



## MEMORANDUM

**DATE:** March 19, 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, Donell Ries /s/

**SUBJECT:** Performance Audit Over the Adequacy of Dalberg-Global Development Advisors Accounting System (3-000-19-009-1)

This memorandum transmits the final report over the adequacy of Dalberg-Global Development Advisors' (Dalberg) accounting system. The U.S. Agency for International Development's (USAID) Office of Acquisition and Assistance, Cost, Audit, and Support Division contracted with Kearney & Company to conduct the audit. The audit required Kearney & Company to perform the audit in accordance with generally accepted government auditing standards.

Kearney & Company states that it performed its audit in accordance with generally accepted government auditing standards. Kearney & Company is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion over the adequacy of Dalberg's accounting system.<sup>1</sup>

The objectives of the performance audit were to conclude on whether Dalberg established an adequate accounting system to: (1) adequately accumulate, segregate, and identify costs under U.S. Government awards; and (2) allow for the proper differentiation between direct costs, indirect costs, and unallowable costs in compliance with applicable Government regulations.

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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 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.

To answer the audit objectives, Kearney & Company assessed the design of Dalberg's policies and key internal controls relating to the accounting system criteria; tested the implementation of Dalberg's policies and key internal controls; and, concluded on the adequacy of the accounting system as a result of audit procedures performed and within the context of the audit objectives.

Kearney & Company concluded that Dalberg's accounting system did not adequately accumulate, segregate, and identify cost under U.S. Government awards, or allow for the proper differentiation between direct costs, indirect costs, and unallowable costs in compliance with applicable Government regulations and benchmarks. Kearney & Company disclosed two findings. Finding # 1 is related to ineffective cost tracking and monitoring to meet benchmarks. Finding # 2 is related to lack of documented review and untimely timesheet/labor cost approval and is a significant deficiency.

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.** Verify that Dalberg-Global Development Advisors corrects Findings #1 and #2 detailed on pages 7 through 9 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 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.")