



MEMORANDUM

DATE: April 16, 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 by Knowesis, Inc. for the Two Years Ended December 31, 2017 and 2016 (3-000-21-032-1)

This memorandum transmits the final examination report on costs claimed by Knowesis, Inc. (Knowesis) on in-scope awards and subawards for the two years ended December 31, 2017 and 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 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 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 Knowesis on in-scope awards and subawards for the two years ended December 31, 2017 and 2016 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 examination's objective was to express an opinion on whether the costs claimed by Knowesis on in-scope awards and subawards for the two years ended December 31, 2017 and 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. To answer the examination's objective, Brown & Company designed its testing procedures to evaluate the internal control environment surrounding Knowesis' subcontract management process and to verify that Knowesis had

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.

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 \$726,580 for the two years ended December 31, 2017 and 2016.

Brown & Company expressed a qualified opinion. According to Brown & Company, except for the possible effects of the matters described below, costs claimed by Knowesis on in-scope awards and subawards for the two years ended December 31, 2017 and 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 all material respects. The audit firm identified questioned indirect pool costs of \$884,217 composed of \$27,236 in Fringe, \$829,202 General and Administrative expenses and \$27,779 in Overhead costs applicable to USAID. Brown & Company also identified five findings that are required to be reported under government auditing standards. Finding #1 is a significant deficiency and an instance of non-compliance regarding final fringe rate and fringe allocation. Finding #2 is a significant deficiency and an instance of non-compliance regarding the indirect cost base used. Finding #3 is a significant deficiency and an instance of non-compliance regarding unsupported and unallowable indirect claimed costs. Finding #4 is a significant deficiency and an instance of non-compliance regarding the basis of support for bonus awards. Finding #5 is a significant deficiency and an instance of non-compliance regarding claimed direct and indirect costs. In addition, although we are not making a recommendation for significant deficiencies and instances of non-compliance 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.

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