



# OFFICE OF INSPECTOR GENERAL

## U.S. Agency for International Development

### MEMORANDUM

**DATE:** October 28, 2024

**TO:** Sheree F. Marshall  
Supervisory Auditor  
USAID/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 Chemonics International, Inc for Fiscal Year Ended December 31, 2021 (3-000-25-007-1)

This memorandum transmits the final audit report on incurred costs submission (ICS) for Chemonics International, Inc. (Chemonics) for Fiscal Year (FY) Ended December 31, 2021. The U.S. Agency for International Development (USAID) 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 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 Chemonics in its FY 2021 ICS are accurate, allowable, allocable, and reasonable in accordance with contract terms and applicable Government acquisition regulations.<sup>1</sup>

Tichenor's audit objectives were to express an opinion on management's assertion that: (1) Tichenor has reviewed the indirect cost proposal, and (2) all costs included in the cost submission for the fiscal year ended December 31, 2021, and the attendant rates to establish billing or final indirect cost rates for the year ended December 31, 2021, are reviewed. To answer the audit's objectives, Tichenor: (1) reviewed Chemonics's FY 2021 ICS and reconciled it to Chemonics's general ledger, and other records and documentation provided by Chemonics to determine its adequacy for audit purposes; (2) reviewed Chemonics's policies and procedures regarding claimed direct and indirect costs; (3) obtained an understanding of Chemonics's internal controls, assessing control risk, and determining the extent of

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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.

examination testing needed based on the control risk assessment; (4) examined, on a test basis, evidence supporting the amounts and disclosures in Chemonics's data and records evaluated; (5) assessed the accounting principles used and significant estimates made by Chemonics; and (6) summarized Chemonics's billings from their billings data and reconciled them with the recommended audited FY2021 costs. Tichenor examined USAID allowable costs of \$379,498,299 for FY 2021.

Tichenor concluded that Chemonics has prepared its FY 2021 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 Chemonics. Tichenor's procedures resulted in no questioned costs or adjustments to the proposed direct and indirect amounts for contract reimbursement on select unsettled flexibly priced contracts in the ICS submitted by Chemonics for the periods of January 1, 2021, through December 31, 2021. However, the auditor identified a deficiency in internal control related to the lack of supporting documentation for record-keeping that was considered a significant deficiency and a deficiency in internal control related to inadequate preparation and review of the incurred cost submission that was considered a material weakness. Although, we are not making a recommendation for significant deficiencies noted in the report, we suggest that the USAID/Management/Office of Acquisition and Assistance/Cost, Audit, and Support Division, Contract Audit Management Branch determine if the recipient addressed the issues noted.

To address the issue identified in the report, we recommend that the USAID/Management/Office of Acquisition and Assistance/Cost, Audit, and Support Division, Contract Audit Management Branch:

**Recommendation 1.** Verify that Chemonics International, Inc. corrects the material weaknesses in internal control detailed on pages 11 to 12 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.<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).