



OFFICE OF INSPECTOR GENERAL

U.S. Agency for International Development

MEMORANDUM

DATE: August 23, 2023

TO: USAID/Management/Office of Acquisition and Assistance/Cost, Audit and Support Division, Contract Audit Management Branch, Acting Supervisory Auditor, Maya Cole

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

SUBJECT: Performance Audit of Incurred Costs for Natural Resources Consulting Engineers, Inc., for Fiscal Year 2019 (3-000-23-049-I)

This memorandum transmits the final performance audit report on incurred costs submission (ICS) for Natural Resources Consulting Engineers, Inc., (NRCE) for Fiscal Year (FY) 2019. The U.S. Agency for International Development (USAID) Office of Acquisition and Assistance, Cost, Audit and Support Division, Contract Audit Management Branch contracted with the independent certified public accounting firm of Tichenor & Associates, LLP (Tichenor) to conduct the audit. Tichenor stated that it performed its audit in accordance with government auditing standards issued by the Comptroller General of United States. Tichenor is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on whether costs claimed by NRCE in the FY 2019 ICS are accurate, allowable, allocable, and reasonable in accordance with contract terms and applicable Government acquisition regulations.¹

The audit's objective was to determine whether the costs claimed by NRCE in the FY 2019 ICS were accurate, allowable, allocable, and reasonable in accordance with NRCE's USAID contracts and applicable Government acquisition regulations, specifically the Federal Acquisition Regulation (FAR), the USAID Acquisition Regulations (AIDAR), Federal Travel Regulations and/or the Department of State Standard Travel Regulations (DSSR), and Buy-American Act for the Contracting Officer to execute the finalization of allowable contract costs and indirect rates for the fiscal year with NRCE. To answer the audit's objective, Tichenor designed its testing procedures to review the incurred costs reported by NRCE for FY 2019 and reconciled it to its general ledger, and other records and documentation to determine its adequacy for audit purposes. Further, Tichenor reviewed applicable rules, regulations, guidance, and NRCE's policies and procedures regarding claimed direct and indirect costs. Tichenor examined USAID

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.

incurred costs of \$5,154,128 for FY 2019.

Tichenor concluded that NRCE prepared its FY 2019 ICS in accordance with applicable Government acquisitions regulations of the FAR, the AIDAR, and the DSSR regarding accuracy, allowability, allocability, and reasonableness of incurred costs that are appropriate for the Contracting Officer's use in executing the finalization of allowable costs and indirect rates for the fiscal years with NRCE. Tichenor did not identify any questioned costs. Further, Tichenor noted that NRCE may have underbilled USAID \$520,446 for FY 2019. Finally, Tichenor determined that NRCE's FY 2019 ICS Schedule H presented costs at a summary level and not at a contract level, as required by FAR 52.216-7(d)(2)(iii)(h). Therefore, we suggest that USAID's Office of Acquisition and Assistance, Cost, Audit and Support Division, Contract Audit Management Branch determine whether NRCE addressed the issue noted.

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.²

² 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.