



## MEMORANDUM

**DATE:** February 11, 2019

**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 Three Fiscal Years Ended September 28, 2012 for AECOM International Development, Inc. (3-000-19-008-I)

This memorandum transmits the final report on the examination of the incurred cost proposals and management's assertions over the allowability of costs in the incurred cost proposals (ICP) for AECOM International Development, Inc. (AECOM) for the three fiscal years (FYs) ended September 28, 2012. The U.S. Agency for International Development (USAID) Office of Acquisition and Assistance, Cost, Audit, and Support Division contracted with Kearney & Company (the auditor) 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 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 AECOM's ICPs submitted for the FYs ended October 1, 2010, September 30, 2011, and September 28, 2012, as well as, 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.

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 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 \$244,888,001 of AECOM's incurred costs of which USAID audited costs total \$243,111,310 for the three FYs ended October 1, 2010, September 30, 2011, and September 28, 2012.

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 \$35,630,386. The auditor also questioned negative indirect costs of \$1,180,806, composed of negative \$1,004,719 in General and Administrative pool costs, negative \$5,005 in Overhead-Head Quarters, (\$43,934) in Overhead-Field, and negative \$215,016 in Fringe pool costs applicable to USAID.

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 \$35,630,386 in unsupported direct costs from AECOM International Development Inc. detailed on pages 2 through 4, and 12 through 18 of the report and recover any amount that is unallowable.

**Recommendation 2.**

Verify that AECOM International Development Inc. corrects Findings #1 and #2 detailed on pages 12 through 18 of the 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

cc:

[AAudit@usaid.gov](mailto:AAudit@usaid.gov)

[OIGAuditTracking@usaid.gov](mailto:OIGAuditTracking@usaid.gov)

M/CFO/APC, T. Frakes

M/OAA/CAS, E. Jefferson

M/OAA/CAS, Y. Moody-Briscoe

M/OAA/CAS, L. Brown