



OFFICE OF INSPECTOR GENERAL

U.S. Agency for International Development

MEMORANDUM

DATE: February 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. Proposed Amounts on Select Unsettled Flexibly Priced Contracts for Fiscal Year 2017 (3-000-22-010-D)

This memorandum transmits the final examination report on costs claimed by Associates in Rural Development, Inc.'s (ARD) proposed amounts on unsettled flexibly priced contracts for the fiscal year (FY) October 1, 2016, through September 30, 2017. 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 ARD's proposed amounts for the FY2017 comply, in all material respects, with contract terms pertaining to accumulating incurred amounts.¹

The examination's objective was to express an opinion on whether ARD's proposed direct and indirect amounts for contract reimbursement on USAID unsettled flexibly priced contracts contained in its FY 2017 indirect rate proposals, submitted on March 26, 2018 and updated on January 15, 2021, to determine if the proposed amounts comply with Cost Accounting Standard (CAS), Part 31 of the Federal Acquisition Regulation (FAR); Agency for International Development Acquisition Regulations (AIDAR); and 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 ARD's 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 direct costs of \$122,355,039.

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.

DCAA expressed a qualified opinion because their examination (1) disclosed proposed amounts that did not materially comply with contract terms pertaining to accumulating and billing incurred amounts, and (2) encountered scope limitations on their ability to complete certain procedures determined necessary to complete the scope of the audit. These procedures include (a) lack of price comparisons available from contractor, and (b) real-time labor testing. Except for the effects of noncompliance above, ARD's proposed amounts on unsettled flexibly priced contracts comply, in all material respects, with contract terms pertaining to accumulating incurred amounts. The audit report disclosed four instances of material noncompliance:

- Unallowable direct labor costs \$6,953, and retroactive pay of \$7,400,
- Unallowable direct allowance cost due to claimed costs of \$252,306 in excess of State Department allowance amounts, education, and living quarters allowances,
- Unallowable direct consultant costs, \$31,890 and other direct costs of \$239,586 composed of building rent, and
- Questioned travel costs of \$20,221 in accordance to FAR 201-2(d) determining allowability.

DCAA questioned the amounts noted above, which resulted in direct questioned costs, of \$558,356 (\$531,182 ineligible, and \$27,174 unsupported) The supporting details are noted in exhibit D of this audit report. To address the issues identified in the report, we recommend that the USAID's Office of Acquisition and Assistance Cost, Audit and Support Division:

Recommendation 1. Determine the allowability of \$558,356 in questioned direct costs (\$531,182 ineligible, and \$27,174 unsupported) on pages 2, 3, and 13, of the audit report and recover any amount that is unallowable.

Recommendation 2. Verify that Associates in Rural Development, Inc. corrects the four instances of material noncompliance detailed on pages 2, 3, and 13 of the audit report.

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

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").