



## MEMORANDUM

**DATE:** August 6, 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:** Report on the Examination of Costs Claimed for Links Media, LLC for the Two Years Ended December 31, 2014 (3-000-19-038-1)

This memorandum transmits the final report on the examination of costs claimed for Links Media, LLC (Links) on in-scope awards and subawards for each of the years ended December 31, 2013 and 2014. The U.S. Agency for International Development (USAID) Office of Acquisition and Assistance, Cost, Audit, and Support Division contracted with the independent certified accounting firm of Kearney & Company, P.C. to conduct the audit. Kearney & Company, P.C. stated the contract required the audit firm to perform the audit in accordance with generally accepted government auditing standards, award 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.

The audit firm 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 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 on whether costs claimed by Links on in-scope contracts and subcontracts for each of the years ended December 31, 2013 and 2014 is allowable, allocable and reasonable in accordance with award terms; Part 31 for the FAR; AIDAR; DSSR; and 2 CFR 200 *Uniform Administrative Requirements Cost Principles and Audit Requirements for Federal Awards*.<sup>1</sup>

The examination's objective was to express an opinion on whether the costs claimed by Links on in-scope awards and subawards for each of the years ended December 31, 2013 and 2014 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. To answer the examination's objective, Kearney & Company, P.C. designed its testing procedures to evaluate the internal control environment surrounding Links' subcontract management process and to verify that Links had

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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.

adequate controls in place for monitoring subcontractor costs. Its examination included the reconciliation of the adjusted total costs booked to date and the cumulative amount billed, by award or subaward and reporting any over/under-billings. The audit firm examined USAID incurred costs of \$639,652 for the two years ended December 31, 2014.

Kearney & Company, P.C. concluded that costs claimed by Links on in-scope awards and subawards for the two years ended December 31, 2013 and 2014 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 negative unsupported direct questioned costs of (\$664). The audit firm also questioned negative indirect costs of (\$13,907), composed of (\$7,740) in fringe pool costs, (\$70) in overhead pool costs, and (\$6,097) in general and administrative pool costs. 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 (\$664) in negative direct questioned costs and recover any amount determined to be unallowable. In addition, although we are not making a recommendation for the significant deficiency noted in the report, we suggest that USAID's Office of Acquisition and Assistance, Cost, Audit, and Support Division determine if the recipient addressed the issue noted.

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").