



MEMORANDUM

DATE: May 18, 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: Performance Audit Over the Adequacy and Cost Accounting Standards Compliance of the Disclosure Statements, Revisions 5 and 2014-1, for Louis Berger Group, Inc., Intermediate Home Office (3-000-18-034-1)

This memorandum transmits the final audit report over the adequacy and cost accounting standards compliance of the disclosure statements, revisions 5 and 2014-1, for Louis Berger Group, Inc., Intermediate Home Office (LBGIHO). 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.

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 over the adequacy and Cost Accounting Standards Compliance of the Disclosure Statements, Revisions 5 and 2014-1, for LBGIHO.¹

The objectives of the performance audit were to conclude whether LBGIHO's Disclosure Statements, Revisions 5 and 2014-1 are adequate and compliant with Cost Accounting Standards (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

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.

noncompliance due to fraud or error in accordance with FAR Part 52.230-1, *Cost Accounting Standards Notices and Certification*.

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 Statement, 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 for Revision 2014-1 only.
3. **Wrap-Up and Reporting** – Concluded on the adequacy of the Disclosure Statements and the CAS compliance of the Disclosure Statement, Revision 2014-1, as a result of audit procedures performed and within the context of the audit objectives.

Kearney & Company concluded that LBGHO’s Disclosure Statement, Revision 5, is not current, accurate, complete, and does not adequately describe the contractor’s cost accounting practices. Due to the inadequacies identified in Disclosure Statement, Revision 5, Kearney & Company did not perform CAS compliance testing. Therefore, the auditor did not conclude on whether the Disclosure Statement, Revision 5, 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 concludes LBGHO’s Disclosure Statement, Revision 2014-1, is current, accurate, complete, and adequately describes the contractor’s cost accounting practices, as well as 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.

Because the Disclosure Statements, Revisions 5 and 2014-1, have the same effective date, Kearney & Company does not recommend LBGHO submit a corrected Revision 5 to the U.S. Government. Kearney and Company recommends that the U.S. Government use Disclosure Statement, Revision 2014-1, for its purposes. 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 Louis Berger, Inc., Intermediate Home Office corrects Finding # 1 on page 4 and 5 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

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