



MEMORANDUM

DATE: January 13, 2021

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

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

SUBJECT: Audit Report on EnCompass, LLC's Proposed Amounts on Unsettled Flexibly Priced USAID Contracts for Fiscal Years 2016 and 2017 (3-000-21-003-D)

This memorandum transmits the final audit report on EnCompass, LLC's (EnCompass) proposed direct and indirect amounts for reimbursement on unsettled flexibly priced contracts contained in its fiscal years ended December 31, 2016 and 2017 incurred cost proposal submitted on June 30, 2017 and August 14, 2019. 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 they conducted their audit in accordance with generally accepted government auditing standards. DCAA is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on whether EnCompass's proposed amounts on unsettled flexibly priced contracts comply with contract terms pertaining to accumulating and billing incurred amounts.¹

The objective of this audit was to express an opinion on whether EnCompass's proposed direct and indirect amounts for contract reimbursement on unsettled flexibly priced contracts contained in its incurred cost proposals submitted on June 30, 2017 and August 14, 2019, comply with contract terms pertaining to accumulating and billing incurred amounts. To answer this objective, DCAA planned and performed an audit in accordance with generally accepted government auditing standards to obtain reasonable assurance on whether EnCompass's proposed direct amounts for contract reimbursement materially comply with contract terms. USAID's audited direct costs were \$7,183,132 for fiscal years 2016 and 2017.

¹ We reviewed DCAA'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 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 review performed.

DCAA expressed a qualified opinion due to eleven instances of material noncompliance, and five scope limitations. The scope limitations affected DCAA's ability to: perform real time procedures on proposed labor costs; verify reasonableness of payments to vendors; verify non-employee direct travel; determine reasonableness of host country national's travel; and confirm approvals for travel expenses. DCAA stated that except for the instances of material noncompliance, and the scope limitations, EnCompass's proposed amounts on unsettled flexibly priced contracts comply, in all material respects, with the contract terms pertaining to accumulating and billing incurred amounts. DCAA identified total questioned direct costs of \$314,149 (\$28,930 ineligible, \$285,219 unsupported) applicable to USAID. DCAA also questioned \$585,081 in General & Administrative pool expenses. The audit report disclosed eleven instances of material noncompliance with Federal Acquisition Regulation requirements.

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

Recommendation 1. Determine the allowability of \$314,149 (\$28,930 ineligible, \$285,219 unsupported) in direct questioned costs on pages 2 and 19 through 26 of the report and recover any amount that is unallowable.

Recommendation 2. Verify that EnCompass, LLC corrects the eleven instances of material noncompliance detailed on pages 4 and 5 of the audit report.

We ask that you provide your written notification of actions planned or taken to reach a management decision.

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").