MEMORANDUM

DATE: August 21, 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, Steve Shea/s/

SUBJECT: Report on the Examination of Costs Claimed for CAMRIS International for the Fiscal Years Ended December 31, 2014 and 2015 (3-000-19-041-I)

This memorandum transmits the final audit report on the examination of costs claimed for CAMRIS International (CAMRIS) on in-scope awards and subawards for the fiscal years (FY) ended December 31, 2014 and December 31, 2015. 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 of Kearney & Company, P.C. to perform the audit in accordance with generally accepted government auditing standards and determine whether costs claimed are allowable, allocable and reasonable in accordance with award terms; Part 31 of the Federal Acquisition Regulation (FAR); Agency for International Development Acquisition Regulation (AIDAR); Department of State Standardized Regulation (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 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. The audit firm identified a scope limitation applicable to a CAMRIS subcontractor's costs, IAP World Services (IAP). Kearney & Company, P.C. excluded from the scope of its examination all burdened IAP costs, totaling $77,749,470. These unexamined costs are included in the allocation bases for the General and Administrative rates. Kearney & Company, P.C. was unable to quantify the effects of these unexamined costs on the subject matter but determined they could be material. The audit firm is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on whether the costs claimed by CAMRIS 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.[1]

The examination's objective was to express an opinion on whether the cost claimed by CAMRIS on in-scope awards and subawards for each of the years ended December 31, 2014

[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.

and 2015 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. To answer the objective, the audit firm designed its testing procedures to evaluate the internal control environment surrounding CAMRIS' subcontract management process and to verify that CAMRIS 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 incurred cost proposal 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 $17,642,885 of incurred costs for the two years ended December 31, 2014 and 2015, all of which were USAID related costs.

The audit firm concluded that, except for the possible effect of the scope limitation mentioned above, costs claimed by CAMRIS 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. In addition, to the scope limitation, the audit firm reported one significant deficiency due to lack of controls over salary letter maintenance and total USAID direct questioned costs of $6,588 ($6,485 unsupported, $103 ineligible). Kearney and Company, P.C. also questioned negative $587 in direct questioned costs. The audit firm did not render an opinion on the effectiveness of CAMRIS' accounting system and its related internal controls. 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. Also, 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 $6,001 in direct questioned costs and recover any amount determined to be unallowable. The audit firm also questioned total indirect costs of $21,117, composed of $23,559 in overhead pool, negative $18,659 in G&A, and $16,217 in fringe pool costs.

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").