



MEMORANDUM

DATE: May 5, 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: Audit of Carana Corporation Certified Final Indirect Cost Rate Proposals and Related Books and Records for Reimbursement for the 18 Month Fiscal Period Ended June 30, 2016 (3-000-20-028-1)

This memorandum transmits the final audit report on the Certified Final Indirect Cost Rate Proposals and Related Books and Records for Reimbursement for Carana Corporation's indirect cost rate proposals for the fiscal year (FY) ended June 30, 2016. 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 conducted its examination in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to the attestation engagement contained in generally accepted government auditing standards issued by the Comptroller General of the United States. The audit firm is responsible for the enclosed report and conclusions expressed in it. We do not express an opinion over the allowability, allocability, and reasonableness of the direct and indirect costs claimed in the certified final indirect cost rate proposals submitted by Carana Corporation.¹

The audit objectives were to: (1) obtain an understanding of Carana's internal controls, assessing control risk, and determining the extent of examination testing needed based on control risk assessment; (2) examine, on a test basis, evidence supporting the amounts and disclosures in the data and records evaluated; (3) assess the accounting principles used and significant estimates

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.

made by Carana Corporation; (4) evaluate the overall data and records presentation; and (5) determine the need for technical specialist assistance, and for assist audits. To answer the audit objectives, BMC assessed the design of Carana Corporation's policies and key internal controls relating to claimed costs for compliance with the applicable requirements contained in: Federal Acquisition Regulations (FAR), Agency for Internal Development Acquisition Regulations (AIDAR), Department of State Standard Travel Regulation (DSSR), contract/award Terms and 2 Code of Federal Regulations (CFR), Part 200, *Uniform Administration Requirements, Cost Principles, and Audit Requirements for Federal Awards*. The audit firm examined \$27,476,005 of USAID's claimed costs for the FY ended June 30, 2016.

The audit firm expressed a qualified opinion that costs claimed by Carana Corporation on in-scope contracts and subcontracts for the 18-month fiscal period ended June 30, 2016 are allowable, allocable, and reasonable in accordance with the contract terms: Part 31 of the FAR; AIDAR; DSSR; and 2 CFR 200, *Uniform Administration Requirements, Cost Principles, and Audit Requirements for Federal Awards*, as applicable, except for \$3,709 in ineligible direct questioned costs, and questioned indirect costs of \$304,092 from USAID's indirect costs pools, composed of \$33,723 in fringe benefits, \$154,396 in overhead, and \$115,973 in General & Administrative pool costs. Since the questioned direct costs did not meet the OIG's established threshold of \$25,000 for making recommendation, we are not making recommendation. Nevertheless, we suggest that USAID/Management/Office of Acquisition and Assistance/Cost Audit and Support Division, determine the allowability of the \$3,709 in questioned direct costs and recover any amount determined to be unallowable. The audit firm did not identify any findings that are required under government auditing standards.

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").