



MEMORANDUM

DATE: March 22, 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 DevTech Systems, Inc's Incurred Cost Proposal for the Year Ended December 31, 2017 (3-000-21-028-1)

This memorandum transmits the final examination report on DevTech Systems, Inc.'s (DevTech) costs claimed for reimbursement in its incurred cost proposal for the fiscal year ended December 31, 2017. 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 examination. 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, issued by the Comptroller General of the United States. 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 DevTech on in-scope awards and subawards for the fiscal year ended December 31, 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, Audit Requirements for Federal Awards*, as applicable.¹

The examination's objective was to express an opinion on whether the costs claimed by DevTech in-scope awards and subawards for the fiscal year ended December 31, 2017 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 & Company designed its testing procedures to evaluate the internal control environment

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.

surrounding DevTech's contract and subcontract management process and to verify that DevTech 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 \$17,893,760 for the fiscal year ended December 31, 2017.

Brown & Company expressed a qualified opinion noting that, except for a significant deficiency that is also an instance of noncompliance, and an inherent scope limitation, described below, costs claimed by DevTech on in-scope awards and subawards for the fiscal year ended December 31, 2017 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 noted one significant deficiency that was also an instance of non-compliance with FAR Part 31.201-2, *Determining allowability*, and FAR Part 4.703, *Policy* in that DevTech did not provide sufficient supporting documentation to substantiate certain Subcontract Direct Costs claimed. Brown & Company also stated that there was an inherent limitation to the scope of its examination in that it did not perform an Assist Audit over a major DevTech subcontractor, whose costs are claimed as Other Direct Costs (ODC) by DevTech, with potential unknown effects that could be material to DevTech's proposal. Brown & Company identified questioned direct costs of \$83,760 (unsupported) applicable to USAID. Although we are not making a recommendation for the significant deficiency and the instance of noncompliance 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 issue 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 \$83,760 (unsupported) in direct questioned costs on pages 5 and 6, and 10 to 11 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").