



## MEMORANDUM

**DATE:** December 11, 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 Costs Claimed for The Louis Berger Group, Inc. Integrated Development Segment for the Two Fiscal Years Ended June 30, 2012 (3-000-19-006-1)

This memorandum transmits the final report on the examination of costs claimed for The Louis Berger Group, Inc. Integrated Development Segment (LBGID) on in-scope contracts and subcontracts for the fiscal years (FY) ended June 30, 2011 and 2012 and determines whether costs claimed 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 Regulations (CFR) *Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. 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 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 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 on in-scope contracts and subcontracts for each FY is allowable, allocable and reasonable in accordance with contract terms; Part 31 for the FAR; AIDAR; DSSR; and 2 CFR 200 *Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.<sup>1</sup>

The objective of this examination was to express an opinion on whether the costs claimed by LBGID on in-scope contracts and subcontracts for the FYs ended June 30, 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. To answer the objective, Kearney & Company designed its testing procedures to evaluate the internal control

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<sup>1</sup> 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 examination 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 examination performed.

environment surrounding LBGID's subcontract management process and to verify that LBGID had adequate controls in place for monitoring subcontractor costs. Its examination also included evaluating the claimed costs reported in the Incurred Cost Proposals (ICP) 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 \$49,914,399 of LBGID's incurred costs consisting solely of USAID awards for the FYs ended June 30, 2011 and 2012.

Kearney & Company identified a scope limitation applicable to LBGID's FYs 2011 and 2012 claimed subcontractor costs. Kearney & Company noted that total subcontractor costs claimed in LBGID's ICP is material, but based on the structure of the information presented in LBGID's ICP and general ledger, Kearney & Company could not determine, with reasonable certainty, the composition of the subcontractor costs claimed as being indirect. The subcontractors have not, to Kearney & Company's knowledge within their fieldwork period, been subjected to a previous audit and Kearney & Company determined that the potential aggregate effect on LBGID's claimed costs that resulted from the application of the unaudited subcontractor's indirect rates could be material to LBGID's ICPs as a whole. This represents a scope limitation to the subcontractor costs claimed.

Kearney & Company expressed a qualified opinion. In Kearney & Company's opinion except for the effects of the matters described in the preceding paragraph, costs claimed by LBGID on in-scope contracts and subcontracts for the FYs ended June 30, 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, in all material respects. 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*. The auditors questioned unsupported negative direct costs of \$4,818 applicable to USAID and \$19,822 in indirect costs composed of \$18,418 in General and Administrative pool costs and \$1,404 in Overhead pool costs.

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

**Recommendation 1.**

Determine the allowability of 4,818 in reimbursements from The Louis Berger Group, Inc. Integrated Development Segment on pages 1, 2 and 6 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](mailto:sshea@usaid.gov).

Attachment: As stated

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