



MEMORANDUM

DATE: March 18, 2020

TO: USAID/Management/Office of Acquisition and Assistance, Cost, Audit and Support Division, Acting Supervisory Auditor, Eleanor C. Jefferson

FROM: Director of External Financial Audits Division (IG/A/EFA), David A. McNeil/s/

SUBJECT: Performance Audit of Democracy International, Inc.'s Accounting System Administration (3-000-20-018-I)

This memorandum transmits the final audit report on the adequacy of the accounting system of Democracy International, Inc. (DI) for the period April 2018 to December 2018. The U.S. Agency for International Development's (USAID) Office of Acquisition and Assistance Cost, Audit and Support Division contracted with the independent certified public accounting firm Booth Management Consulting, LLC to conduct the audit. The audit firm stated that it performed the audit in accordance with 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 the adequacy of DI's accounting system.¹

The audit objectives were to evaluate whether DI has established an adequate accounting system and to determine whether DI's accounting system: (1) complies with applicable Federal laws and regulations; (2) ensures adequate segregation of cost billing and reporting purposes; (3) adequately accumulates, segregates, and identifies costs under U.S. Government awards; and (4) allows for the proper segregation between direct, indirect, and unallowable costs in compliance with applicable Government regulations. To answer the audit objectives, the audit firm obtained an understanding of internal control for accumulating and billing costs under Government contracts; examined on a test basis, evidence supporting the amounts and disclosures in the data and records evaluated; and assessed the accounting principles used and significant estimates made by the contractor.

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.

The audit firm concluded that DI's accounting system, and related internal control policies and procedures, are adequate for accumulating and billing costs under the Government contracts. Based on the results of evaluation criteria, contained in Code of Federal Regulations, Section 252.242-7006, *Accounting Systems Administration*, summarized in Exhibit 1, page 8, of the audit report, the auditor stated it identified no findings during its performance audit. The audit firm, nevertheless, identified two areas of improvement for DI to address, listed as Other Matters To Be Reported, Conditions 1 and 2, in pages 4 to 5 of the audit report. Although we are not making a recommendation for these conditions noted in the report, we suggest that that USAID's Office of Acquisition and Assistance Cost, Audit and Support Division determine if DI 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").