



## MEMORANDUM

**DATE:** June 7, 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:** Examination of Costs Claimed by Carana Corporation for the Three Fiscal Years Ended December 31, 2010 Through 2012 (3-000-18-037-1)

This memorandum transmits the final report on the examination of costs claimed by Carana Corporation (CC) for the three fiscal years ended December 31, 2012. 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 audit 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 CC's incurred cost proposals (ICP) submitted for the fiscal years (FY) ended December 31, 2010 through 2012, for the allowability of the costs claimed in the ICPs.<sup>1</sup>

The objectives of this examination was to express an opinion on whether the costs claimed by CC on in-scope contracts and subcontracts for the three FYs ended December 31, 2010 through 2012 are allowable, allocable, and reasonable in accordance with contract terms; Part 31 of the Federal Acquisition Regulation (FAR); Agency for International Development Acquisition Regulation (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. To answer the audit objectives, Kearney & Company designed testing procedures to evaluate the internal control environment surrounding CC's subcontract management process and to verify that adequate coverage for monitoring subcontractor costs existed over CC's claimed incurred costs related to subcontractor billings. Its examination also included evaluating the claimed costs 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

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<sup>1</sup> We reviewed the audit firm's report for conformity with professional 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.  
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was not an objective of this examination, accordingly, Kearney & Company did not express such an opinion. Kearney & Company audited \$43,143,052 of CC's incurred cost for the FYs ended December 31, 2010 through 2012.

Kearney & Company expressed an unmodified opinion that costs claimed by CC on in-scope contracts and subcontracts for the three fiscal years ended December 31, 2010 through 2012 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. Kearney & Company did not design testing procedures to specifically examine the effectiveness of CC's accounting system and related internal controls. The audit firm questioned \$111,383 in unsupported direct questioned cost and \$14,753 of indirect costs, composed of \$11,562 in G&A pool costs, \$448 in overhead pool costs, and \$2,743 in fringe benefits pool costs. Kearney & Company did not disclose any findings 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 \$111,383 in unsupported direct questioned costs on pages 1, 2 and 17 of the audit report, and recover any amount that is unallowable.

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.

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](mailto:sshea@usaid.gov).

Attachment: As stated

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