



# OFFICE OF INSPECTOR GENERAL

## U.S. Agency for International Development

### MEMORANDUM

**DATE:** April 23, 2024

**TO:** USAID/Bureau for Management/Office of Acquisition and Assistance/Cost, Audit and Support Division, Contract Audit Management Branch, Supervisory Auditor, Sheree F. Marshall

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

**SUBJECT:** Audit of Incurred Costs for Creative Associates International, Inc. for Fiscal Years Ended September 30, 2020, and 2019 (3-000-24-032-1)

This memorandum transmits the final audit report on incurred costs for Creative Associates International, Inc. (Creative) for Fiscal Years (FY) Ended September 30, 2020, and 2019. The U.S. Agency for International Development (USAID) Office of Acquisition and Assistance, Cost, Audit and Support Division, Contract Audit Management Branch contracted with the independent certified public accounting firm of Brown & Company CPAs and Management Consultants, PLLC (Brown) to conduct the audit. Brown stated that it performed its audit in accordance with government auditing standards issued by the Comptroller General of United States. Brown is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on whether costs claimed by Creative, in FYs 2020 and 2019 are accurate, allowable, allocable, and reasonable in accordance with contract terms and applicable Government acquisition regulations.<sup>1</sup>

The audit objectives were to determine whether: (1) Creative's costs claimed on in-scope contracts and subcontracts for FYs 2020 and 2019 are allowable, allocable, and reasonable in accordance with contract 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, and (2) determine Creative's proposed direct and indirect amounts for contract reimbursement on USAID unsettled flexibly priced contracts contained in its FYs 2020 and 2019 Incurred Cost Proposals (ICPs). To answer the audit's objectives, Brown (1) identified closed Government cost-type, flexibly priced, time and material contracts and subcontracts for FY 2020; (2) reconciled adjusted total costs booked and the cumulative amount billed by contract, for FYs 2020 and 2019 and reported over- or under-billings; (3) determined whether contract limitations as reported on

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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.

Creative's ICP Schedule I are appropriate based on costs claimed; (4) determined whether the cumulative amount billed for each contract, as of the end of each of the fiscal years exceeded the total funded value on the contract at that point in time; (5) evaluated the internal control environment surrounding Creative's subcontract management process and verified that Creative had adequate controls in place for monitoring subcontractor costs; (6) performed a risk and materiality assessment of Creative using procedures from newly enacted guidance developed by a Department of Defense Procurement Panel; (7) reviewed the claimed costs reported in both ICPs for compliance with the applicable requirements; and (8) evaluated and determined whether Creative's claimed executive compensation was allowable and reasonable. Brown examined claimed and allowable costs of \$128,630,833 for FY 2020, and \$127,919,960 for FY 2019.

Brown concluded that Creative's costs claimed for in-scope contracts and subcontracts for FYs 2020 and 2019 are allowable, allocable, and reasonable in accordance with contract terms, Part 31 of the FAR, AIDAR, DSSR, and 2 CFR 200. Brown added that it did not note any questioned costs or compliance issues during the FYs 2020 and 2019 audit.

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).