



MEMORANDUM

DATE: May 1, 2018

TO: USAID/Bureau for Management/Office of Acquisition and Assistance, Cost Audit and Support Division, Contract Audit Management Branch, Branch Chief, David A. McNeil

FROM: Director of External Financial Audits, Abdoulaye Gueye /s/

SUBJECT: Performance Audit Over the Adequacy of the Disclosure Statement (Original) for Nathan Associates Inc. (3-000-18-028-1)

This memorandum transmits the final audit report over the adequacy of the Disclosure Statement (Original) for Nathan Associates Inc. (NAI). The U.S. Agency for International Development (USAID) Office of Acquisition and Assistance Cost, Audit and Support Division contracted with Kearney & Company to conduct the audit. The contract required Kearney & Company to perform the audit in accordance with generally accepted government auditing standards (GAGAS).

Kearney & Company states that it performed its audit in accordance with generally accepted government auditing standards. Kearney & Company is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on the disclosure statement (original) submitted by NAI.¹

The objectives of this performance audit were to conclude on whether NAI's Disclosure Statement (Original) is adequate and compliant and specifically whether the Disclosure Statement (Original):

- Is current, accurate, complete, and adequately describes the contractor's cost accounting practices, as noted in the Federal Acquisition Regulations (FAR) Part 30.202-7a, *Adequacy Determination*, and
- Discloses cost accounting practices that materially comply with *Cost Accounting Standards (CAS)*, including the design, implementation, and maintenance of internal controls to prevent or detect and correct noncompliance due to fraud or error in accordance with the FAR Part 52.230-1, *Cost Accounting Standards Notices and Certification*.

To answer the audit objectives, Kearney & Company's methodology cited three phases:

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 report itself and excludes review of the audit firm's supporting working papers; they are not designed to enable us to directly evaluate the quality of the examination performed.

Planning – Reviewed the Disclosure Statement for potential areas of outdated, inaccurate, and/or incomplete disclosed practices in order to determine if the Disclosure Statement was acceptable for audit; performed other planning procedures to assess audit risk and determine the nature and extent of fieldwork.

Internal Controls and Testing – Determined the design effectiveness of the internal controls over the maintenance of the Disclosure Statement; conducted walkthroughs over the contractor’s cost accounting practices to determine the adequacy of the Disclosure Statement.

Wrap-Up and Reporting – Concluded on the adequacy of the Disclosure Statement as a result of audit procedures performed and within the context of the audit objectives.

Kearney & Company concluded that NAI’s re-submitted Disclosure Statement (Original) is not current, accurate, and complete, and does not adequately describe the contractor’s cost accounting practices. Due to the inadequacies identified in the re-submitted Disclosure Statement (Original) Kearney & Company did not perform CAS compliance testing. Therefore, Kearney & Company did not conclude on whether the re-submitted Disclosure Statement (Original) 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. Kearney & Company identified one finding that is required to be reported under generally accepted government auditing standards.

To address the issue identified in the report, we recommend that USAID’s Office of Acquisition and Assistance Cost, Audit and Support Division:

Recommendation 1. Verify that Nathan Associates, Inc. correct finding #1 on pages 6 through 10 of the report.

We ask that you provide your written notification of actions planned or taken to reach a management decision. We appreciate the assistance extended to audit staff 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”).

If you have any questions related to this report, please contact Steve Shea, Assistant Director, at (202) 712-1386 or sshea@usaid.gov

Attachment: As stated

cc:

AAudit@usaid.gov

OIGAuditTracking@usaid.gov

M/CFO/APC, T. Frakes

M/OAA/CAS, E. Jefferson

M/OAA/CAS, Y. Moody-Briscoe

M/OAA/CAS, L. Brown