



MEMORANDUM

DATE: May 9, 2018

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

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

SUBJECT: Examination of Costs Claimed for International Resource Group for the Three Fiscal Years Ended December 31, 2008 Through 2010
Report No. (3-000-18-032-1)

This memorandum transmits the final report on the examination of costs claimed by International Resource Group (IRG) for the fiscal years (FY) ended December 31, 2008 through 2010. 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 contract required Kearney & Company to perform the examination in accordance with generally accepted government auditing standards.

Kearney & Company states it performed the examination 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 incurred cost proposals (ICP) submitted by IRG for the FYs ended December 31, 2008 through 2010 for the allowability, allocability and reasonableness of the incurred costs as reported in the ICPs.¹

The objective of this examination was to express an opinion on whether the costs claimed by IRG on in-scope contracts and subcontracts for the three FYs ended December 31, 2008 through 2010 are allowable, allocable, and reasonable in accordance with contract terms; Part 31 of the Federal Acquisition Regulation (FAR); Agency for International Development Acquisition Regulations (AIDAR); Department of State Standardized Regulations (DSSR); and 2 Code of Federal Regulations (CFR) 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, as applicable. Some of the procedures included, obtaining an understanding of IRG's internal controls, assessing control risk, and determining the extent of examination testing needed based on the control risk assessment and examining, on a test basis, evidence supporting the amounts and disclosures in the data and records evaluated.

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 designed testing procedures to evaluate the internal control environment surrounding IRG's subcontract management process and to verify that adequate coverage for monitoring subcontractor costs over IRG's claimed incurred cost related to subcontractor billings. Its examination also included evaluating the claimed cost reported in the ICPs for compliance with applicable requirements contained in the FAR, AIDAR, DSSR and other specific contract provisions. Providing an opinion on compliance with specific provisions was not an objective of its examination, accordingly, Kearney & Company did not express such an opinion. Kearney & Company audited \$221,075,702 of IRG's incurred cost for the FYs ended December 31, 2008 through 2010.

Kearney & Company expressed a qualified opinion that costs claimed by IRG on in-scope contracts and subcontracts for the FYs ended December 31, 2008 through 2010 are allowable, allocable, and reasonable in accordance with contract terms; Part 31 of the FAR; AIDAR; DSSR; and 2 CFR 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, as applicable, in all material respects. Kearney & Company did not design testing procedures to specifically examine the effectiveness of IRG's accounting system and its related internal controls. Providing an opinion on the adequacy of the accounting system and related controls was not an objective of the examination; accordingly Kearney & Company did not express such an opinion.

The audit firm questioned \$2,340,798 in unsupported direct cost and \$725,120 of indirect costs, composed of \$646,547 in G&A pool cost and \$78,573 in Home Office Overhead pool cost. Kearney & Company also identified one finding that is required to be reported under generally accepted government auditing standards.

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

Recommendation 1. Determine the allowability of \$2,340,798 in unsupported direct questioned costs on pages 1, 2, 8 and 14 of the audit report, and recover any amount that is unallowable.

Recommendation 2. Verify that International Resource Group corrects finding #1 on pages 12 through 15 of the audit report.

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

The 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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