



## MEMORANDUM

**DATE:** August 3, 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 Howard Delafield International, LLP's Proposed Amounts on Unsettled Flexibly Priced Cooperative Agreement for Fiscal Year Ended 2019 (3-000-21-006-D)

This memorandum transmits the final examination report on costs claimed by Howard Delafield International, LLP (HDI) on unsettled flexibly priced agreements for the fiscal year (FY) ended December 31, 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 examination. DCAA stated that it performed its examination 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 HDI's proposed amounts for the FY ended December 31, 2019 comply with cooperative agreement terms pertaining to accumulating incurred amounts.<sup>1</sup>

The examination's objective was to express an opinion on whether HDI's proposed amounts for the FY ended December 31, 2019 comply with cooperative agreement terms pertaining to accumulating incurred amounts. To answer the examination's objective, DCAA designed its testing procedures to obtain and examine evidence to gain reasonable assurance about whether HDI's proposed amounts materially comply with the cooperative agreement terms pertaining to accumulating incurred amounts, the nature, timing, and extent of procedures selected depending on DCAA's professional judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. DCAA examined USAID incurred direct costs of \$732,107.

DCAA expressed a qualified opinion that, except for the effects of an instance of noncompliance, and those of additional instances of noncompliance, if any, it might have

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<sup>1</sup> 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.

identified had it completed the procedures prevented by scope limitations, described below, Howard Delafield International, LLP's proposed amounts on unsettled flexibly priced cooperative agreement comply, in all material respects, with cooperative agreement terms pertaining to accumulating incurred amounts. DCAA identified \$6,208 in questioned indirect costs from the overhead pool which it characterized as a material noncompliance. Additionally, DCAA considered as scope limitations (1) COVID-19 which did not allow it to perform all examination procedures it originally deemed necessary, (2) lack of real time testing of labor, and (3) the contractor not providing documentation establishing the reasonableness of the claimed subcontract costs for two subcontractors that represented 63.6% of the total subcontract cost claimed. Although we are not making a recommendation for the instance of material 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 issues noted. DCAA did not question any direct cost.

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").