



## MEMORANDUM

**DATE:** May 8, 2020

**TO:** USAID/Management/Office of Acquisition and Assistance, Cost Audit and Support Division, Acting Supervisory Auditor, Eleanor C. Jefferson

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

**SUBJECT:** Examination of Costs Claimed for Tetra Tech ES, Inc. for the Fiscal Year Ended September 28, 2014 (3-000-20-032-I)

This memorandum transmits the final examination report on costs claimed for Tetra Tech ES, Inc. (Tetra Tech ES) on in-scope awards and sub awards for the fiscal year (FY) ended September 28, 2014. The U.S. Agency for International Development (USAID) Office of Acquisition and Assistance, Cost Audit and Support Division contracted with the independent certified public accounting firm of Kearney & Company P.C. (Kearney & Company) to perform the examination. Kearney & Company stated that it performed the examination in accordance with generally accepted government auditing standards, and award terms; Part 31 of the Federal Acquisition Regulation (FAR); Agency for International Development Acquisition Regulation (AIDAR); Department of State Standardized Regulation (DSSR); and 2 Code of Federal Regulations (CFR) 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, as applicable. The audit firm states that its examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants 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 that costs claimed by Tetra Tech ES on in-scope awards and sub-awards for the FY ended September 28, 2014 are allowable, allocable, and reasonable in accordance with award terms; Part 31 of the FAR; AIDAR; DSSR; and 2 CFR 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, as applicable, in all material respects.<sup>1</sup>

The objective of the examination was to express an opinion on whether the cost claimed by Tetra Tech ES on in-scope awards and subawards for the FY ended September 28, 2014 are allowable, allocable and reasonable in accordance with contract terms; Part 31 of FAR; AIDAR;

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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.

DSSR; and 2 CFR 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, as applicable. To answer the objective, Kearney & Company designed its testing procedures to evaluate the internal control environment surrounding Tetra Tech ES's subcontract management process and to determine whether Tetra Tech ES had adequate controls in place for monitoring subcontract costs. The audit firm also performed procedures, on a test basis, to determine whether costs billed to Tetra Tech ES by its subcontractors and claimed as subcontractor costs in Tetra Tech ES's incurred cost proposals (ICPs) are allowable, allocable, and reasonable, in all material respects. The audit firm examined \$30,007,369 of Tetra Tech ES's incurred costs for the FY ended September 28, 2014.

Kearney & Company expressed a qualified opinion because it did not examine one subcontractor's costs for FY 2014. These unexamined costs are claimed as subcontractor costs in Tetra Tech ES's ICPs and are subject to change based on separate examination and are included in the allocation bases for Tetra Tech ES's Material Handling and Subcontractors rates. Kearney & Company was unable to quantify the effects of these unexamined costs on the subject matter as a whole but determined they could be material and thus the audit firm could not quantify the potential impact. The audit firm did not question any direct costs or indirect pool costs. In addition, the audit firm's examination did not disclose any findings.

We appreciate the assistance extended during the engagement.

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").