



OFFICE OF INSPECTOR GENERAL

U.S. Agency for International Development

MEMORANDUM

DATE: March 22, 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 Report on Environmental Incentives, LLC's Proposed Amounts on Unsettled Flexibly Priced Contracts for Fiscal Years 2018 and 2019 (3-000-22-013-D)

This memorandum transmits the final examination report on costs claimed by Environmental Incentives, LLC's (EI) proposed amounts on unsettled flexibly priced contracts for fiscal years (FY) ended December 31, 2018 and 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 EI's proposed amounts for the two FYs 2018 and 2019 comply with contract terms pertaining to accumulating incurred amounts.¹

The examination's objective was to express an opinion on whether EI's proposed direct and indirect amounts for contract reimbursement on USAID unsettled flexibly priced contracts contained in its FY 2018, and FY 2019 indirect rate proposals, both submitted on January 14, 2021 comply with contract 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 EI's proposed amounts materially comply with the contract 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

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.

incurred direct costs of \$7,574,024.

DCAA expressed a qualified opinion stating that, except for the noncompliances 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, El's proposed amounts on unsettled flexibly priced contracts comply, in all material respects, with contract terms pertaining to accumulating incurred amounts. Three material noncompliances were identified by DCAA as well as total questioned direct costs of \$200,032 for FY 2018 and FY 2019 (\$146,365 ineligible, and \$53,667 unsupported) pertaining to direct labor, direct subcontractor, and travel and other direct costs, and (b) identified questioned indirect costs, representing a net upward adjustment to the Overhead pool of \$12,576. Additionally, DCAA considered as scope limitations its (1) inability to perform real time testing of labor, and (2) inaccessibility to contractor records and personnel, due to COVID-19.

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 \$200,032 in questioned direct costs for Fiscal Years 2018 and 2019 (\$146,365 ineligible, and \$53,667 unsupported) on pages 1 to 3, and pages 12 through 30 of the audit report and recover any amount that is unallowable.

Recommendation 2. Verify that Environmental Incentives, LLC corrects the three instances of material noncompliance detailed on pages 2 and 3 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").