



OFFICE OF INSPECTOR GENERAL

U.S. Agency for International Development

MEMORANDUM

DATE: July 8, 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: Independent Examination Report on Cardno Emerging Markets USA, Ltd.'s Incurred Cost Submission for Fiscal Year Ended June 26, 2020 (3-000-24-047-I)

This memorandum transmits the final independent examination report on Cardno Emerging Markets USA, Ltd.'s (Cardno) Incurred Cost Submission for Fiscal Year (FY) Ended June 26, 2020. 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 Tichenor & Associates, LLP (Tichenor) to conduct the audit. Tichenor stated that it performed its audit in accordance with government auditing standards issued by the Comptroller General of the United States. Tichenor is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on whether costs claimed by Cardno in its FY 2020 Incurred Cost Submission (ICS) is accurate, allowable, allocable, and reasonable in accordance with contract terms and applicable Government acquisition regulations.¹

The audit objective was to express an opinion on management's assertion that (1) All costs included in this proposal dated Dec 28, 2020 to establish final indirect cost rates for FY 2020 are allowable in accordance with the cost principles of the Federal Acquisition Regulation (FAR) and its supplements applicable to the contracts to which the final indirect cost rates will apply; and (2) This proposal does not include any costs which are expressly unallowable under applicable cost principles of the FAR or its supplements and is fairly stated. In addition, Tichenor examined the Contractor's compliance with their U.S. Government contract/award terms, and applicable Government acquisition regulations, specifically the Federal Acquisition Regulation (FAR), the USAID Acquisition Regulations (AIDAR), 2 CFR 200 Uniform Administrative Requirements, Federal Travel Regulations and/or the Department of State Standard Travel Regulations (DSSR), and Buy-American Act for the Contracting Officer to

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.

execute the finalization of allowable contract costs and indirect rates for the fiscal year under review with the Contractor examined the Contractor's internal controls to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on management's assertion, but not for the purpose of expressing our opinion on the effectiveness of the Contractor's internal control. To answer the audit's objective, Tichenor (1) reviewed Cardno's FY 2020 ICS and reconciled it to Cardno's general ledger, and other records and documentation provided by Cardno to determine its adequacy for audit purposes; (2) reviewed Cardno's policies and procedures regarding claimed direct and indirect costs; (3) obtained an understanding of the Cardno internal controls, assessing control risk, and determining the extent of examination testing needed based on the control risk assessment (4) summarized Cardno's billings from their billings data and reconciled them with the recommended audited FY 2020 costs. Tichenor examined USAID's total costs of \$ 21,949,180 for the period audited.

Tichenor concluded that Cardno has prepared its FY 2020 ICS in accordance with applicable Government acquisition regulations of the FAR, the AIDAR, and the DSSR regarding accuracy, allowability, allocability, and reasonableness of incurred costs and is appropriate for the Contracting Officer's use in executing the finalization of allowable costs and indirect rates for the fiscal year under review with the Cardno. Tichenor's procedures resulted in no questioned costs or adjustments to the proposed direct and indirect amounts for contract reimbursement on select unsettled flexibly priced contracts in the ICS submitted by Cardno for the period of June 27, 2019, through June 26, 2020. Tichenor identified a control deficiency in internal control, described in the Findings, Recommendations, Contractor's Responses, and Accountants' Conclusions section of the audit report, as items 2020-001 and 2020-002 that Tichenor considers to be a material weakness.

Tichenor noted a submission error on the Contractor's FY 2020 ICS consisting of \$957, which was incorrectly billed to Project 4737 (Prime Contract No. MCC-17-BPA-0005/ Subcontract No. SUB-MCC-17-BPA-0005-01). Specifically, Tichenor confirmed that no allowable amount was actually incurred for this project in FY 2020 as the period of performance ended in 2018. The Contractor confirmed that this \$957 amount was incorrectly billed to project 4737 in FY 2020, and that the Contractor subsequently reversed and billed to the correct project (4734 Djibouti Workforce) in FY 2021. Given that this discrepancy has no material impact on amounts reported for Government Contracts, Tichenor does not believe this discrepancy rises to the level of a significant deficiency or material weakness. Tichenor is, therefore, not reporting this discrepancy as a finding but only as an Other Matter.

Also, during the review of the Government Participation in Allocation Bases on Schedule H-I in the FY 2020 ICS, Tichenor noted that the Contractor did not include the Fringe pool. Since the Fringe pool is a final pool, Tichenor believes the Fringe pool should be included and identifiable in the Government Participation in Allocation Bases. Given that this discrepancy has no material impact on amounts reported for Government Contracts, Tichenor does not believe this discrepancy rises to the level of a significant deficiency or material weakness, and Tichenor is therefore not reporting this discrepancy as a finding but rather only as an Other Matter.

To address the issues identified in the report, we recommend that USAID/Bureau for Management/Office of Acquisition and Assistance/Cost, Audit and Support Division, Contract

Audit Management Branch:

Recommendation I. Verify that Cardno Emerging Markets USA, Ltd. corrects the material weaknesses in internal control detailed on pages 8 to 10 of the audit report.

We ask that you provide your written notification of actions planned or taken to reach a management decision.

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.²

² 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.