



MEMORANDUM

DATE: May 2, 2018

TO: USAID/Management/Office Acquisition and Assistance/Cost, Audit and Support Division, Branch Chief, David A. McNeill

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

SUBJECT: Performance Audit Over the Adequacy and Cost Accounting Standards Compliance of the Disclosure Statement, Revisions 10-13, for Abt Associates Inc., Government Segment (3-000-18-030-I)

This memorandum transmits the final audit report over the adequacy and cost accounting standards compliance of the disclosure statements, revisions 10-13 for Abt Associates Inc., Government Segment (AAGS). The U.S. Agency for International Development's (USAID) Office of Acquisition and Assistance Cost, Audit and Support Division contracted with Kearney & Company to conduct the audit. The audit 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 GAGAS. Kearney & Company is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion over the adequacy and Cost Accounting Standards (CAS) Compliance of the Disclosure Statement, Revisions 10-13, for AAGS.¹

The objectives of the performance audit were to conclude whether AAGS's Disclosure Statements, Revisions 10-13 are adequate and compliant with CAS, specifically whether the Disclosure Statements:

- Are current, accurate, complete, and adequately describe the contractor's cost accounting practices, as noted in Federal Acquisition Regulation (FAR) Part 30.202-7a, *Adequacy Determination*, and
- Disclose 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 in accordance with FAR Part 52.230-1, *Cost Accounting Standards Notices and Certification*.

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.

To answer the audit objectives, Kearney & Company conducted the audit in three phases:

1. **Planning** – Reviewed the Disclosure Statements for potential areas of outdated, inaccurate, and/or incomplete disclosed practices in order to determine if the Disclosure Statements were acceptable for audit; performed other planning procedures to assess audit risk and determine the nature and extent of fieldwork.
2. **Internal Controls and Testing** – Determined the design effectiveness of the internal controls over the maintenance of the Disclosure Statements, conducted walkthroughs over the contractor’s cost accounting practices to determine the adequacy of the Disclosure Statement, and determined if the disclosed cost accounting practices are compliant with CAS.
3. **Wrap-Up and Reporting** – Concluded on the adequacy and CAS compliance of the Disclosure Statement as a result of audit procedures performed and within the context of the audit objectives.

Kearney & Company concluded that AAGS’s re-submitted Disclosure Statement Revisions 10–13 are current, accurate, complete, and adequately describe the contractor’s cost accounting practices, as well as disclosing 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.

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

Recommendation I.

Verify that Abt Associates Inc., Government Segment corrects Finding # 1 on pages 7 through 11 of the audit report.

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

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