



MEMORANDUM

DATE: October 22, 2019

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

FROM: Acting Director of External Financial Audits Division, Steven Shea /s/

SUBJECT: Independent Audit on Tetra Tech Engineering and Architectural Services' Proposed Amounts on Unsettled Flexibly Priced Contracts for Fiscal Years 2016, and 2017 (3-000-20-003-D)

This memorandum transmits the final audit report on Tetra Tech Engineering and Architectural Services' (Tetra) proposed amounts on unsettled flexibly priced contracts for fiscal years (FY) 2016, and 2017. The U.S. Agency for International Development (USAID) Office of Acquisition and Assistance, Cost, Audit and Support Division contracted with the Defense Contract Audit Agency (DCAA) to conduct the audit. DCAA states that they conducted their audit 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 on whether Tetra's proposed amounts on unsettled flexibly priced contracts comply, in all material respects, with contract terms pertaining to accumulating and billing incurred amounts¹.

The objective of this audit was to express an opinion on whether Tetra's proposed direct and indirect amounts for contract reimbursement on unsettled flexibly priced contracts contained in its FYs 2016 and 2017 final indirect rate proposals, submitted on June 25, 2018, and revised on December, 13, 2018, and January 23, 2019, to determine if the proposed amounts comply with contract terms pertaining to accumulating and billing incurred amounts. To answer this objective, DCAA planned and performed an audit in accordance with generally accepted

¹ 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 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.

government auditing standards to obtain reasonable assurance on whether Tetra's proposed direct and indirect cost amounts materially comply with contract terms.

DCAA expressed a qualified opinion due to the scope limitations on their ability to perform real time procedures on proposed direct labor and direct materials costs. DCAA applied alternative procedures that were however, not sufficient to substitute for the lack of testing labor and materials on a real-time basis. DCAA's results are qualified to the extent that noncompliances could have been disclosed if the necessary testing of labor and materials had been performed. DCAA stated that except for the effects of noncompliances, if any, that DCAA might have identified had there not been the scope limitation, Tetra's proposed amounts on unsettled flexibly priced contracts comply, in all material respects, with the contract terms pertaining to accumulating and billing incurred amounts. DCAA audited \$16,865,108 of Tetra's proposed costs for FYs 2016 and 2017. The audit report did not disclose any findings or questioned costs.

We appreciate the assistance extended 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").