



## MEMORANDUM

**DATE:** October 11, 2018

**TO:** USAID/Management/Office of Acquisition and Assistance/Cost Audit and Support Division, Branch Chief, David A. McNeil

**FROM:** Director of External Financial Audits, Abdoulaye Gueye /s/

**SUBJECT:** Audit Report on Mendez England & Associate's Proposed Amounts on Unsettled Flexibly Priced Contracts for Fiscal Years (FY) 2013 - 2016  
Report No. 3-000-19-001-D

This memorandum transmits the final report on examined proposed direct and indirect amounts for contract reimbursement on unsettled flexibly priced contracts contained in FYs 2013 through 2016 submitted by Mendez England & Associates (MEA) to determine if the proposed amounts comply with contract terms pertaining to accumulating and billing incurred amounts. The U.S. Agency for International Development's (USAID) Office of Acquisition and Assistance Cost, Audit and Support Division contracted with the Defense Contract Audit Agency (DCAA) to conduct the audit.

DCAA stated that it performed this audit in accordance with Government Auditing Standards, issued by the Comptroller General of the United States (GAGAS). DCAA is responsible for the enclosed report and the conclusions expressed in it. DCAA's audit did not provide a legal determination on MEA's compliance with contract terms. We do not express an opinion on whether MEA's proposed amounts on unsettled flexibly priced contracts comply in all material respects with contract terms pertaining to accumulating and billing incurred amounts.<sup>1</sup>

The objective of this audit was to express an opinion on MEA's proposed direct and indirect amounts for contract reimbursement on unsettled flexibly priced contracts contained in its FYs 2013 through 2016 final indirect rate proposals submitted to DCAA on September 16, 2014, September 27, 2016, October 18, 2016 and August 29, 2017 and to determine if the proposed amounts comply with contract terms pertaining to accumulating and billing incurred amounts.

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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.

To answer this objective DCAA planned and performed an audit in accordance with GAGAS to obtain reasonable assurance about whether MEA's proposed amounts materially comply with contract terms. DCAA's audit included performing procedures to obtain evidence about whether proposed amounts materially comply with contract terms.

DCAA was unable to complete certain procedures that it deemed necessary to complete the scope of the audit resulting in a scope limitation. Specifically, the auditor did not perform real-time testing of labor (employee physical observation and interview) to ensure that employees are: (1) at work; (2) performing in their assigned job classification; and (3) charging time to the proper cost objective. DCAA applied alternate procedures, but stated that these procedures were not sufficient to substitute for the lack of testing labor on a real time basis and to determine with reasonable assurance the existence and/or allocability of labor costs incurred. Therefore, DCAA's audit results related to labor costs could be significantly impacted by the performance of such procedures.

DCAA expressed a qualified opinion. DCAA stated that except for the effects of the noncompliance, if any, that they might have identified had they completed the procedures discussed in the scope limitation above, MEA's proposed amounts on unsettled flexibly priced contracts comply, in all material respects, with contract terms pertaining to accumulating and billing incurred amounts.

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").

If you have any questions related to this report, please contact Steve Shea, Assistant Director at (202) 712-1386 or [sshea@usaid.gov](mailto:sshea@usaid.gov).

Attachment: As stated

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