



## MEMORANDUM

**DATE:** November 25, 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:** Examination of Costs Claimed for IOS Partners, Inc. for the Two Years Ended December 31, 2015 (3-000-20-002-1)

This memorandum transmits the final audit report on examination of costs claimed for IOS Partners, Inc.'s (IOS) on in-scope awards and subawards for the two years ended 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 conduct 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 the 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.<sup>1</sup> 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 IOS on in-scope awards and subawards for the two years ended December 31, 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, in all material respects.

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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.

The examination's objective was to express an opinion on whether the costs claimed by IOS 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 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 objective, Kearney & Company, P.C. designed its testing procedures to evaluate the internal control environment surrounding IOS's subcontract management process and to verify that IOS had adequate controls in place for monitoring subcontract costs. Kearney & Company, P.C. performed testing procedures to determine whether costs billed to IOS by its subcontractors and claimed as other direct costs in IOS's Incurred Costs Proposals (ICP) are allowable, allocable, and reasonable, in all material respects. Kearney & Company, P.C. also evaluated the claimed costs reported in the ICPs for compliance with the applicable requirements contained in the FAR, AIDAR, DSSR, and other specific provisions. The audit firm identified indirect questioned costs in the amount of \$2,425 applicable to the overhead pool. The audit firm examined USAID incurred costs of \$1,871,917 for the two years ended December 31, 2015.

Kearney & Company, P.C. expressed an unmodified opinion that costs claimed by IOS on in-scope awards and sub awards for the two years ended December 31, 2014 and 2015 were 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. The audit firm's examination did not disclose any findings that are required to be reported under generally accepted government auditing standards.

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").