



MEMORANDUM

DATE: April 16, 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 University Research Co., LLC Indirect Cost Rate Proposals and Related Books and Records for Reimbursement for the Fiscal Years Ended September 30, 2016 and 2017 (3-000-21-036-1)

This memorandum transmits the final report on University Research Co., LLC's (URC) in-scope contracts and subcontracts for the fiscal years (FYs) ended September 30, 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 on whether costs claimed by URC on in-scope contracts and subcontracts for the FYs ended September 30, 2016 and 2017 are allowable, allocable, and reasonable in accordance with award terms; Part 31 of the Federal Acquisition Regulation (FAR); Agency for International Development Acquisition Regulations (AIDAR); Department of State Standardized Regulations (DSSR); and 2 Code of Federal Regulations (CFR) 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Award*, as applicable.¹

The examination's objective was to express an opinion on whether the costs claimed by URC on in-scope contracts and subcontracts for the FYs ended September 30, 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. To answer the examination's objective, BMC evaluated the contractor's internal controls, assessed control risk, and determined the extent

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.

of audit testing needed based on the control risk assessment; examined on a test basis, evidence supporting the amounts and disclosures in the data and records evaluated; assessed the accounting principles used and significant estimates made by URC; and evaluated the overall data and records presentation, to obtain reasonable assurance that the direct costs billed to URC by the subcontractors and claimed in URC's Incurred Cost Proposals are allowable, allocable, and reasonable, in all material respects. Additionally, as directed by the USAID contract with BMC, testing covered the special audit requirements for expenses of specific concern to USAID: consultants, subcontractors, staff and consultant limitations, and Buy-American requirements, including verifying that the bases properly: (1) reflected the appropriate cost accounting period; and (2) allocated indirect cost to final cost objectives commensurate with the benefits received. The audit firm examined USAID incurred costs of \$240,456,446.

BMC expressed a qualified opinion noting that, except that URC submitted amounts that do not materially comply with contract terms pertaining to accumulating and billing incurred amounts described below, costs claimed by URC on in-scope unsettled flexibly priced contracts and subcontracts for the FYs 2016 and 2017 comply, in all material respects, with contract terms pertaining to accumulating and billing incurred amounts. The audit disclosed a failure to comply with payment policies, that represents a significant deficiency in internal control. The audit firm noted submitted amounts that do not materially comply with contract terms pertaining to accumulating and billing incurred amounts and therefore questioned indirect costs from the Overhead pool of \$13,796 and General and Administrative expenses of \$533,744 totaling \$547,540 for the two years. The audit firm also questioned direct costs of \$3,264, of which \$1,733 in FY 2016 due to lack of supporting documentation in direct travel, and direct travel charged to the wrong accounting period, and \$1531 in FY 2017 due to inadequate documentation for direct labor, and lack of supporting documentation for direct consultant costs. Since the questioned direct 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 the USAID's Office of Acquisition and Assistance Cost, Audit and Support Division determine the allowability of the \$3,264 in questioned costs and recover any amount determined to be unallowable. In addition, although we are not making a recommendation for significant deficiency 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.

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").