



MEMORANDUM

DATE: September 24, 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 Management's Assertions over the Incurred Cost Proposals for
the Two Fiscal Years Ended October 2, 2009 for AECOM International Development, Inc.
(3-000-18-045-1)

This memorandum transmits the final report on the examination of the incurred cost proposals and management's assertions over the allowability of the incurred cost proposals (ICP) for AECOM International Development, Inc. (AECOM) for the two fiscal years (FY) ended October 2, 2009. 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 in accordance with government auditing standards issued by the Comptroller General of the United States.

Kearney & Company states that it performed its examination in accordance with 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 AECOM's ICPs submitted for October 3, 2008 and October 2, 2009, as well as, management's assertions over whether the incurred costs as reported in the ICPs are allowable and free of material misstatement as evaluated in accordance with the Federal Acquisition Regulation (FAR); Agency for International Development Acquisition Regulations (AIDAR); Department of State Standardized Regulations (DSSR); contract terms; and 2 Code of Federal Regulations (CFR) 200 *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*.¹

The objective of this examination was to express an opinion on AECOM management's assertions that all costs included in the ICPs are allowable in accordance with the cost principles set forth by the FAR and its supplements applicable to the contracts to which the final indirect cost rates will apply, as well as that the ICPs do not include any costs that are expressly unallowable under applicable cost principles set forth by the FAR or its supplements. To answer the objective, Kearney & Company designed its testing procedures to evaluate the internal control environment surrounding AECOM's subcontract management process and to verify that AECOM had adequate controls in

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.

place for monitoring subcontractor costs and claimed incurred costs related to subcontractor billing. 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 its examination; accordingly, Kearney & Company did not express such an opinion. Kearney & Company audited \$92,814,690 of AECOM's incurred costs of which USAID audited costs total \$65,260,770 for the two fiscal years ended October 3, 2008 and October 2, 2009.

Kearney & Company expressed an adverse opinion on AECOM's management's assertions that all costs included in the ICPs are allowable in accordance with the cost principles set forth by the FAR and its supplements applicable to the contracts to which the final indirect cost rates will apply, as well as that the ICPs do not include any costs that are expressly unallowable under applicable cost principles set forth by the FAR or its supplements. Kearney & Company did not render an opinion on the effectiveness of the contractor's accounting systems and related internal controls. The auditor's examination disclosed two findings that are required to be reported under *Government Auditing Standards*. Findings #1 and #2 are in regard to inadequate records maintenance and retention. Kearney & Company questioned unsupported direct costs of \$15,296,357. The auditor also questioned indirect costs of \$240,911, composed of \$49,873 in General and Administrative pool costs, \$54,107 in Regular Over Head pool costs, (\$14,338) in Host Country National Over Head pool costs, \$112,994 in Consultant Over Head pool costs and \$38,275 in Fringe 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 1.

Determine the allowability of \$15,296,357 in unsupported direct costs from AECOM International Development, Inc. detailed on pages 2 through 4, and 12 through 16 of the audit report.

Recommendation 2.

Verify that AECOM International Development, Inc. corrects Findings #1 and #2 detailed on pages 12 through 16 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 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

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