



## OFFICE OF INSPECTOR GENERAL U.S. Agency for International Development

### MEMORANDUM

**DATE:** October 20, 2023

**TO:** USAID/Management/Office of Acquisition and Assistance/Cost, Audit and Support Division, Contract Audit Management Branch, Supervisory Auditor, Sheree Marshall

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

**SUBJECT:** Performance Audit of Incurred Costs for John Snow, Inc. for Fiscal Year Ended 2016 (3-000-24-001-D)

This memorandum transmits the final performance audit report on incurred costs submission (ICS) for John Snow, Inc. (JSI) for Fiscal Year (FY) 2016. USAID/Management/Office of Acquisition and Assistance/Cost Audit and Support Division contacted with the Defense Contract Audit Agency (DCAA) to conduct the audit. DCAA stated that it conducted the audit in accordance with generally accepted government audit standards (GAGAS). DCAA is responsible for the report and the conclusions expressed in it. We do not express an opinion on whether costs claimed by JSI in the FY 2016 ICS are accurate, allowable, allocable, and reasonable in accordance with contract terms and applicable Government acquisition regulations<sup>1</sup>

The audit objectives were to express an opinion on JSI's compliance based on DCAA's examination. To answer the audit objective, DCAA selected procedures dependent on its judgement, including an assessment of the risks of noncompliance, whether due to fraud or error, and involved the examination of evidence about the proposed amounts.

DCAA expressed a qualified opinion. DCAA's examination disclosed questioned direct and indirect costs of \$27,161 (\$23,415 in Labor, \$3,746 in HSV-Holiday, Sick and Vacation Costs) and \$510,832 (\$510,832 in Employee Bonus Costs in the Overhead Pool). DCAA stated that questioned costs resulted from the JSI's noncompliance with requirements of federal regulation in specific provisions included as part of terms of unsettled flexibility priced contracts. Specifically, DCAA concluded that JSI did not comply with 1) Special Provisions of Contract GPO-I-00-06-00007, and 2) FAR 31.205-6, Compensation for Personal Services. In DCAA'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.

opinion, except for the material noncompliances described above, JSI's proposed amounts on unsettled flexibly priced contracts comply, in all material respects, with contract terms pertaining to accumulating incurred amounts.

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

**Recommendation 1.** Determine the allowability of \$27,161 in questioned costs (\$27,161 ineligible) on pages 1 and 16 of the audit report and recover any amount that is unallowable.

**Recommendation 2.** Verify that JSI corrects the two instances of material noncompliance detailed on page 4 of the audit 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"). In addition, USAID OIG has determined that this transmittal memo and the enclosed report are not subject to notification and reporting requirements under Section 5274 of the National Defense Authorization Act.<sup>2</sup>

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<sup>2</sup> The James M. Inhofe National Defense Authorization Act for Fiscal Year 2023 Pub. L. No. 117-263, § 5274. Please direct related inquiries to [oignotice\\_ndaa5274@usaid.gov](mailto:oignotice_ndaa5274@usaid.gov).