



# OFFICE OF INSPECTOR GENERAL

## U.S. Agency for International Development

### MEMORANDUM

**DATE:** February 13, 2024

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

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

**SUBJECT:** Performance Audit of Incurred Costs of Nexant, Inc., for Fiscal Years 2018 and 2019 (3-000-24-020-1)

This memorandum transmits the final performance audit report on incurred costs submission (ICS) of Nexant, Inc., for Fiscal Years (FY) 2018 and 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 Nexant, Inc., in the FYs 2018 and 2019 ICS are accurate, allowable, allocable, and reasonable in accordance with contract terms and applicable Government acquisition regulations.<sup>1</sup>

The audit's objective was to determine whether the costs claimed by Nexant, Inc., in FYs 2018 and 2019 ICS were accurate, allowable, allocable, and reasonable in accordance with the Nexant, Inc.'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 Nexant, Inc. To answer the audit's objective, Tichenor designed its testing procedures to review the incurred costs reported by Nexant, Inc., in FYs 2018 and 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 Nexant, Inc.'s, policies, and procedures regarding claimed direct and indirect costs. Tichenor examined USAID incurred costs of \$8,266,093 in FY

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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.

2018 and \$4,251,925 in FY 2019, resulting in total incurred costs of \$12,518,018 in FYs 2018 and 2019.

Tichenor concluded that Nexant, Inc., prepared its FYs 2018 and 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 and are appropriate for the Contracting Officer’s use in executing the finalization of allowable costs and indirect rates for the fiscal years with Nexant, Inc. However, Tichenor identified five non-material findings. Tichenor’s reported questioned costs, which we confirmed, originated from two findings: 2018/2019-001 and 2018/2019-002.

- Questioned Indirect Costs: Table 1 identifies the questioned indirect pool costs for FYs 2018 and 2019 by component.

**Table 1: Questioned Indirect Pool Costs**

<b>Component</b>	<b>FY 2018</b>	<b>FY 2019</b>	<b>Total</b>
U.S. Overhead	\$1,910,705	\$112,886	<b>\$2,023,591</b>
U.K. Overhead	\$1,803,224	\$1,517,038	<b>\$3,320,262</b>
APAC Overhead	\$387,667	(\$25,487)	<b>\$362,180</b>
G&A	(\$695,228)	\$704,911	<b>\$9,683</b>
<b>Total</b>	<b>\$3,406,368</b>	<b>\$2,309,348</b>	<b>\$5,715,716</b>

- Questioned Direct Costs: Table 2 shows the questioned direct costs for FYs 2018 and 2019 associated with US Direct Labor, UK Direct Labor, and Travel/Other Direct Costs (ODC).

**Table 2: Questioned Direct Costs**

<b>Component</b>	<b>FY 2018</b>	<b>FY 2019</b>	<b>Total</b>
U.S. Direct Labor	\$328,764	\$3,372	<b>\$332,136</b>
U.K. Direct Labor	\$499	\$0	<b>\$499</b>
Travel/ODC	\$440,461	\$632,805	<b>\$1,073,266</b>
<b>Total</b>	<b>\$769,724</b>	<b>\$636,177</b>	<b>\$1,405,901</b>

Note: OIG does not offset negative direct questioned costs against positive direct questioned costs as Tichenor reported for FY 2018.

During our desk review, we noted an area for improvement Tichenor should address in future audit reports. We presented the area in a memo to USAID/Management/Office of Acquisition and Assistance/Cost, Audit and Support Division/Contract Audit Management Branch, dated February 13, 2024.

To address the questioned direct costs identified in the report, we recommend that USAID/Bureau for Management/of Acquisition and Assistance/Cost, Audit and Support Division, Contract Audit Management Branch:

**Recommendation 1.** Determine the allowability of \$1,405,901 in direct questioned costs (\$1,405,901 unsupported) detailed on pages 16 through 35 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.

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).