



MEMORANDUM

DATE: June 4, 2019

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

FROM: Acting Director of External Financial Audit Division, Steve Shea /s/

SUBJECT: Report on the Examination of Costs Claimed for Integra Government Services International, LLC for the Two Years Ended December 31, 2014 and 2015 (3-000-19-022-1)

This memorandum transmits the final audit report on the examination of costs claimed by Integra Government Services International, LLC (Integra), for the years 2014 and 2015. The U.S. Agency for International Development's (USAID) Office of Acquisition and Assistance, Cost Audit and Support Division contracted with the independent certified accounting firm Kearney & Company to conduct the examination. The audit firm stated that the contract required it to perform the examination in accordance with the standards applicable to attestation engagements contained in generally accepted government auditing standards and attestation standards established by the American Institute of Certified Public Accountants (AICPA).

The audit firm states that it performed its examination in accordance with the standards applicable to attestation engagements contained in generally accepted government auditing standards and attestation standards established by the AICPA except that the audit firm identified two scope limitations applicable to Integra's years' 2014 and 2015 claimed subcontractor costs, as well as the subcontractor costs that are included in Integra's General and Administrative (G&A) indirect rate base. First, the audit firm identified one subcontractor, PricewaterhouseCoopers (PwC), whose costs incurred were material to Integra's years' 2014 and 2015 incurred cost proposals (ICP) for which USAID is not the cognizant Federal agency. The audit firm did not perform a subcontractor assist audit and were not able to review any available audit reports to incorporate the results of previous audits into this examination report. Second, the audit firm noted that total remaining subcontractor costs claimed as other direct costs in Integra's ICPs are material, but based on the structure of the information presented in Integra's ICPs and general ledger, they could not determine, with reasonable certainty, the composition of the subcontractor costs claimed as being direct or indirect. The audit firm is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on Integra's ICP or management's assertions over the allowability of the incurred costs as reported in the ICP.¹

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.

The objective of this examination was to express an opinion on whether the cost claimed by Integra on in-scope awards and subawards for each of the years ended December 31, 2014 and 2015 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) 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, as applicable. To answer the objective, the audit firm designed its testing procedures to evaluate the internal control environment surrounding Integra's subcontract management process and to verify that Integra 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 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, the audit firm did not express such an opinion. The audit firm audited \$2,143,951 of Integra's incurred costs for the two years ended December 31, 2014 and 2015.

The audit firm expressed a qualified opinion that costs claimed by Integra on in-scope awards and subawards for the two years ended December 31, 2014 and 2015 are allowable, allocable, and reasonable in accordance with award 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, except for the possible effects of the two scope limitations to the burdened subcontractor costs claimed, as well as the subcontractor costs that are included in Integra's G&A indirect rate base. The audit firm did not render an opinion on the effectiveness of Integra's accounting system and its related internal controls. The audit firm's examination did not disclose any findings that are required to be reported under *Government Auditing Standards*. The audit firm identified non-reportable exceptions that resulted in total direct questioned costs of \$3,134 (\$3,134 ineligible). Since the questioned costs did not meet the OIG's established threshold of \$25,000 for making a recommendation, we are not making a recommendation. Nevertheless, we suggest that USAID's Office of Acquisition and Assistance, Cost Audit and Support Division determine the allowability of the \$3,134 in questioned costs and recover any amount determined to be unallowable.

We appreciate the assistance extended during the engagement.

OIG does not routinely distribute independent public accounting reports beyond the immediate addressees 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").