



MEMORANDUM

DATE: May 20, 2020

TO: USAID/Iraq Mission Director, Dana Mansuri

FROM: USAID OIG Middle East and Eastern Europe (ME/EE) Regional Office, Audit Director, David Thomanek /s/

SUBJECT: Audit on G4S Risk Management Limited's Incurred and Billed Costs, Local Governance Program in Iraq, Subcontract AID-267-C-11-00006-G4S With Chemonics International, Inc., USAID Prime Contract AID-267-C-11-00006, January 1, 2014, to June 30, 2015 (8-267-20-006-D)

This memorandum transmits the final Defense Contract Audit Agency (DCAA) audit report number 1191-2017G17900003 on G4S Risk Management Limited's costs incurred and billed under subcontract AID-267-C-11-00006-G4S with Chemonics International, Inc., USAID/Iraq prime contract AID-267-C-11-00006, from January 1, 2014, to June 30, 2015. USAID/Iraq contracted with DCAA to conduct the audit. DCAA stated that it performed its audit in accordance with generally accepted government auditing standards. DCAA disclosed two scope limitations related to not performing real-time labor testing in FY 2014, and to the existence of a deficiency in the auditee's timekeeping procedures. DCAA said that although they performed alternative procedures to evaluate the allowability and allocability of the labor costs, real time labor testing might have identified direct labor mischarging that may have gone undetected and said that had they performed sufficient real-time testing of labor, additional questioned costs may have been disclosed. Furthermore, DCAA said that their audit results are impacted to the extent that their questioned costs may have differed had the timekeeping procedures deficiency been addressed by the auditee. DCAA is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on the auditee's incurred and billed direct costs; the effectiveness of its internal control; or its compliance with the award, laws, and regulations.¹

¹ 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.

The engagement objectives were mainly to express an opinion on whether the costs incurred and billed comply, in all material respects, with applicable subcontract terms from January 1, 2014, to June 30, 2015. To answer the engagement objectives, the auditors performed the subject audit that covered \$4,100,563 in expenditures from January 1, 2014 to June 30, 2015.

DCAA expressed a qualified opinion on the auditee's incurred and billed costs and questioned ineligible costs of \$278,583. DCAA identified one material instance of noncompliance and said that incurred and billed costs do not materially comply with FAR, AIDAR, and subcontract terms pertaining to accumulating and billing incurred amounts. Since G4S Risk Management Limited has no current awards with USAID/Iraq, USAID/OIG ME/EE Regional Office is not making a procedural recommendation for the material instance of noncompliance. However, if USAID/Iraq considers future awards to the auditee, it should ensure that adequate policies and procedures are established and implemented to address this finding as detailed on pages 8 to 15 of DCAA report. In addition, although, we are not making a recommendation for the material internal control deficiency noted in the report, we suggest that USAID/Iraq determine if the auditee addressed the issue noted, if it considers future awards to the auditee. Please note that pages 11 to 18 of the audit report include personally identifiable information.

To address the issues identified in the report, we recommend that, USAID/Iraq do the following:

Recommendation 1: Determine the allowability and collect as appropriate, \$278,583 in ineligible questioned costs, as disclosed on pages 8 to 14 of Defense Contract Audit Agency's 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 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").