



MEMORANDUM

DATE: July 16, 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, 2013 and 2014 (3-000-18-043-I)

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, 2013 and 2014. 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 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, 2013 and 2014 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 Regulation (CFR) 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, as applicable.¹

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, 2013 and 2014 are allowable, allocable, and reasonable in accordance with contract terms; Part 31 of

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.

the FAR; AIDAR; DSSR; and 2 CFR 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, as applicable. To answer the audit 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 ICPs 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, the auditor did not express such an opinion. Kearney & Company audited \$4,664,008, consisting solely of USAID's incurred costs for the fiscal years ended December 31, 2013 and 2014.

Kearney & Company expressed an unmodified opinion that costs claimed by IDG on in-scope contracts and subcontracts for the FYs ended December 31, 2013 and 2014 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. The auditor's examination did not disclose any findings that are required to be reported under *Government Auditing Standards*. Kearney & Company questioned \$28,328 of indirect costs composed of \$117 in Home Office Fringe Benefits, \$2,461 in Over Head, and \$25,750 in General and Administrative pool costs.

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

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