



MEMORANDUM

DATE: November 21, 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 Report on Tetra Tech DPK Consulting, Inc.'s Proposed Amounts on Unsettled Flexibly Priced Contracts for Fiscal Years 2016 and 2017 (3-000-20-006-D)

This memorandum transmits the final audit report on Tetra Tech DPK Consulting, Inc.'s (TT DPK) proposed direct and indirect amounts for contract reimbursement on unsettled flexibly priced contracts contained in its final indirect rate proposal 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 stated 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 TT DPK'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 TT DPK's proposed direct and indirect amounts for contract reimbursement on unsettled flexibly priced contracts contained in its FYs 2016 and 2017 certified indirect cost proposals, submitted on March 31, 2017 and March 30, 2018 respectively, 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 government auditing standards to obtain reasonable assurance on whether TT DPK's proposed

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 review performed.

direct and indirect amounts for contract reimbursement materially comply with contract terms. USAID's audited direct costs were \$38,209,607 for FYs 2016 and 2017.

DCAA expressed a qualified opinion due to the scope limitations on disclosed proposed amounts that did not materially comply with contract terms pertaining to accumulating and billing incurred amounts. DCAA stated that TT DPK did not provide adequate cost or price analysis to support the proposed direct subcontractor costs. As a result, DCAA was unable to perform procedures to assess the reasonableness of proposed direct subcontractor costs. DCAA stated that except for the scope limitation, TT DPK's proposed amounts on unsettled flexibly priced contracts complies, in all material respects, with the contract terms pertaining to accumulating and billing incurred amounts. The audit report disclosed one material noncompliance over the lack of adequate cost or price analysis to support the proposed direct subcontractor costs.

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

Recommendation I. Verify that Tetra Tech DPK Consulting, Inc. corrects the instance of material noncompliance detailed on pages 2 and 3 of the audit report.

We ask that you provide your written notification of actions planned or taken to reach a management decision. 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").