



MEMORANDUM

DATE: December 22, 2020

TO: USAID/Management/Office of Acquisition and Assistance/Cost Audit and Support Division, Supervisory Auditor, Eleanor C. Jefferson

FROM: Director of External Financial Audits Division (IG/A/EFA), David A. McNeil /s/

SUBJECT: Examination of Costs Claimed for Veolia Water Solutions and Technologies' Subcontract 12-105-1 Under Prime Contract AID-486-C-13-00001 for the Fiscal Years Ended December 31, 2016 and 2017 (3-000-21-009-1)

This memorandum transmits the final examination report on whether direct and indirect costs claimed by Veolia Water Solutions and Technologies (VWS) on in-scope Subcontract 12-105-1 under Prime Contract AID-486-C-13-00001 awarded to Terra Therm, (Prime) for the fiscal years (FY) ended December 31, 2016 and 2017 are allowable, allocable, and reasonable. In-scope subcontracts are defined as a Government cost-type, contract, where VWS acts in the capacity of a subcontractor, that was not administratively closed as of the start of the auditor's examination fieldwork. 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 Accountants (AICPA) 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 whether costs claimed by VWS on in-scope subcontracts for the two fiscal years ended December 31, 2016 and 2017 are allowable, allocable and reasonable in accordance with contract terms; Part 31 of the Federal Acquisition Regulation (FAR); Agency for International Development Acquisition Regulation (AIDAR); Department of State Standardized Regulation (DSSR); and 2 Code of Federal Regulations (CFR) 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, as applicable.¹

The examination's objective was to express an opinion on whether the costs claimed by VWS on in-scope subcontract for the two fiscal years Ended December 31, 2016 and 2017 are allowable, allocable, and reasonable in accordance with contract terms; Part 31 of the FAR;

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.

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 performed a detailed examination of the accounts, including analytical procedures and comparative analysis and determination of accounts for testing based on materiality, by type of cost of sensitive accounts, high dollar amounts, and/or a large percentage of increase from the prior year. BMC did not provide an opinion on compliance with specific provisions since it was not an objective of its examination. The audit firm examined USAID incurred costs of \$2,590,610 for the two FYs ended December 31, 2016 and 2017.

BMC expressed an unqualified opinion that costs claimed by VWS on in-scope subcontracts for FYs ended December 31, 2016 and 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. BMC's examination did not disclose any findings that are required to be reported under government auditing standards and did not question any indirect or direct costs.

OIG does not routinely distribute independent public accounting reports beyond the immediate addresses 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").