



MEMORANDUM

DATE: April 10, 2019

TO: USAID/Management/Office of Acquisition and Assistance/Cost Audit and Support Division, Branch Chief, David A. McNeil

FROM: Deputy Assistant Inspector General for Audit, Alvin Brown, /s/

SUBJECT: Examination Report of Direct Costs Claimed on Cooperative Agreement AID-OAA-A-13-00071 for The Documentary Group LLC (3-000-19-015-1)

This memorandum transmits the final examination report on the examination of direct costs claimed for The Documentary Group LLC (TDG) for Cooperative Agreement AID-OAA-A-13-00071. 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 auditor stated the contract required the auditor 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 generally accepted government auditing standards.

The audit firm states that it performed its examination in accordance with attestation standards established by the AICPA and the standards applicable to attestation engagements contained in generally accepted government audit standards. The audit firm is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on whether direct costs claimed for Cooperative Agreement AID-OAA-A-13-00071 is 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*, as applicable¹.

The examination's objective was to express an opinion on whether the direct costs claimed by TDG for Cooperative Agreement AID-OAA-A-13-00071 are 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*, as applicable. To answer the objective, Kearney & Company designed its testing procedures to evaluate the internal control environment surrounding TDG's subrecipient management process and to verify that TDG had adequate controls in place for monitoring

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.

subrecipient costs. Its examination also included evaluating the direct costs claimed on the award for compliance with the applicable requirements contained in the FAR, AIDAR, DSSR and other specific award provisions. Kearney & Company audited \$3,645,907 of TDG's incurred direct costs for the USAID award.

Kearney & Company expressed an adverse opinion that the direct costs claimed by TDG on Cooperative Agreement AID-OAA-A-13-00071 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. The auditor's examination disclosed two material weaknesses and instances of material non-compliance that are required to be reported under generally accepted government auditing standards. The auditors questioned \$17,799 of ineligible and \$204,553 of unsupported direct claimed costs applicable to the USAID award.

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 \$17,799 in ineligible and \$204,553 in unsupported direct claimed costs from The Documentary Group LLC detailed on page 3 and pages 7 through 11 of the report.

Recommendation 2. Verify that The Documentary Group LLC corrects Findings #1 and #2 detailed on pages 7 through 11 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").