



## MEMORANDUM

**DATE:** May 1, 2019

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

**FROM:** Deputy Assistant Inspector General for Audits, Alvin Brown/s/

**SUBJECT:** Examination of Costs Claimed For Development Alternatives, Inc. for the Three Fiscal Years Ended December 31, 2012 (3-000-19-019-1)

This memorandum transmits the final report on the examination of costs claimed for Development Alternatives, Inc. (DAI) on in-scope contracts and subcontracts for the three fiscal years (FY) ended December 31, 2010, 2011 and 2012. The U.S. Agency for International Development (USAID) Office of Acquisition and Assistance, Cost, Audit, and Support Division contracted with Kearney & Company to conduct the examination. The contract required the audit firm to perform the examination in accordance with generally accepted government auditing standards, contract terms, Part 31 of the Federal Acquisition Regulation (FAR), Agency for International Development Acquisition Regulations (AIDAR), Department of State Standardized Regulations (DSSR) and 2 Code of Federal Regulations (CFR) 200, *Uniform Administrative Requirements Cost Principles and Audit Requirements for Federal Awards*.

The audit firm states that it performed its examination in accordance with attestation standards established by the American Institute of Certified Public Accountants (AICPA) and the standards applicable to attestation engagements contained in generally accepted government auditing standards. The audit firm is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on whether costs claimed on in-scope contracts and subcontracts for each FY is allowable, allocable and reasonable in accordance with contract terms; Part 31 for the FAR; AIDAR; DSSR; and 2 CFR 200 *Uniform Administrative Requirements Cost Principles and Audit Requirements for Federal Awards*.<sup>1</sup>

The examination's objectives were to (1) express an opinion on whether the costs claimed by DAI on in-scope contracts and subcontracts for the three FYs ended December 31, 2010, 2011, and 2012, are allowable, allocable, and reasonable in accordance with contract terms; Part 31 of the FAR; AIDAR;

<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.

DSSR; and 2 CFR 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. To answer the objective, Kearney & Company designed its testing procedures to evaluate the internal control environment surrounding DAI's subcontract management process and to verify that DAI had adequate controls in place for monitoring subcontractor costs. Its examination included the reconciliation of the adjusted total costs booked to date and the cumulative amount billed, by contract.

The audit firm expressed a qualified opinion that DAI's in-scope contracts and subcontracts for the three FYs ended December 31, 2010, 2011 and 2012 are allowable, allocable and reasonable. Kearney & Company reported total direct questioned costs of \$33,542 (\$2,854 ineligible and \$30,688 unsupported). The auditor also questioned negative \$115,703 of indirect costs composed of \$7,251 in home office and overseas fringe pool costs, \$22,638 in overhead pool costs, and negative \$145,592 in General & Administrative pool costs.

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

**Recommendation I.** Determine the allowability of \$33,542 in direct questioned costs (\$2,854 ineligible and \$30,688 unsupported) applicable to USAID on pages 1 and 2, and 51 through 95 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. We appreciate the assistance extended to audit staff during the engagement.

OIG does not routinely distribute independent public accounting reports beyond the immediate addresses 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").