



OFFICE OF INSPECTOR GENERAL

U.S. Agency for International Development

MEMORANDUM

DATE: April 18, 2022

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 Report on Incurred Costs Claimed on Flexibly Priced Contracts by Chemonics International Inc. for the Fiscal Years Ended December 31, 2016 and 2017 (3-000-22-022-1)

This memorandum transmits the final audit report on the examination report of incurred costs claimed on flexibly priced contracts by Chemonics International, Inc. (Chemonics) for the fiscal years ended December 31, 2016, and 2017. The U.S. Agency for International Development's (USAID) Office of Acquisition and Assistance Cost, Audit and Support Division contracted with the independent certified public accounting firm Booth Management Consulting, LLC (BMC) to conduct the audit. 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 whether costs claimed by Chemonics on in-scope contracts and subcontracts for the fiscal years ended December 31, 2016 and 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

The objective of this examination was to express an opinion on whether the costs claimed by

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.

Chemonics' in-scope contracts and subcontracts for the fiscal years ended December 31, 2016 and 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 objective, BMC designed its testing procedures to evaluate the internal control environment surrounding Chemonics' subcontract management process and to verify that Chemonics 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 contract, and reporting any over/under-billings. Additionally, as directed by the USAID contract with BMC, testing covered the special audit requirements for expenses of specific concern to USAID: consultants, subcontractors, staff and consultant salary limitations, and Buy-American Act requirements. The audit firm noted no issues in these sensitive areas. BMC's examination included evaluating the contractor's indirect cost allocation bases for equity and consistency and generally accepted accounting principles and AIDAR, where applicable, including verifying that the bases properly: (1) reflected the appropriate cost accounting period; and (2) allocated indirect cost to final cost objectives commensurate with the benefits received. The audit firm determined that the allocation bases were equitable and reasonable. The audit firm examined USAID claimed costs of \$1,214,697,212 for the fiscal years ended December 31, 2016 and 2017.

BMC expressed an unqualified opinion that costs claimed by Chemonics on in-scope contracts and subcontracts for the fiscal years ended December 31, 2016 and 2017 submitted amounts on unsettled flexibly priced contracts comply, in all material respects, with contract terms pertaining to accumulating and billing incurred amount. The audit firm's examination did not disclose any findings that are required to be reported under government auditing standards. There were no questioned costs.

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").