



## MEMORANDUM

**DATE:** February 11, 2020

**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 Kimetrica, LLC for the Fiscal Years Ended December 31, 2014 and 2015 (3-000-20-013-1)

This memorandum transmits the final report on the examination of costs claimed for Kimetrica, LLC (Kimetrica) on in-scope awards and subawards for each of the years ended December 31, 2014 and 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. (Kearney & Company) to conduct the audit in accordance with generally accepted government auditing standards to 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 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 stated 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 Kimetrica 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 for the FAR; AIDAR; DSSR; and 2 CFR 200 *Uniform Administrative Requirements Cost Principles and Audit Requirements for Federal Awards*, as applicable.<sup>1</sup>

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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 Kimetrica 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, Costs Principles, and Audit Requirements for Federal Awards*, as applicable. To answer the objective, Kearney & Company designed its testing procedures to evaluate the internal control environment surrounding Kimetrica's subcontract management process and to verify that Kimetrica had adequate controls in place for monitoring subcontractor costs. Kearney & Company performed procedures, on a test basis, to determine whether costs billed to Kimetrica by its subcontractors and claimed as subcontractor costs in incurred costs proposals are allowable, allocable, and reasonable, in all material respects. The audit firm examined USAID incurred costs of \$ 6,548,719 for the two years ended December 31, 2015.

Kearney & Company expressed an adverse opinion, concluding that costs claimed by Kimetrica on in-scope awards and subawards for the two years ended December 31, 2014 and 2015 were not 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 questioned USAID's direct costs of \$157,375 (\$157,375 unsupported). In addition, Kearney & Company also noted one material weakness and a material instance of non-compliance, as well as, two significant deficiencies and instances of non-compliances with laws, regulations, or award terms required to be reported under generally accepted government auditing standards for the two years ended December 31, 2015. Although we are not making a recommendation for the significant deficiencies or instances of noncompliance 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 issues noted. The audit firm also questioned total indirect costs of \$176,857, composed of \$ 93,251 in General & Administrative pool costs, \$25,472 in overhead pool costs and \$ 58,134 in fringe pool costs.

To address the issues identified in the report, we recommend that USAID's Office of Acquisition and Assistance Cost, Audit and Support Division:

**Recommendation 1.** Determine the allowability of \$157,375 in USAID'S unsupported direct questioned costs and recover any amount that is unallowable detailed on pages 5 and 12 through 16 of the audit report.

**Recommendation 2.** Verify that Kimetrica, LLC corrects the material weakness detailed on pages 12 through 14 of the audit report.

**Recommendation 3.** Verify that Kimetrica, LLC corrects the material instance of noncompliance detailed on pages 12 through 14 of the audit report.

We ask that you provide your written notification of actions planned or taken to reach management decision. 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”).