



MEMORANDUM

DATE: September 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 Nathan Associates, Inc. Final Indirect Cost Rate Proposals and Related Books and Records for Reimbursement for the Fiscal Year Ended December 31, 2017 (3-000-21-052-I)

This memorandum transmits the final report on Nathan Associates, Inc.'s (NAI) costs claimed on in-scope contracts and subcontracts for the fiscal year (FY) Ended December 31, 2017. 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) who conducted 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 on in-scope contracts and subcontracts for FY 2017 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

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.

The examination's objective was to express an opinion on whether the costs claimed by Nathan Associates, Inc. in-scope contracts and subcontracts for FY 2017 are allowable, allocable, and reasonable in accordance with contract 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, BMC designed its testing procedures to evaluate the internal control environment surrounding NAI's subcontract management process and to verify that NAI had adequate controls in place for monitoring subcontractor costs. Its examination included performing a reconciliation between the adjusted total costs booked to date and the cumulative amount billed, by contract for FY 2017 and reporting any over/under-billings. The audit firm examined USAID incurred costs of \$33,153,797 for the FY 2017.

BMC expressed a qualified opinion that except for instances of noncompliance with costs claimed that do not materially comply with contract terms costs claimed by NAI on in-scope contracts and subcontracts for FY2017 are allowable, allocable, and reasonable in accordance with contract 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 questioned USAID direct costs of \$527,001 (\$320,319 ineligible, \$206,682 unsupported). The audit firm also questioned \$392,560 of indirect costs, composed of \$28,742 in fringe benefits pool costs, \$160,043 in overhead international pool costs, and \$203,775 in General & Administrative pool costs. The audit firm did not identify any findings that are required to be reported under government auditing standards.

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

Recommendation I. Determine the allowability of \$527,001 in direct questioned costs (\$320,319 ineligible and \$206,682 unsupported) applicable to USAID on pages 45 through 52 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 a management decision.

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").