



OFFICE OF INSPECTOR GENERAL

U.S. Agency for International Development

MEMORANDUM

DATE: July 17, 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 The Kaizen Company's Incurred Cost Submission for Fiscal Year Ended December 31, 2021 (3-000-24-049-1)

This memorandum transmits the final Independent Examination Report on The Kaizen Company's (Kaizen Company) Incurred Cost Submission (ICS) for Fiscal Year (FY) Ended December 31, 2021. 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 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 Kaizen Company, in the FY 2021 ICS are accurate, allowable, allocable, and reasonable in accordance with contract terms and applicable Government acquisition regulations.¹

Tichenor's audit objectives were to test Kaizen Company's FY 2021 ICS as per the Federal Acquisition Regulation (FAR), USAID Acquisition Regulation (AIDAR), 2 CFR 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, Federal Travel Regulations, the Department of State Standard Travel Regulations (DSSR), Buy-American requirements, and U.S. Government contract/award terms. To answer the audit's objectives, Tichenor (1) reviewed Kaizen Company's FY 2021 ICS and reconciled it to the general ledger; (2) reviewed applicable rules, regulations, and guidance; (3) reviewed Kaizen Company's policies and procedures regarding claimed direct and indirect costs; (4) examined, on a test basis, evidence supporting the amounts and disclosures in Kaizen Company's data and records evaluated; and (5) assessed the accounting principles used and significant estimates made by Kaizen Company. Tichenor examined allowable costs of \$19,922,131 reported by

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.

Kaizen Company for FY 2021.

Tichenor concluded that Kaizen Company prepared its FY 2021 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 Kaizen Company. Further, 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 Kaizen Company for the period of January 1, 2021, through December 31, 2021. However, Tichenor reported two findings in its ICS. They were: (1) Finding 2021-001: Inadequate Preparation & Review of the FY 2021 Incurred Cost Submission, and (2) Finding 2021-002: Inadequate Timesheet Approval Procedures and Inadequate Reconciliation of Payroll to General Ledger Procedures. We are not making a recommendation associated with the two findings Tichenor reported. However, we suggest that USAID/Bureau for Management/Office of Acquisition and Assistance/Cost, Audit and Support Division, Contract Audit Management Branch determine if Kaizen Company addressed the issues noted.

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.