



MEMORANDUM

DATE: March 11, 2020

TO: Eleanor C. Jefferson, Acting Supervisory Auditor, M/OAA/CAS/CAM

FROM: Director of External Financial Audit Division, David A. McNeil/s/

SUBJECT: Examination of Costs Claimed for The QED Group, Inc. for the Fiscal Years Ended December 31, 2014 and 2015 (3-000-20-016-I)

This memorandum transmits the final report on the examination of costs claimed for the QED Group, Inc. (QED) on in-scope awards and sub awards 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. (Kearney & Company) to conduct the audit in accordance with generally accepted government auditing standards and 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 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 conducted 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 that costs claimed by QED on in-scope awards and sub awards 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.¹

The examination's objective was to express an opinion on whether the costs claimed by QED on in-scope awards and subawards for each of the FYs ended December 31, 2014 and 2015 are

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.

allowable, allocable and reasonable in accordance with contract terms; Part 31 of 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 QED's subcontract management process and to determine whether QED had adequate controls in place for monitoring subcontract costs. Its examination also included evaluating the claimed costs reported in the incurred cost proposal (ICP) 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 examined \$29,625,718 of USAID's incurred costs for the two FYs ended December 31, 2014 and 2015.

The audit firm expressed an unmodified opinion that costs claimed by QED on in-scope awards and sub awards for the two FYs 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, Kearney & Company reported a significant deficiency and an instance of noncompliance due to presentation and formulation issues in ICP preparation. The audit firm did not render an opinion on the effectiveness of QED's accounting system and its related internal controls. The audit firm questioned USAID direct questioned costs of \$500 (\$500 ineligible). 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 \$500 in questioned cost and recover any amount determined to be unallowable. Kearney & Company also questioned \$24,704 in indirect pool costs consisting of \$83 in overhead home office and \$24,621 in G&A pool costs. Although we are not making a recommendation for the significant deficiency or instance 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.

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").