



# OFFICE OF INSPECTOR GENERAL

## U.S. Agency for International Development

### MEMORANDUM

**DATE:** August 23, 2023

**TO:** USAID/Management/Office of Acquisition and Assistance/Cost, Audit and Support Division, Contract Audit Management Branch Acting Supervisory Auditor, Maya Cole

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

**SUBJECT:** Performance Audit over the Adequacy and Cost Accounting Standards Compliance of Disclosure Statement, Revision 4 for Associates in Rural Development (3-000-23-050-I)

This memorandum transmits the final audit report on Performance Audit over the Adequacy and Cost Accounting Standards (CAS) Compliance of Disclosure Statement, Revision 4 for Associates in Rural Development (ARD). The United States Agency for International Development (USAID) contracted with the independent audit firm Brown and Company to conduct the audit. Brown and Company stated that it performed its audit in accordance with Generally Accepted Government Auditing Standards (GAGAS). Brown and Company is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on ARD's disclosed accounting practices the effectiveness of its internal control; or its compliance with the award, laws, and regulations.<sup>1</sup>

The audit objectives were to ensure that disclosed cost accounting practices comply with the CAS, including the design, implementation, and maintenance of internal controls to prevent or detect and correct noncompliance due to fraud or error, and to conclude on ARD's compliance in accordance with GAGAS. To answer the audit objectives, Brown & Company: (a) Reviewed the changes in Disclosure Statement, Revision 4; (b) Obtained an understanding of the design effectiveness of the internal control over the maintenance and revision of the Disclosure Statement, and (c) Concluded on the effect of the administrative and organizational changes on the adequacy and CAS compliance of the Disclosure Statement, Revision 4 and on the effect on changes in cost accounting practices as a result of audit procedures performed and within the context of the audit objectives.

Brown and Company identified one finding, finding # 2023-I – ARD has not implemented

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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.

procedures to formally document management's periodic review and sign-off of specific accounting policies for compliance with Cost Accounting Standards. Brown & Company concludes that ARD's Disclosure Statement, Revision 4 is current, accurate, complete, and adequately describes the contractor's cost accounting practices, as well as discloses cost accounting practices that materially comply with CAS, including the design, implementation, and maintenance of internal controls to prevent or detect and correct noncompliance due to fraud or error.

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"). In addition, USAID OIG has determined that this transmittal memo and the enclosed report are not subject to notification and reporting requirements under Section 5274 of the National Defense Authorization Act.<sup>2</sup>

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<sup>2</sup> The James M. Inhofe National Defense Authorization Act for Fiscal Year 2023 Pub. L. No. 117-263, § 5274. Please direct related inquiries to [oignotice\\_ndaa5274@usaid.gov](mailto:oignotice_ndaa5274@usaid.gov) .