



## MEMORANDUM

**DATE:** April 30, 2020

**TO:** USAID/Management/Office of Acquisition and Assistance,  
Acting Supervisory Auditor, Eleanor C. Jefferson

**FROM:** Director of External Financial Audits Division, (IG/A/EFA), David A. McNeil /s/

**SUBJECT:** Examination of Costs Claimed by Chemonics International, Inc. for the Two  
Years Ended December 31, 2013 (3-000-20-027-I)

This memorandum transmits the final audit report on the examination of costs claimed by Chemonics International Inc. (Chemonics) on in-scope awards and subawards for the two fiscal years ended December 31, 2013. The U.S. Agency for International Development (USAID) Office of Acquisition and Assistance, Cost, Audit and Support Division contracted with the independent certified public accounting firm Kearney & Company, P.C. to conduct the examination. The audit firm stated 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 engagement 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 Chemonics on in-scope awards and subawards 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 Regulation (DSSR); and 2 Code of Federal Regulations (CFR) 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, as applicable.<sup>1</sup>

The overall objective of the examination was to express an opinion on whether the costs claimed by Chemonics on in-scope awards and subawards for each of the years ended December 31, 2012 and 2013 are allowable, allocable, and reasonable in accordance with award terms; Part 31 of the

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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.

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 performed a reconciliation between the adjusted total costs booked to date and the cumulative amount billed, by award or subaward, for each of the years ended December 31, 2012 and 2013, and reporting any over/under-billings. The audit firm designed testing procedures to evaluate the internal control environment surrounding Chemonics' subcontract management process and to determine whether Chemonics had adequate controls in place for monitoring subcontract costs. In addition, Chemonics addressed specific areas of concern to USAID including evaluating and reporting on consultant and subcontractor costs, staff and consultant salary limitations, and Buy American Act of 1933 requirements for travel and equipment purchases. Based on the procedures performed, the auditors stated they did not note any issues in internal control or compliance with laws, regulations, or award terms related to these sensitive areas. The audit firm examined USAID incurred costs of \$ 753,194,603 for the two fiscal years ended December 31, 2013.

The audit firm expressed an unmodified opinion that costs claimed by Chemonics on in-scope awards and subawards for the two years ended year ended December 31, 2012 and 2013 are allowable, allocable, and reasonable in accordance with award 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. The audit firm identified two nonreportable exceptions related to inadequate support to substantiate all hours incurred for one labor sample and insufficient supporting documentation (list of travelers) to substantiate costs claimed resulting in a total of \$6,635 in USAID questioned Direct Costs (\$6635 unsupported). The audit firm identified a significant deficiency and noncompliance. Since the questioned costs did not meet the OIG's established threshold of \$25,000 for making a recommendation, we are not making a recommendation. Nevertheless, we suggest that USAID's Office of Acquisition and Assistance, Cost, Audit and Support Division determine the allowability of the \$6,635 in questioned costs and recover any amount determined to be unallowable. In addition, although we are not making a recommendation for the significant deficiency and noncompliance noted in the report, we suggest that USAID's Office of Acquisition and Assistance, Cost, Audit and Support Division determine if the recipient addressed the issues noted.

We appreciate the assistance extended during the engagement.

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").