



MEMORANDUM

DATE: March 26, 2021

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 The QED Group, LLC's Indirect Cost Rate Proposals and Related Books and Records for Reimbursement Fiscal Years Ended December 31, 2016 and 2017 (3-000-21-030-1)

This memorandum transmits the final examination report for The QED Group, LLC (QED) for the Certified Final Indirect Cost Rate Proposals and Related Books and Records for Reimbursement for the fiscal years (FY) ended December 31, 2016 and 2017. 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 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 that costs claimed by QED on in-scope contracts and subcontracts for FYs 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 cost claimed by QED on in-scope awards and subawards awards for the FYs ended December 31, 2016 and 2017, are allowable, allocable, and reasonable in accordance with contract terms; Part 31 of FAR; AIDAR; DSSR; and 2 Code of Federal Regulations (CFR) 200, *Uniform Administrative Requirements, Cost*

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.

Principles, and Audit Requirements for Federal Awards. To answer the objective, BMC obtained an understanding of QED's internal controls, assessed control risk, and determined the extent of examination testing needed based on the control risk assessment. The audit firm also designed its testing procedures to evaluate the internal control environment surrounding QED's subcontract management process and to verify that QED er 's had adequate controls in place for monitoring subcontract costs. The audit firm audited \$38,868,480 of QED's incurred costs for the FYs ended December 31, 2016 and 2017.

BMC expressed a qualified opinion that costs claimed by QED on in-scope awards and subawards for the years ended December 31, 2016 and 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. BMC's examination disclosed questioned amounts, \$600 of fringe benefit pool costs and \$849 of unsupported direct costs. BMC disclosed one finding, a material weakness in internal control due to a deficiency in the Incurred Cost Proposal. BMC did not note any instances of material noncompliance with laws, regulations, or contract terms required to be reported under *Government Auditing Standards*. 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/Management/Office of Acquisition and Assistance/Cost, Audit and Support Division determine the allowability of the \$849 in unsupported direct questioned costs and recover any amount determined to be unallowable.

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

Recommendation I. Verify that The QED Group, LLC corrects the one material weakness in internal control detailed on page 15 of the audit report.

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

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