MEMORANDUM

DATE: July 27, 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: Examination of CDM International Inc.’s Indirect Cost Rate Proposals and Related Books and Records for Reimbursement for the Fiscal Year Ended December 29, 2018 (3-000-20-060-I)

This memorandum transmits the final audit report on the examination of indirect cost rate proposals and related books and records for reimbursement of CDM International Inc. (CDMI) for the fiscal year (FY) ended December 29, 2018. 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 issued by the Comptroller General of the United States. 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; 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) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, as applicable, of the direct and indirect costs claimed in the certified final indirect cost rate proposals for awards in the FY ended December 29, 2018 by CDMI.¹

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.

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CDMI’s in-scope contracts and subcontracts for the FY 2018 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 indirect labor, fringe, overhead, direct labor cost, internal subcontractors, external subcontractors, and other direct costs. Additionally, as directed by the USAID contract with BMC, testing covered the special examination requirements noted as sensitive to USAID: consultants, subcontractors, staff and consultant limitations, and Buy American Act requirements. BMC’s examination included evaluating the contractor’s indirect cost allocation bases for equity and consistency with generally accepted accounting principles, 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 $14,315,425 for the FY ended December 29, 2018.

The audit firm issued a qualified opinion, stating that the examination disclosed submitted amounts that do not materially comply with contract terms pertaining to accumulating and billing incurred amounts. The audit firm concluded that the costs claimed by CDMI’s in-scope unsettled flexibly-priced contracts and subcontracts for the FY 2018 comply, in all material respects, with contract terms pertaining to accumulating and billing incurred amounts. In addition, the audit firm questioned $1,252 of direct costs as unsupported, and $119 of indirect costs from the overhead pool. Since the questioned costs did not meet the OIG’s established threshold of $25,000 for making a recommendation, we are not making a recommendation. Nevertheless, we suggest that USAID Office of Acquisition and Assistance Cost, Audit and Support Division determine the allowability of the $1,252 in questioned direct costs and recover any amount determined to be unallowable. In addition, although we are not making a recommendation for submitted amounts that do not materially comply with contract terms pertaining to accumulating and billing incurred amounts noted in the report, we suggest that USAID Office of Acquisition and Assistance Cost, Audit and Support Division determine if the recipient addressed the issues noted.

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”).