



MEMORANDUM

DATE: May 13, 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 Environmental Incentives LLC for the Three Years Ended December 31, 2012, December 31, 2014 and December 31, 2015 (3-000-20-033-1)

This memorandum transmits the final examination report on Environmental Incentives, LLC's incurred cost proposals for the fiscal years (FY) ended December 31, 2012, 2014 and 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, Kearney & Company, P.C. (Kearney) to conduct the examination. The audit firm stated that it performed its examination in accordance with attestation standards by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in the 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 whether costs claimed on in-scope awards and subawards for each FY is 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.¹

To answer the examination's objective, Kearney designed its testing procedures to evaluate the internal control environment surrounding Environmental Incentives, LLC's subcontract

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.

management process and to verify that Environmental Incentives, LLC had adequate controls in place for monitoring subcontractor costs. Its examination included the reconciliation of the adjusted total costs booked to date and the cumulative amount billed, by award or subaward and reporting any over/under-billings. The audit firm examined \$6,725,323 of USAID's incurred costs for the FYs ended December 31, 2012, 2014, and 2015.

The audit firm expressed an unmodified opinion that costs claimed by Environmental Incentives, LLC on in-scope contracts and subawards for the three years ended are allowable, allocable, and reasonable, in all material respects. Kearney did not question any examined direct costs, and did not recommend changes to the indirect costs rates based on the results of the examination. 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").