



MEMORANDUM

DATE: December 21, 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: Follow-up Performance Audit of the Adequacy of the Accounting System for Nexant, Inc. (3-000-21-008-I)

This memorandum transmits the final report on the Follow-up Performance Audit of the Adequacy of the Accounting System for Nexant, Inc. (Nexant). 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 Brown & Company CPAs and Management Consultants (Brown & Company) to conduct the audit. The audit firm stated that it performed its audit in accordance with 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 Nexant has followed up on findings in the performance audit report completed by Kearney & Company, dated March 9, 2018.¹

The objective of the follow-up performance audit is to conclude on whether Nexant followed up on findings in the performance audit report completed by Kearney & Company, dated March 9, 2018. The objectives of the performance audit, dated March 9, 2018, were to conclude on whether Nexant had established an adequate accounting system and, more specifically, whether Nexant's accounting system:

- Adequately accumulates, segregates, and identifies costs under U.S. Government awards
- Allows for the proper differentiation between direct costs, indirect costs, and unallowable costs in compliance with applicable Government regulations.

To answer the audit's objective, Brown & Company designed its methodology to obtain reasonable assurance that the evidence obtained during the audit was sufficient and appropriate to support its conclusion in relationship to the follow-up audit objective and to reduce audit

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.

risk to an acceptable level. Brown & Company conducted this performance follow-up audit from January 2020 to June 2020, in Greenbelt Maryland in the following phases:

1. Planning - Assessed the design of Nexant's policies and key internal controls relating to the accounting system criteria.
2. Internal Controls and Testing - Tested the implementation of Nexant's policies and key internal controls.
3. Wrap-up and Reporting - Concluded on the adequacy of the accounting system as a result of audit procedures performed and within the context of the audit objective.

Brown & Company determined that Nexant had an adequate control environment, therefore resolving and removing the 2018 performance audit (Material Weakness) finding #1 – Inadequate Control Environment. According to the audit firm, Nexant's accounting system adequately accumulates, segregates, and identifies costs under U.S. Government awards, as well as allows for the proper differentiation between direct costs, indirect costs, and unallowable costs in compliance with applicable Government regulations and benchmarks.

OIG does not routinely distribute independent public accounting reports beyond the immediate addresses 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”).