



# OFFICE OF INSPECTOR GENERAL

## U.S. Agency for International Development

### MEMORANDUM

**DATE:** December 1, 2022

**TO:** USAID/Management/Office of Acquisition and Assistance/Cost, Audit and Support Division Contract Audit Management Branch, Supervisory Auditor, Eleanor C. Jefferson

**FROM:** Director of External Financial Audits Division (IG/A/EFA), David A. McNeil /s/

**SUBJECT:** Examination of Incurred Costs Claimed on Flexibly Priced Contracts by Creative Associates International, Inc. for the Fiscal Year Ended September 30, 2018, (3-000-23-004-1)

This memorandum transmits the final examination report on incurred costs claimed on flexibly priced contracts by Creative Associates International, Inc. (CAII) for fiscal year (FY) ended September 30, 2018. 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) 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 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 CAII on in-scope contracts and subcontracts for the fiscal year ended September 30, 2018 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 Regulation (CFR) 200, *Uniform Administrative Requirements, Cost Principles, and Examination Requirements for Federal Awards*, as applicable.<sup>1</sup>

The examination's objective was to express an opinion on whether the costs claimed by CAII on in-scope contracts and subcontracts for the fiscal year ended September 30, 2018 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*

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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.

*Requirements for Federal Awards*, as applicable. To answer the examination's objective, BMC designed its testing procedures to evaluate the internal control environment surrounding CAII's subcontracts management process and to verify that CAII had adequate controls in place for monitoring subcontractor costs. BMC also performed procedures on a test basis to obtain reasonable assurance that the direct costs billed to CAII by the subcontractors and claimed as ODCs in CAII's Incurred Cost Proposal are allowable, allocable, and reasonable in all material respects. The audit firm examined USAID incurred costs of \$136,689,001 for the fiscal year ended September 30, 2018.

BMC expressed a qualified opinion due to submitted amounts that did not materially comply with contract terms pertaining to accumulating and billing incurred amounts. BMC stated that except for the instances of non-compliance described below, costs claimed by CAII on in-scope contracts and subcontracts for the FY 2018 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 identified indirect questioned costs of \$132,912 (\$43,266 in fringe pool costs; \$74,053 in overhead pool costs; and \$15,593 in G&A pool costs), and ineligible direct questioned costs of \$172,671 (\$39,258 in direct travel costs; and \$133,413 in other direct costs). The audit firm's examination disclosed two findings that are required to be reported under Government Auditing Standards: one material weakness involving posting transactions to the wrong accounting period, and one significant deficiency regarding inadequate controls over travel processes.

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

**Recommendation 1.** Determine the allowability of \$172,671 in ineligible questioned costs on pages 4 and 39 of the audit report and recover any amount that is unallowable.

**Recommendation 2.** Verify that Creative Associates International, Inc. corrects the material weakness in internal control detailed on page 10 of the audit report.

We ask that you provide your written notification of actions planned or taken to reach management decision.

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").