



OFFICE OF INSPECTOR GENERAL

U.S. Agency for International Development

MEMORANDUM

DATE: January 24, 2022

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 Associates in Rural Development, Inc.'s Proposed Amounts on Unsettled Flexibly Priced Contracts for Fiscal Year 2016 (3-000-22-007-D)

This memorandum transmits the final audit report on Associates in Rural Development, Inc.'s (ARD) claimed costs for reimbursement on unsettled flexibly priced contracts with the U.S. Agency for International Development (USAID) for fiscal year (FY) ended September 30, 2016. USAID's Office of Acquisition and Assistance, Cost, Audit, and Support Division contracted with the U. S. Defense Contract Audit Agency (DCAA) to conduct the audit. The audit agency stated that it performed its audit 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 ARD's proposed amounts on unsettled flexibly priced contracts comply, in all material respects, with contract terms pertaining to accumulating and billing incurred amounts.¹

The objective of this audit was to express an opinion on whether ARD's proposed amounts for reimbursement on unsettled flexibly priced USAID contracts, contained in its FY 2016 final indirect rate proposals, submitted March 31, 2017, and updated on April 21, 2020 and April 30, 2020, comply with contract terms pertaining to accumulating and billing incurred amounts. To answer this objective DCAA planned and performed its audit in accordance with generally accepted government auditing standards to obtain reasonable assurance on whether ARD's proposed amounts materially comply with the criteria cited above. USAID's audited direct costs were \$115,619,491 in total for fiscal year 2016.

DCAA expressed a qualified opinion because their audit (1) disclosed proposed amounts that did not materially comply with contract terms pertaining to accumulating and billing incurred amounts, and (2) encountered a scope limitations on their ability to complete certain procedures determined necessary to complete the scope of the audit. These procedures include (a) real-time labor testing, and (b) lack of employee verification due to travel

¹ We reviewed DCAA'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.

restrictions caused by the Coronavirus Disease national emergency. DCAA stated that except for the effects of noncompliance, if any, that they might have identified had they completed the procedures discussed in the scope limitations, ARD's proposed amounts on unsettled flexibly priced contracts for FY 2016 comply, in all material respects, with contracts terms pertaining to accumulating incurred amounts. The audit report disclosed two instances of material noncompliance, one involving retroactive pay adjustments in accordance with FAR 31.205-6 (a)(1), compensation for personal services, and another involving direct allowance costs. DCAA questioned \$542,304 in direct costs (\$10,610 in ineligible retroactive pay adjustments and \$531,694 in ineligible direct allowance costs).

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 \$542,304 in ineligible direct questioned costs summarized on pages 2 and 3 of the report and recover any amount that is unallowable.

Recommendation 2. Verify that Associates in Rural Development, Inc. corrects the two instances of material noncompliance detailed on pages 2 and 3 of the 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").