



MEMORANDUM

DATE: July 2, 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 Incurred Costs Claimed by International Development Group for the Fiscal Years Ended December 31, 2011 and 2012 (3-000-18-042-1)

This memorandum transmits the final report on the examination of costs claimed by International Development Group (IDG) incurred cost proposal (ICP) for the fiscal years (FY) ended December 31, 2011 and 2012. 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 examination. The contract required Kearney & Company to perform the examination in accordance with attestation standards established by the American Institute of Certified Public Accountants (AICPA) and the standards applicable to attestation engagements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Kearney & Company states that it performed its examination in accordance with attestation standards established by the American Institute of Certified Public Accountants (AICPA) and the standards applicable to attestation engagements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Kearney & Company is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on whether costs claimed by IDG on in-scope contracts and subcontracts for the FYs ended December 31, 2011 and 2012 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 Regulation (CFR) 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, as applicable.

The objective of this examination was to express an opinion on whether the costs claimed by IDG on in-scope contracts and subcontracts for the FYs ended December 31, 2011 and 2012 are allowable, allocable, and reasonable in accordance with contract terms; Part 31 of the FAR; AIDAR, DSSR, and 2 Code of Federal Regulation (CFR) 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, as applicable. To answer the examination objective, Kearney & Company designed its testing

procedures to evaluate the internal control environment surrounding IDG's subcontract management process and verify that adequate coverage for monitoring subcontractor costs existed over IDG's claimed incurred costs related to subcontractor billings. Its examination also included evaluating the claimed costs reported in the incurred cost proposals for compliance with the 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 Kearney & Company's examination; accordingly, Kearney & Company did not express such an opinion. Kearney & Company examined \$6,189,192 consisting solely of USAID's incurred costs for the FYs ended December 31, 2011 and 2012.

Kearney & Company expressed an unmodified opinion that costs claimed by IDG on in-scope contracts and subcontracts for the FYs ended December 31, 2011 and 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 render an opinion on the effectiveness of the contractor's accounting systems and related internal controls. Kearney & Company's examination did not disclose any findings that are required to be reported under *Government Auditing Standards*. Kearney & Company questioned unsupported direct costs of \$8,031. Kearney & Company also questioned \$14,660 of indirect costs composed of \$1,489 in overhead pool costs and \$13,171 in General and Administrative pool costs.

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

Recommendation I.

Determine the allowability of \$8,031 in unsupported direct questioned costs and recover any amount that is unallowable detailed on pages 1 and 6 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 to audit staff during the engagement.

OIG does not routinely distribute independent public accounting reports beyond the immediate addresses 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