



MEMORANDUM

DATE: June 11, 2020

TO: USAID/Management/Office of Acquisition and Assistance, 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 ICF Macro for the Two Years Ended December 31, 2015 (3-000-20-039-1)

This memorandum transmits the final audit report on the examination of costs claimed by ICF Macro on in-scope awards and subawards for the two years ended December 31, 2015. 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 Kearney & Company, P.C. (Kearney) to conduct the examination. 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 engagement 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 whether the costs claimed by ICF Macro on in-scope awards and subawards are allowable, allocable, and reasonable in accordance with 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.¹

The overall objective of the examination was to express an opinion on whether the costs claimed by ICF Macro on in-scope awards and subawards for each of the years ended

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.

December 31, 2014 and 2015 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 objective, the audit firm performed a reconciliation between the adjusted total costs booked to date and the cumulative amount billed, by award or subaward, for each of the years ended December 31, 2014 and 2015, and reported any over/under-billings. The audit firm designed testing procedures to evaluate the internal control environment surrounding ICF Macro's subcontract management process and to determine whether ICF Macro had adequate controls in place for monitoring subcontract costs. In addition, Kearney tested for special audit requirements noted as sensitive to USAID. These tests included evaluating and reporting on consultant and subcontractor costs, staff and consultant salary limitations, and Buy American Act of 1933 requirements for travel and equipment purchases. Based on the procedures performed, Kearney noted issues in internal control or compliance with laws, regulations, or award terms that relate to these sensitive areas, specifically consultant and subcontractor costs that were not supported. The audit firm examined USAID incurred costs of \$ 94,670,356 for the two years ended December 31, 2015.

The audit firm expressed an adverse opinion. The audit firm found that costs claimed by ICF Macro on in-scope awards and subawards for the two years ended December 31, 2014 and 2015 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 identified a material weakness and an instance of material noncompliance related to insufficient supporting documentation. The audit firm questioned USAID direct questioned costs of \$7,094,670 (\$7,044,689 unsupported, \$49,981 ineligible). Kearney & Company, P.C. also questioned indirect costs of \$843,100, composed of Quantum Research Corporation overhead \$13,877, on-site overhead \$464,840, off-site overhead \$10,506, communication and health marketing overhead \$287,768 and \$66,109 in general & administrative 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 \$7,094,670 (\$7,044,689 unsupported, \$49,981 ineligible) in direct questioned costs and recover any amount that is unallowable detailed on pages 5 through 8, and 12 through 14 of the report.

Recommendation 2: Verify that ICF Macro corrects the instance of material non-compliance detailed on pages 12 through 14 of the report.

Recommendation 3: Verify that ICF Macro corrects the material weakness detailed on pages 12 through 14 of the 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").