



MEMORANDUM

DATE: December 10, 2020

TO: USAID/Management/Office of Acquisition and Assistance/Cost, Audit and Support Division, 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 Nathan Associates, Inc. for the Fiscal Year Ended December 31, 2016 (3-000-21-006-I)

This memorandum transmits the final examination report on the examination of costs claimed for Nathan Associates, Inc. (NAI) on in-scope contracts and subcontracts for the fiscal year (FY) ended December 31, 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 Booth Management Consulting LLC (BMC) to perform the examination in accordance with generally accepted government auditing standards. 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 NAI on in-scope contracts and subcontracts for FY ended December 31, 2016, are allowable, allocable, and reasonable in accordance with contract 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 examination's objective was to express an opinion on whether the cost claimed by NAI on in-scope contracts and subcontract awards for the FY ended December 31, 2016, are allowable, allocable and reasonable in accordance with contract 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, BMC assessed

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.

control risk and included tests of claimed costs to provide a reasonable basis for its opinion. BMC also designed its testing procedures to evaluate the internal control environment surrounding NAI's subcontract management process and to determine whether NAI had adequate controls in place for monitoring subcontract costs. The audit firm audited \$28,652,616 of Nathan Associates, Inc.'s incurred costs for the fiscal year ended December 31, 2016.

Booth Management Consulting LLC's examination disclosed submitted amounts that did not materially comply with contract terms pertaining to accumulating and billing incurred amounts. As a result, BMC expressed a qualified opinion that costs claimed by NAI on in-scope contracts and sub contracts for the fiscal year ended December 31, 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 addition, the audit firm questioned USAID direct questioned costs of \$1,002,792 (\$109,921 ineligible, and \$892,871 unsupported). BMC did not note any instances of material non-compliance with laws, regulations, or contract terms required to be reported under *Government Auditing Standards* during the FY 2016. BMC also questioned \$747,823 in indirect pool costs consisting of \$57,680 in overhead international, and \$690,143 in G&A pool costs.

To address the issues identified in the report, we recommend that USAID/Management/Office of Acquisition and Assistance/Cost, Audit and Support Division:

Recommendation I. Determine the allowability of \$1,002,792 in questioned direct costs (\$109,921 ineligible, \$892,871 unsupported) on pages 4, and 43 through 55 of the audit report and recover any amount that is unallowable.

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

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").