



MEMORANDUM

DATE: May 01, 2019

TO: USAID/Management/Office of Acquisition and Assistance/Cost, Audit and Support Division, Branch Chief, David A. McNeil

FROM: Deputy Assistant Inspector General for Audits, Alvin Brown/s/

SUBJECT: Report on the Examination of Costs Claimed for The Mitchell Group, Inc., for the Two Years Ended December 31, 2014 (3-000-19-017-1)

This memorandum transmits the final report on the examination of costs claimed by The Mitchell Group, Inc. (TMI) and examines whether costs on in-scope awards and subawards for each fiscal year, December 31, 2013 and December 31, 2014, are allowable, allocable, and reasonable in accordance with award terms; Part 31 of the Federal Acquisition Regulation (FAR), Agency for International Development Acquisition Regulation (AIDAR); Department of State Standardized Regulations (DSSR); and 2 Code of Federal Regulations (CFR) 200, *Uniform Administrative Requirements for Federal Awards*. The U.S. Agency for International Development's (USAID's) Office of Acquisition and Assistance, Cost, Audit, and Support Division contracted with the independent certified public accounting firm Kearney & Company to perform the audit in accordance with generally accepted government auditing standards.

The audit firm states that it performed its examination in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in generally accepted government auditing standards. The audit firm is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on whether the costs claimed by TMI's in-scope awards and subawards for each fiscal year are allowable, allocable, and reasonable in accordance with award terms; Part 31 of the FAR; AIDAR; DSSR; and 2 CFR 200 *Uniform Administrative Requirements for Federal Awards*.¹

¹ 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.

The examination's objective was to express an opinion on whether the costs claimed by TMI are allowable, allocable, and reasonable in accordance with contract terms, Part 31 of the FAR, AIDAR, DSSR, and 2 CFR 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, as applicable. To answer the examination objective, the audit firm designed testing procedures to evaluate the internal control environment surrounding subcontract management process and to verify that adequate controls were in place for monitoring subcontract costs.

The audit firm expressed an unmodified opinion that costs claimed by TMI on in-scope contracts and subcontracts for the fiscal years ended December 31, 2013 and 2014 are allowable, allocable, and reasonable in accordance with contract terms: Part 31 of the FAR; ADAR; DSSR; and 2 CFR 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, as applicable. The audit firm did not render an opinion on the effectiveness of the contractor's accounting systems and related internal controls. The audit firm's examination did not disclose any findings. TMI's audited costs were \$15,855,127 for the two fiscal years ended December 31, 2014.

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").