 in G&A pool costs; and \$7,702,487 in full fringe pool costs), and ineligible direct questioned costs of \$17,480. The audit firm's examination disclosed two findings that are required to be reported under Government Auditing Standards: two material weaknesses involving inadequate supporting documentation, and failure to comply with prompt payment. Since the questioned 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's Office of Acquisition and Assistance, Cost, Audit and Support Division Contract Audit Management determine the allowability of the \$17,480 in questioned costs and recover any amount determined to be unallowable.

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

**Recommendation 1.** Verify that ICF Macro corrects the two material weaknesses in internal control detailed on pages 11 and 12 of the examination report.

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

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").