



# OFFICE OF INSPECTOR GENERAL

## U.S. Agency for International Development

### MEMORANDUM

**DATE:** April 17, 2024

**TO:** USAID/Bureau for Management/Office of Acquisition and Assistance/Cost, Audit and Support Division, Contract Audit Management Branch, Supervisory Auditor, Sheree F. Marshall

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

**SUBJECT:** Performance Audit of Incurred Costs for The Kaizen Company for Fiscal Year Ended December 31, 2020 (3-000-24-029-I)

This memorandum transmits the final performance audit report on incurred costs submission (ICS) for The Kaizen Company (Kaizen) for Fiscal Year (FY) ended December 31, 2020. The U.S. Agency for International Development (USAID) Office of Acquisition and Assistance, Cost, Audit and Support Division, Contract Audit Management Branch contracted with the independent certified public accounting firm of Brown & Company CPAs and Management Consultants, PLLC (Brown) to conduct the audit. Brown stated that it performed its audit in accordance with government auditing standards issued by the Comptroller General of United States. Brown is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on whether costs claimed by Kaizen, in its FY 2020 ICS are accurate, allowable, allocable, and reasonable in accordance with contract terms and applicable Government acquisition regulations.<sup>1</sup>

The audit objective was to determine whether the costs claimed by Kaizen's in-scope contracts and subcontracts for FY 2020 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. To answer the audit's objective, Brown (1) identified Government cost-type, flexibly priced, time and material contracts and subcontracts for FY 2020; (2) performed a reconciliation between the adjusted total costs booked to date and the cumulative amount billed by contract, for FY 2020 and reported any over/under-billings; (3) determined whether contract limitations as reported on Kaizen's Incurred Cost Proposal Schedule I are appropriate based on costs claimed that are (a) in excess of contract ceiling rates and/or amounts; (b) unallowable per contract terms (if applicable); or

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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.

(c) outside the contract's period of performance (4) determined whether the cumulative amount billed for each contract, as of the end of the fiscal year under review, exceeded the total funded value on the contract at that point in time; and (5) performed a risk and materiality assessment of Kaizen using procedures from newly enacted guidance developed by a Department of Defense Procurement Panel. Brown examined USAID Auditable Dollar Value of \$16,564,056 for FY 2020.

Brown concluded that Kaizen's costs claimed for in-scope contracts and subcontracts for FY 2020 are allowable, allocable, and reasonable in accordance with contract terms, Part 31 of the FAR, AIDAR, DSSR, and 2 CFR 200. Brown did not identify any direct or indirect questioned costs. Finally, Brown did not note any instances of material non-compliance with laws, regulations, or contract terms required to be reported under Government Auditing Standards during the FY 2020 audit.

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"). In addition, USAID OIG has determined that this transmittal memo and the enclosed report are not subject to notification and reporting requirements under Section 5274 of the National Defense Authorization Act.<sup>2</sup>

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<sup>2</sup> The James M. Inhofe National Defense Authorization Act for Fiscal Year 2023 Pub. L. No. 117-263, § 5274. Please direct related inquiries to [oignotice\\_ndaa5274@usaid.gov](mailto:oignotice_ndaa5274@usaid.gov).