



MEMORANDUM

DATE: February 10, 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: Examination of ME&A, Inc's Costs Claimed for the Two Years Ended December 31, 2017 and 2018 (3-000-21-017-1)

This memorandum transmits the final examination report on ME&A, Inc.'s (ME&A) costs claimed for reimbursement in its incurred cost proposals for the two years ended December 31, 2017 and 2018. The U.S. Agency for International Development (USAID) Office of Acquisition and Assistance, Cost, Audit, and Support Division contracted with the independent public accounting firm Brown & Company CPAs and Management Consultants, PLLC (Brown & Company) to conduct the audit. Brown & Company stated that it conducted 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. Brown & Company is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on whether costs claimed by ME&A on in-scope contracts and subcontracts for the years ended December 31, 2017 and 2018 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, Audit Requirements for Federal Awards*, as applicable.¹

The examination's objective was to express an opinion on whether the costs claimed by ME&A on in-scope awards and subawards for the years ended December 31, 2017 and 2018 are allowable, allocable, and reasonable in accordance with award 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, Brown &

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 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.

Company designed its testing procedures to evaluate the internal control environment surrounding ME&A's contract and subcontract management process and to verify that ME&A had adequate controls in place for monitoring subcontractor costs. Its examination included the reconciliation of the adjusted total costs booked to date and the cumulative amount billed, by award or subaward and reporting any over/under-billings. The audit firm examined USAID incurred costs of \$37,539,005 for the two years ended December 31, 2017 and 2018.

Brown & Company noted four significant deficiencies that were also instances of noncompliance with FAR 31 and ME&A policies in that ME&A; (1) did not provide sufficient supporting documentation to substantiate certain costs claimed, (2) did not exclude certain unallowable costs, (3) misclassified certain costs, and (4) did not have approval for certain costs incurred. Brown & Company expressed a qualified opinion noting that, except for these four significant deficiencies that are also instances of noncompliance, costs claimed by ME&A on in-scope awards and subawards for the years ended December 31, 2017 and 2018 are allowable, allocable, and reasonable in accordance with award 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, in all material respects. Brown & Company identified total questioned direct costs of \$333,882 (\$69,043 ineligible, \$264,839 unsupported) applicable to USAID. Brown & Company also questioned \$206,166 in indirect costs, composing of \$7,426 in Overhead, \$186,286 in Subcontractor Handling Fees, \$7,769 in General & Administrative expenses, and \$4,685 in Fringe pools. Although we are not making a recommendation for significant deficiencies noted in the report, we suggest that the USAID's Office of Acquisition and Assistance Cost, Audit and Support Division determine if the recipient addressed the issues noted.

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 \$333,882 (\$69,043 ineligible, \$264,839 unsupported) in direct questioned costs on pages 6, 7, and 12 through 23 of the report and recover any amount that is unallowable.

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").