



## MEMORANDUM

**DATE:** June 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:** Examination of Costs Claimed for Weidemann Associates, Inc. for the Two Years Ended December 31, 2013 (3-000-20-038-I)

This memorandum transmits the final examination report on Weidemann Associates, Inc. incurred cost proposals for the two years ended December 31, 2013. 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 fiscal years 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.<sup>1</sup>

The examination's objective was to express an opinion on whether the costs claimed by Weidemann Associates, Inc. on in-scope awards and subawards for each of the two years ended December 31, 2013 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. To answer the examination's objective, Kearney designed its testing procedures to evaluate the internal control environment surrounding Weidemann Associates, Inc.'s subcontract

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<sup>1</sup> 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 Weidemann Associates, Inc. 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 subawards and reporting any over/under-billings. The audit firm examined \$4,748,787 of USAID's incurred costs for the two years ended December 31, 2013.

The audit firm expressed an adverse opinion to state that costs claimed by Weidemann Associates, Inc. on in-scope awards and subawards for the two years ended December 31, 2013, are not 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*. The audit firm questioned \$915,214 of USAID direct costs (\$912,343 unsupported, \$2,871 ineligible). The audit firm identified a material weakness and an instance of material noncompliance required to be reported under generally accepted government auditing standards. In addition, the audit firm reported \$2,482,340 in total indirect questioned costs, composed of \$431,555 in fringe, \$587,210 in overhead, \$87,036 in subcontractor handling, and 1,376,539 in General and Administrative pool costs. To address the issues identified in the report, we recommend that USAID's Office of Acquisition and Assistance, Cost, Audit and Support Division:

**Recommendation 1.** Determine the allowability of \$915,214 (\$912,343 unsupported, \$2,871 ineligible) in USAID's direct questioned costs and recover any amount that is detailed on pages 4 and 10 through 13 on the audit report.

**Recommendation 2.** Verify that Weidemann Associates, Inc. corrects the material instance of non-compliance detailed on pages 10 through 13 of the audit report.

**Recommendation 3.** Verify that Weidemann Associates, Inc. corrects the material weakness detailed on pages 10 through 13 of the audit report.

We ask that you provide your written notification of actions planned or taken to reach a management decision. 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").