



OFFICE OF INSPECTOR GENERAL

U.S. Agency for International Development

MEMORANDUM

DATE: June 15, 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: Audit Report on Deloitte Government and Public Services' Proposed Amounts on Unsettled Flexibly Priced Contracts for Contractor Fiscal Year 2019 (3-000-22-014-D)

This memorandum transmits the final examination supplemental report on costs claimed by Deloitte Government and Public Services' (Deloitte GPS) proposed amounts on unsettled flexibly priced contracts for contractor fiscal year (CFY) June 3, 2018, through June 1, 2019. The Defense Contract Audit Agency (DCAA) performed this audit as part of its coordination with the Corporate Administrative Officer, Defense Contract Management Agency.¹ DCAA stated that it performed its examination in accordance with generally accepted government auditing standards. DCAA is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion whether Deloitte GPS' proposed amounts on unsettled flexibly priced contracts comply, in all material respects, with contract terms pertaining to accumulating incurred amounts.²

The examination's objective was to express an opinion on whether Deloitte GPS' proposed direct and indirect amounts for contract reimbursement on Deloitte GPS' unsettled flexibly priced contracts contained in its CFY 2019 indirect rate proposal, submitted on November 25,

¹ USAID is not the cognizant audit or indirect cost rate Federal Agency for Deloitte Government and Public Services. Deloitte GPS provides services to several Government agencies, of which USAID is one. As such, only USAID-related questioned costs, and findings in this report, if any, will result in recommendations. Overall report results, as well as non-USAID-related questioned costs and findings are reported for context only. The latter is the responsibility of the cognizant Federal agency, the Department of Defense (DOD), as well as determining the indirect cost rate for Deloitte GPS.

² We reviewed DCAA'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.

2019, comply with contract terms pertaining to accumulating incurred amounts. To answer the examination's objective, DCAA designed its testing procedures to obtain and examine evidence to gain reasonable assurance about whether Deloitte GPS's proposed amounts materially comply with the contract terms pertaining to accumulating incurred amounts. The nature, timing, and extent of procedures selected depends on DCAA's professional judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. DCAA examined USAID incurred direct costs of \$90,175,970 for CFY 2019.

DCAA expressed a qualified opinion stating that, except for the noncompliances described below, and the effects of additional noncompliances, if any, they might have identified had they completed the procedures described in the scope limitations below, Deloitte GPS's proposed amounts on unsettled flexibly priced contracts comply, in all material respects, with contract terms pertaining to accumulating incurred amounts. DCAA (a) identified total direct questioned costs of \$674,201 in direct labor and (b) identified indirect questioned costs, of \$64,504,541; and (c) nine material instances of noncompliance. Scope limitations consisted of (1) reliance on scanned data; (2) unable to verify Deloitte GPS' executive management surveys to its originating source; and (3) unable to verify selected Deloitte GPS' senior managers' job descriptions. Recommendations for corrective actions of the weaknesses noted above and questioned costs are the responsibility the cognizant agency, and each non-DOD agency.

With respect to USAID, the DCAA auditor identified direct questioned costs of \$160,832 (\$160,832, ineligible). To address the direct questioned costs in the report, we recommend that the USAID's Office of Acquisition and Assistance Cost, Audit and Support Division, Contract Audit Management Branch:

Recommendation I. Determine the allowability of \$160,832 (\$160,832, ineligible) in questioned direct costs on pages 56, 58 through 59, and 67 of the audit report and recover any amount that is unallowable.

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

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