



MEMORANDUM

DATE: April 16, 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: Examination of Ceres, Inc.'s Indirect Cost Rate Proposals and Related Books and Records for Reimbursement for the Fiscal Years Ended August 31, 2014 and August 31, 2015 (3-000-20-022-1)

This memorandum transmits the final audit report on the examination of indirect cost rate proposals and related books and records for reimbursement of Ceres, Inc. (Ceres) for the fiscal years (FYs) ended August 31, 2014 and August 31, 2015. 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 (BMC) to conduct the audit. 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 the allowability, allocability, and reasonableness in accordance with contract terms; the Federal Acquisition Regulation (FAR); Agency for International Development Acquisition Regulations (AIDAR); Department of State Standardized Regulations (DSSR); and 2 Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, of the direct and indirect costs claimed in the certified final indirect cost rate proposals for awards in the two FYs ended August 31, 2014 and August 31, 2015 by Ceres.¹

The objective of this examination was to express an opinion on whether the costs claimed by

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.

Ceres' in-scope contracts and subcontracts for the two FYs ended August 31, 2014 and August 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. To answer the examination objective, BMC evaluated the contractor's internal controls, assessed control risk, and determined the extent of audit testing needed based on the control risk assessment; examined on a test basis, evidence supporting the amounts and disclosures in the data and records evaluated; assessed the accounting principles used and significant estimates made by the contractor; and evaluated the overall data and records presentation. Testing covered direct labor cost, direct travel cost, direct materials cost, other direct costs, fringe benefit costs, general and administrative expenses, and subcontracts. Additionally, as directed by the USAID contract with BMC, testing covered the special audit requirements for expenses of specific concern to USAID: consultants, subcontractors, staff and consultant limitations, and Buy-American requirements. BMC's examination included evaluating the contractor's indirect cost allocation bases for equity and consistency with FAR, and AIDAR, where applicable, including verifying that the bases properly: (1) reflected the appropriate cost accounting period; and (2) allocated indirect cost to final cost objectives commensurate with the benefits received. The audit firm determined that the allocation bases were equitable and reasonable. The audit firm examined USAID incurred costs of \$2,794,379 for the two FYs ended August 31, 2015 – respectively, \$1,420,753 and \$1,373,626, for FY2014 and FY2015.

The audit firm expressed an unqualified opinion that costs claimed by Ceres' in-scope contracts and subcontracts for the two FYs ended August 31, 2014 and August 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. The audit firm did not question any costs.

We appreciate the assistance extended during the engagement.

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