



## MEMORANDUM

**DATE:** February 9, 2021

**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 Social Impact, Inc. for the Three Years Ended December 31, 2017, 2016 and 2015 (3-000-21-016-l)

This memorandum transmits the final examination report on Social Impact, Inc. (Social Impact) on in-scope awards and subawards for the three years ended December 31, 2017, 2016 and 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 of Brown & Company CPAs and Management Consultants, PLLC (Brown & Company) 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 (AICPA) 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 on whether costs claimed by Social Impact on in-scope awards and subawards for the three years ended December 31, 2017, 2016 and 2015 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.<sup>1</sup>

The examination's objective was to express an opinion on whether the costs claimed by Social Impact on in-scope awards and subawards for the three years ended December 31, 2017, 2016 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's objective, Brown & Company designed its testing procedures to evaluate the internal control environment surrounding Social Impact's subcontract management process and to verify that

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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.

Social Impact 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 USAID incurred costs of \$76,017,027 for the three years ended December 31, 2017, 2016 and 2015.

Brown & Company expressed an unmodified opinion that costs claimed by Social Impact on in-scope awards and subawards for the three years ended December 31, 2017, 2016 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. The audit firm identified \$11,835 in direct questioned cost and \$8,186 in questioned indirect overhead pool costs. Brown & Company's examination disclosed one finding that is required to be reported under government auditing standards, a significant deficiency that is also an instance of noncompliance regarding missing and insufficient supporting documentation. Since the questioned costs did not meet the OIG's established threshold of \$25,000 for making a recommendation, we are not making a recommendation. Nevertheless, we suggest that USAID's Office of Acquisition and Assistance, Cost, Audit, and Support Division determine the allowability of the \$11,835 in direct questioned costs and recover any amount determined to be unallowable. In addition, although we are not making a recommendation for the significant deficiency and instance of noncompliance noted in the report, we suggest that USAID's Office of Acquisition and Assistance, Cost, Audit, and Support Division determine if the recipient addressed the issues noted.

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").