



MEMORANDUM

DATE: July 12, 2019

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

FROM: Acting Director of External Financial Audits Division, Steven Shea /s/

SUBJECT: Performance Audit Over the Adequacy of The QED Group's Accounting System (3-000-19-032-1)

This memorandum transmits the final audit report on the performance audit over the Adequacy of The QED Group's (QED) Accounting System. The U.S. Agency for International Development (USAID) Office of Acquisition and Assistance, Cost, Audit, and Support Division contracted with the independent certified public accounting firm Kearney & Company, P.C. to conduct the audit. The audit firm stated that the contract required the auditor to perform the audit in accordance with generally accepted government auditing standards.

The audit firm states that it performed its audit in accordance with generally accepted government auditing standards. The audit firm is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion over the adequacy of QED's accounting system.¹

The audit objectives were to determine whether QED has established an adequate accounting system and whether the accounting system: (1) adequately accumulates, segregates, and identifies costs under U.S. government awards; and (2) allows for the proper differentiation between direct, indirect, and unallowable costs in compliance with applicable government regulations. To answer the objective, Kearney & Company, P.C. designed its audit in the following three phases: 1. Planning – Assessed the design of QED's policies and key internal controls relating to the accounting system administration criteria. 2. Internal Controls and Testing – Tested the implementation of QED' policies and key internal controls. 3. Wrap-Up and Reporting – Concluded on the adequacy of the accounting system administration as a result of audit procedures performed within the context of the audit objectives.

Kearney & Company, P.C. concluded that QED's accounting system does not adequately accumulate, segregate, and identify costs under U.S. Government awards, as well as allow for the proper differentiation between direct costs, indirect costs, and unallowable costs in compliance with applicable Government regulations and benchmarks. The audit report disclosed two findings that are material weaknesses required to be reported under generally accepted government auditing standards.

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.

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 I. Verify that The QED Group corrects Findings #1 and #2 detailed on pages 3 through 10 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").