



MEMORANDUM

DATE: June 25, 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 for Steven Shea/s/

SUBJECT: Examination of Abt Associates, Inc. Indirect Cost Rate Proposals and Related Books and Records for the Fiscal Year Ended March 31, 2017 (3-000-20-050-1)

This memorandum transmits the final report on Abt Associates, Inc. (Abt) on in-scope contracts and subcontracts for the fiscal year ended March 31, 2017. 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 Booth Management Consulting, LLC, (BMC) to conduct the examination. The audit firm stated that it performed its examination in accordance with attestation standards established by the American Institute of Certified Public Accountant 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 Abt on in-scope contracts and subcontracts for the fiscal year ended March 31, 2017 are allowable, allocable, and reasonable in accordance with contract terms; Part 31 of 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) 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* as applicable.¹

The objective of this examination was to express an opinion on whether the cost claimed by Abt on in-scope contract and subcontracts for the fiscal year ended March 31, 2017 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's objective, BMC obtained an understanding of internal controls, assessed control risk, and determined the extent of testing needed based on the control risk assessment and designed testing procedures to evaluate the internal control environment surrounding Abt's subcontract management

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.

process and to determine whether Abt had adequate controls in place for monitoring subcontract costs. BMC's examination also included evaluating the incurred costs for compliance with the applicable requirements contained in the FAR, AIDAR, DSSR, and other specific contract provisions. The audit firm audited \$ 1,415,050,969 of Abt's incurred costs for the fiscal year ended March 31, 2017.

The audit firm expressed a qualified opinion that costs claimed by Abt on in-scope contracts and sub-contracts for the fiscal year ended March 31, 2017 except for instances of noncompliance, 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. The audit firm questioned total USAID direct questioned costs of \$ 196,881 (\$ 196,881 unsupported). BMC also questioned \$ 34,065 of indirect costs, composed of \$ 1,369 in general and administrative pool expenses, and \$ 32,696 in overhead pool costs. BMC's examination did not disclose any findings that are required to be reported under generally accepted government auditing standards.

To address the issues identified in the report, we recommend that USAID/Management/Office of Acquisition and Assistance/Cost Audit and Support Division:

Recommendation 1. Determine the allowability of \$196,881 in questioned costs (\$ 196,881 unsupported) on pages 24 through 32 of the audit report and recover any amount that is unallowable

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").