



OFFICE OF INSPECTOR GENERAL U.S. Agency for International Development

MEMORANDUM

DATE: December 27, 2021

TO: USAID/Iraq Mission Director, John Cardenas

FROM: USAID OIG Middle East and Eastern Europe (ME/EE) Regional Office,
Supervisory Auditor, John Vernon /s/

SUBJECT: Independent Audit Report on Chemonics International Inc.'s Direct Costs Incurred and Billed Under USAID/Iraq Contract AID-267-11-00006, January 1 to September 29, 2017 (8-267-22-002-D)

This memorandum transmits the final Defense Contract Audit Agency (DCAA) report number 1431-2018117900001 on direct costs incurred and billed under USAID/Iraq Contract AID-267-11-00006 from January 1 to September 29, 2017. USAID/Iraq contracted with DCAA to conduct the audit. DCAA stated that it performed its audit in accordance with generally accepted government auditing standards. DCAA is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on the auditee's summary of costs billed; the effectiveness of its internal control; or its compliance with the contract, laws, and regulations.¹

The engagement objectives were mainly to express an opinion on whether the costs incurred and billed comply, in all material respects, with applicable contract terms from January 1, 2017 to September 29, 2017. To answer the engagement objectives, the auditors performed the subject audit that covered \$7,751,820 in expenditures from January 1 to September 29, 2017.

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.

DCAA expressed a qualified opinion, arising from scope limitations pertaining to: (a) lack of real time labor testing; (b) inability to verify cash payments to cooperating country nationals in Iraq; (c) unreliable scanned documentation; (d) inability to verify whether actual cash fringe benefits costs have been met; and (e) the auditors declining to perform an assist audit for a subcontract due to the prior period assist audit's disclaimer of opinion resulting from significant unsupported costs. DCAA did not identify any questioned costs and said that in their opinion, except for the effects of non-compliance items, if any, that they might have identified had they completed the procedures not done as a result of the scope limitations, the amounts audited represent allowable direct costs billed to USAID by Chemonics for the period January 1 through September 29, 2017 under Contract No. AID-267-11-00006.

The report does not contain any recommendations for your action.

The 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").