



MEMORANDUM

DATE: July 10, 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 Audit Division (IG/A/EFA), David A. McNeil /s/

SUBJECT: Independent Audit of Development Transformations, LLC's Proposed Amounts on Unsettled Flexibly Priced Contracts for Fiscal Years 2015-2017 (3-000-20-014-D)

This memorandum transmits the final audit report on Development Transformations, LLC's (DTL) certified indirect cost rate proposal and related books and records for the reimbursement of incurred costs for fiscal years (FYs) 2015, 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 it performed its audit in accordance with generally accepted government auditing standards. DCAA stated it did not (1) perform real-time testing of proposed labor costs for FYs 2015, 2016, and 2017, and (2) was unable to perform physical observation of DTL's accounting systems reports and review original records as supporting documentation, because the contractor instructed its employees to work from home as a result of the Coronavirus Disease. DCAA used alternate audit procedures in the first instant, but considered them insufficient as substitute; in the second instant, DCAA proposes to perform these procedures within 90 days of resuming normal operations, and supplement the audit report, if it would serve a useful purpose. DCAA is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on whether DTL's proposed amounts on unsettled flexibly priced contracts comply, in all material respects, with contract terms pertaining to accumulating and billing incurred amounts.¹

The objective of this audit was to express an opinion on whether DTL's proposed costs

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.

comply, in all material respects, with contract terms pertaining to accumulating and billing incurred amounts. To answer this objective DCAA performed procedures to obtain evidence on whether DTL's proposed amounts materially comply with contract terms. USAID's audited direct costs were \$5,125,062 in total for all fiscal years 2015 through 2017.

DCAA expressed a qualified opinion because their audit encountered scope limitations due to their inability to perform real-time testing on proposed direct labor costs, physical observation of the DTL's accounting systems reports, and review original records as supporting documentation, which were procedures DCAA considered necessary but could not perform under the circumstances. DCAA stated that except for the effects of the noncompliance(s), if any, that they might have identified had DCAA not been constrained by the scope limitations, DTL's proposed amounts on unsettled USAID flexibly priced contracts for FYs 2015, 2016, and 2017 comply, in all material respects, with contract terms pertaining to accumulating and billing incurred amounts. DCAA did not question any costs.

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").