



MEMORANDUM

DATE: May 7, 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 Costs Claimed for Cardno Emerging Markets USA, Ltd. for the Two Fiscal Years Ended June 30, 2016 (3-000-20-031-I)

This memorandum transmits the final report on the examination of costs claimed for Cardno Emerging Markets USA, Ltd. (Cardno) on in-scope awards and sub awards for each of the fiscal years (FY) ended June 30, 2015, and June 30, 2016. 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. The audit firm states that it performed its examination in accordance with generally accepted government auditing standards, 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 Cardno on in-scope awards and sub-awards for the fiscal years ended June 30, 2015, and 2016 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 objective of this examination was to express an opinion on whether the cost claimed by Cardno on in-scope awards and subawards for each of the FYs ended June 30, 2015, and 2016

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.

are allowable, allocable and reasonable in accordance with award terms; Part 31 of FAR; AIDAR; DSSR; and 2 Code of Federal Regulations (CFR) 200, *Uniform Administrative Requirements, Cost 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 Cardno's subcontract management process and to determine whether Cardno had adequate controls in place for monitoring subcontract costs. The audit firm also designed its testing procedures to evaluate the internal control environment surrounding Cardno's recording of home office allocation costs and to determine whether Cardno had adequate controls in place for monitoring home office allocation costs. The audit firm identified \$59, 862,663 of Cardno's incurred costs for the two FYs ended June 30, 2015, and 2016.

The audit firm expressed an unmodified opinion that costs claimed by Cardno on in-scope awards and sub awards for the two FYs ended June 30, 2015, and 2016 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. The audit firm did not question any direct claimed costs or recommend any changes to indirect cost rates.

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").