



## OFFICE OF INSPECTOR GENERAL U.S. Agency for International Development

### MEMORANDUM

**DATE:** November 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:** Audit of Tetra Tech EAS's Proposed Amounts on Unsettled Flexibly Priced Contracts for Fiscal Years Ended 2018 and 2019 (3-000-22-003-D)

This memorandum transmits the final examination report on costs claimed by Tetra Tech Engineering and Architecture Services (TTEAS) on unsettled flexibly priced contracts for the fiscal years (FY) ended September 30, 2018 and 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 TTEAS' proposed amounts for the two FYs ended September 30, 2019 comply with contract terms pertaining to accumulating incurred amounts.<sup>1</sup>

The examination's objective was to express an opinion on whether TTEAS' proposed amounts for the two FYs ended September 30, 2019 comply with contract terms pertaining to accumulating and billing incurred amounts. To answer the examination's objective, DCAA designed its testing procedures to obtain and examine evidence to gain reasonable assurance about whether TTEAS' proposed amounts materially comply with the contract terms pertaining to accumulating and billing 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 costs of \$5,397,673.

DCAA expressed a qualified opinion stating that, except for the noncompliance described below, and the effects of additional noncompliances, if any, they might have identified had they completed the procedures described in the scope limitation below, TTEAS's claimed amounts

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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.

on unsettled flexibly priced contracts comply, in all material respects, with contract terms pertaining to accumulating and billing incurred amounts. Characterized as material noncompliances, DCAA (a) identified questioned indirect costs of \$123, 873 from home office overhead, and \$16,302 from General & Administrative (G&A) pool, (b) provided an upward adjustment of \$195,145 of the claimed G&A allocation base for FY 2019, and (c) identified questioned direct costs of \$232,404 (ineligible) of the claimed subcontract cost. Additionally, DCAA considered as scope limitations (1) lack of real time testing of labor, and (2) lack of audit results for Tetra Tech ARD Costs – intercompany subcontract cost claimed.

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

**Recommendation 1.** Determine the allowability of \$232,404 in questioned direct costs (ineligible) on pages 3 and 16 of the audit report and recover any amount that is unallowable.

**Recommendation 2.** Verify that Tetra Tech Engineering and Architecture Services corrects the four instances of material noncompliance detailed on page 3 of the audit report.

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

OIG does not routinely distribute independent public accounting reports beyond the immediate addressees 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").