MEMORANDUM

DATE: June 17, 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 Avenir Health, Incorporated’s Indirect Cost Rate Proposals and Related Books and Records for Reimbursement for the Fiscal Years Ended December 31, 2015 and December 31, 2016 (3-000-20-045-I)

This memorandum transmits the final audit report on the examination of indirect cost rate proposals and related books and records for reimbursement of Avenir Health, Incorporated (Avenir) for the fiscal years (FY) ended December 31, 2015 and December 31, 2016. The U.S. Agency for International Development’s (USAID) Office of Acquisition and Assistance Cost, Audit and Support Division contracted with the independent certified public accounting firm Booth Management Consulting, LLC (BMC) to conduct the audit. The audit firm stated that it performed its examination 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 on, the allowability, allocability, and reasonableness in accordance with contract terms; 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) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, of the direct and indirect costs claimed in the certified final indirect cost rate proposals for awards in the two FYs ended December 31, 2015 and December 31, 2016 by Avenir.

The objective of this examination was to express an opinion on whether the costs claimed by

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.
Avenir’ in-scope contracts and subcontracts for the two FYs ended December 31, 2015 and December 31, 2016 are allowable, allocable, and reasonable in accordance with contract 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. To answer the examination objective, BMC evaluated the contractor’s internal controls, assessed control risk, and determined the extent of audit testing needed based on the control risk assessment; examined on a test basis, evidence supporting the amounts and disclosures in the data and records evaluated; assessed the accounting principles used and significant estimates made by the contractor; and evaluated the overall data and records presentation. Testing covered direct labor cost, direct travel cost, other direct costs, general and administrative expenses, and subcontracts. Additionally, as directed by the USAID contract with BMC, testing covered the special audit requirements for expenses of specific concern to USAID: consultants, subcontractors, staff and consultant limitations, and Buy-American requirements. BMC’s examination included evaluating the contractor’s indirect cost allocation bases for equity and consistency with FAR, and AIDAR, where applicable, including verifying that the bases properly: (1) reflected the appropriate cost accounting period; and (2) allocated indirect cost to final cost objectives commensurate with the benefits received. The audit firm determined that the allocation bases were equitable and reasonable. The audit firm examined USAID claimed costs of $3,607,591 for the two FYs ended December 31, 2016.

The audit firm expressed an unqualified opinion that costs claimed by Avenir’s in-scope contracts and subcontracts for the two FYs ended December 31, 2015 and December 31, 2016 are allowable, allocable, and reasonable in accordance with contract 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. The audit firm did not question any costs. However, the audit firm reported that Avenir does not have an adequate (officially written) documented and implemented policy and procedures to describe the determination, justification, and issuance of employee bonuses – a material instance of noncompliance that the auditor referred to as a reportable finding.

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

**Recommendation 1.** Verify that Avenir Health, Incorporated corrects the instance of material noncompliance detailed on pages eight to ten of the audit report.

We ask that you provide your written notification of actions planned or taken to reach 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”).