



MEMORANDUM

DATE: December 10, 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 Audit Division, Steven Shea/s/

SUBJECT: Examination of Costs Claimed for Advanced Engineering Associates International, Inc. for the Two Years Ended December 31, 2014 (3-000-20-004-1)

This memorandum transmits the final report on the examination of costs claimed for Advanced Engineering Associates International, Inc. (AEAI) 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 public accounting firm of Kearney & Company, P.C. to conduct the audit. The audit firm states that it performed its examination in accordance with generally accepted government auditing standards, 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 is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on whether costs claimed by AEAJ 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*, as applicable.¹

The examination's objective was to express an opinion on whether the costs claimed by AEAJ on in-scope awards and subawards for each of the years ended December 31, 2013 and 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.

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 AEAI's subcontract management process and to verify that AEAI had 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 \$36,383,030 for the two years ended December 31, 2014.

Kearney & Company, P.C. expressed a qualified opinion because of unexamined subcontractor costs claimed in AEAI's 2013 incurred cost proposal. The unexamined costs are included in the allocation base for AEAI's Material and Subcontract Handling rate and are subject to change based on separate examination. As a result, Kearney & Company, P.C. was unable to quantify the effects of these unexamined costs on the in-scope awards and subawards for the years ended December 31, 2013 and 2014 but determined they could be material. In Kearney & Company, P.C.'s opinion, except for the possible effects of the matter described above, costs claimed by AEAI 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. The audit report 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.

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