



MEMORANDUM

DATE: July 28, 2020

TO: USAID/Management/Office of Acquisition and Assistance, Cost, Audit and Support Division, Acting Supervisory Auditor, Eleanor C. Jefferson

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

SUBJECT: Examination of Environmental Incentives, LLC's Costs Claimed for the Fiscal Years Ended December 31, 2017 and 2016 (3-000-20-062-l)

This memorandum transmits the final audit report on the examination of Environmental Incentives, LLC's (Environmental) incurred cost proposals (ICP) for the fiscal years (FY) ended December 31, 2017 and December 31, 2016. The U.S. Agency for International Development's (USAID) Office of Acquisition and Assistance Cost, Audit and Support Division contracted with the independent certified public accounting firm Brown & Company CPAs and Management Consultants, PLLC (Brown & Company) to conduct the audit. 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 engagements contained in generally accepted government auditing standards issued by the Comptroller General of the United States. The audit firm is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on the allowability, allocability, and reasonableness in accordance with contract terms; Part 31 of the Federal Acquisition Regulation (FAR); Agency for International Development Acquisition Regulations (AIDAR); Department of State Standardized Regulations (DSSR); and 2 Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, as applicable, the costs claimed on in-scope awards and subawards by Environmental in the ICPs for awards in the years ended December 31, 2017 and 2016.¹

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 objective of this examination was to express an opinion on whether the costs claimed by Environmental on in-scope awards and subawards for each of the years ended December 31, 2017 and 2016 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. To answer the examination objective, Brown & Company evaluated the contractor's internal controls, assessed control risk, and determined the extent of audit testing needed based on the control risk assessment; examined on a test basis, evidence supporting the amounts and disclosures in the data and records evaluated; assessed the accounting principles used and significant estimates made by the contractor; and evaluated the overall data and records presentation. Testing covered direct labor and indirect labor, travel costs, subcontractor costs, other direct costs, fringe benefits, and overhead expenses. Additionally, as directed by the USAID contract with Brown & Company, testing covered the special examination requirements noted as sensitive to USAID: consultants, subcontractors, staff and consultant salary limitations, and Buy American Act requirements for travel and equipment purchases. Brown & Company did not note any questioned costs associated with these sensitive areas. The audit firm examined USAID claimed costs of \$6,819,811 for the two FYs ended December 31, 2017 and 2016.

The audit firm expressed an unmodified opinion, concluding that costs claimed by Environmental on in-scope awards and subawards for the years ended December 31, 2017 and 2016 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, in all material respects. The examination did not disclose any findings that are required to be reported under Government Auditing Standards. Brown & Company did not question any examined direct costs and did not recommend changes to the indirect cost rates based on the results of their examination.

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").