



OFFICE OF INSPECTOR GENERAL

U.S. Agency for International Development

MEMORANDUM

DATE: October 18, 2024

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

FROM: David A. McNeil /s/
Director
External Financial Audits Division

SUBJECT: Audit of Incurred Costs for Crown Agents USA, Inc., for Fiscal Year Ended June 30, 2022 (3-000-25-005-1)

This memorandum transmits the final audit report on incurred costs submission (ICS) for Crown Agents USA, Inc., (Crown Agents) for Fiscal Year (FY) ended June 30, 2022. 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 Tichenor & Associates, LLP, (Tichenor) to conduct the audit. Tichenor stated that it performed its audit in accordance with attestation standards established by the American Institute of Certified Public Accountants (AICPA) and Generally Accepted Government Auditing Standards, issued by the Comptroller General of the United States. Tichenor is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on whether costs claimed by Crown Agents in its FY 2022 ICS are accurate, allowable, allocable, and reasonable in accordance with contract terms and applicable Government acquisition regulations.¹

Tichenor's audit objectives were to test Crown Agents' FY 2022 ICS as per the Federal Acquisition Regulation (FAR), USAID Acquisition Regulation (AIDAR), 2 CFR 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, Federal Travel Regulations, the Department of State Standard Travel Regulations (DSSR), Buy-American requirements, and U.S. Government contract/award terms. To answer the audit's

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.

objectives, Tichenor (1) reviewed Crown Agents' FY 2022 ICS and reconciled it to the general ledger; (2) reviewed applicable rules, regulations, and guidance; (3) reviewed Crown Agents' policies and procedures regarding claimed direct and indirect costs; (4) examined, on a test basis, evidence supporting the amounts and disclosures in Crown Agents' data and records evaluated; and (5) assessed the accounting principles used and significant estimates made by Crown Agents. Tichenor examined USAID allowable costs of \$1,317,625 for FY 2022.

Tichenor concluded that Crown Agents prepared its FY 2022 ICS in accordance with applicable Government acquisition regulations of the FAR, the AIDAR, and the DSSR regarding accuracy, allowability, allocability, and reasonableness of incurred costs and is appropriate for the contracting officer's use in executing the finalization of allowable costs and indirect rates for the fiscal year under review with the Contractor. Tichenor's procedures resulted in no questioned costs or adjustments of the proposed direct amounts for contract reimbursement on select unsettled flexibly priced contracts in the ICS submitted by Crown Agents for the period July 1, 2021, through June 30, 2022. Tichenor did, however, identify three deficiencies in internal control it that considered to be material weaknesses. The material weaknesses pertained to the following: (1) Inadequate Preparation and Review of the FY 2022 Incurred Cost Submission; (2) Failure to Utilize Current Negotiated Indirect Cost Rate Agreement Provisional Billing Indirect Rates when Billing on Cost-Type Contracts; and (3) Unreasonable Amounts of Claimed Executive Compensation Costs. Tichenor's procedures did not result in any questioned costs related to its testing of direct costs. Tichenor did, however, discover that Crown Agents' total amount of claimed executive compensation costs exceeded the reasonableness thresholds; hence, Tichenor questioned \$82,343 of claimed indirect General and Administrative Labor costs. Although we are not making a recommendation associated with the \$82,343 of claimed indirect General and Administrative Labor costs, we suggest that USAID's Bureau for Management, Office of Acquisition and Assistance (M/OAA) determine the allowability of the \$82,343 in questioned indirect costs and recover any amount determined to be unallowable.

To address the three material weaknesses Tichenor reported in its Independent Examination Report on Crown Agents USA, Inc.'s Incurred Cost Submission For Fiscal Year Ended June 30, 2022, we recommend that M/OAA:

Recommendation 1. Verify that Crown Agents USA, Inc., corrects the three material weaknesses in internal control detailed on pages 9 to 13 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"). 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.²

² 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.