

OFFICE OF INSPECTOR GENERAL

U.S. Agency for International Development

UKRAINE: Audit of Costs Incurred by Chemonics International, Inc. from January 1, 2018, to December 31, 2022

Audit Report 3-000-25-003-U
February 21, 2025



Office of Audits, Inspections, and Evaluations



OFFICE OF INSPECTOR GENERAL

U.S. Agency for International Development

MEMORANDUM

DATE: February 21, 2025

TO: USAID/Bureau for Management/Office of Acquisition & Assistance, Director,
Jami J. Rodgers

FROM: Deputy Assistant Inspector General for Audits, Inspections, & Evaluations,
Khadijia Walker /s/

SUBJECT: Ukraine: Audit of Costs Incurred by Chemonics International, Inc. from January 1, 2018, to December 31, 2022 (3-000-25-003-U)

Enclosed is the final audit report on the audit of claimed costs incurred by Chemonics International, Inc. (Chemonics) for the period of January 1, 2018, to December 31, 2022.¹ The Office of Inspector General (OIG) contracted with the independent certified public accounting and consulting firm of Premier Group Services, Inc. (Premier Group) to conduct a performance audit to determine allowability, allocability, and reasonableness of Chemonics claimed costs incurred. The contract required the audit firm to perform the audit in accordance with generally accepted government auditing standards.

In carrying out its oversight responsibilities, OIG reviewed the audit firm's report and related audit documentation and discussed the findings with the firm's representatives. The audit firm is responsible for the enclosed auditor's report and the conclusions. That said, we found no instances in which the audit firm failed to comply, in all material respects, with applicable standards.

The objectives of this audit were to:

- I. Express an opinion on whether costs incurred by Chemonics under the subject awards for the period audited are fairly presented and in conformity with the terms of

¹ Pursuant to the Pub. L. No. 117-263 § 5274, USAID OIG provides nongovernmental organizations and/or businesses specifically identified in this report 30 days from the date of report publication to submit a written response to USAID OIG. Any comments received will be posted on <https://oig.usaid.gov/>. Please direct inquiries to oinotice_ndaa5274@usaid.gov.

regulatory and award requirements and generally accepted accounting principles.

2. Identify as unsupported, unreasonable, or ineligible, any questioned costs incurred in implementing the USAID activities for the period audited in conformity with the terms of the regulatory and award requirements and generally accepted accounting principles.
3. Evaluate Chemonics' contract bidding and procurement processes to determine whether they complied with all regulatory and award requirements.
4. Evaluate and obtain sufficient understanding of Chemonics's internal controls, assess control risk, and identify reportable conditions, including material internal control weaknesses.
5. Perform tests to determine whether Chemonics complied in all material respects with regulatory and award requirements related to USAID-funded programs and projects.
6. Determine to the extent specified herein if Chemonics has delivered, accounted for, and made proper disposition of commodities and supplies purchased under the contracts or furnished by USAID.
7. Determine to the extent specified herein if Chemonics has requested from USAID the necessary approval for the issuance of subawards according to regulatory and award requirements.
8. Determine whether Chemonics has taken corrective action on prior audit report recommendations.

To answer the audit objectives, Premier Group obtained a sufficient understanding of Chemonics internal control environment, identified significant provision of laws and regulations to design relevant compliance-related procedures, and examined the following Chemonics incurred cost elements: Personnel & Fringe, Allowance, Travel & Transportation, Contractual & Procurement, Commodities & Inventory, Other Direct Costs and Indirect Costs. Premier Group conducted interviews and walkthroughs, and requested copies of any prior audits, reviews and evaluations related to Chemonics work under the contract agreement.

Premier Group concluded that Chemonics generally met requirements under the USAID Contract related to all eight of the audit objectives. However, Premier Group identified that Chemonics did not prepare its supporting documents for the costs incurred in accordance with the applicable regulations set forth in the Federal Acquisition Regulation, the USAID Acquisition Regulation, the Department of State Standardized Regulations, and USAID contracts which relate to allowability, allocability, and reasonableness of incurred cost. Premier Group identified questioned cost in the amount of \$ 53,983.41 that Chemonics billed USAID from January 1,

2018, to December 31, 2022.

To address weaknesses identified in Premier Group's report, we recommend that USAID's Director, Office of Acquisition & Assistance:

Recommendation 1. Determine the allowability of \$53,983.41 in questioned costs on page 21 of 25 of the audit report and recover any amount that is unallowable.

Recommendation 2. Require Chemonics to establish clear guidelines for documentation requirements for all transactions. Ensure that all supporting documents, such as invoices, receipts, and allocation details, are complete and readily accessible.

Recommendation 3. Require Chemonics to conduct training sessions for relevant staff on proper documentation procedures and the importance of maintaining complete and accurate records. Emphasize the connection between thorough documentation and compliance with audit requirements.

Recommendation 4. Require Chemonics to implement a routine process for reviewing and reconciling transaction documentation with the general ledger. This should include periodic checks to identify and resolve any discrepancies in a timely manner.

We are issuing this final audit report without the written comments due to the agency's inability to provide management comments and we will reissue this report if/when we receive them. All recommendations will be considered open unresolved.

We appreciate the assistance provided to our staff and the audit firm's employees during the engagement.



CHEMONICS INTERNATIONAL, INC.

1275 NEW JERSEY AVENUE SE, WASHINGTON, D.C., U.S.

**UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT (USAID)
OFFICE OF INSPECTOR GENERAL (OIG)
INCURRED COST AUDITS OF USAID UKRAINE RESOURCES
CONTRACT NUMBER: GS00F100GA
PERIOD JANUARY 1, 2018, TO DECEMBER 31, 2022**

DATE: JANUARY 23, 2025

Prepared by

Premier Group Services, Inc.

7404 Executive Place, Suite 325

Lanham, MD 20706

TABLE OF CONTENTS

EXECUTIVE SUMMARY.....	2
BACKGROUND	4
USAID Overview.....	4
Chemonics International, Inc. Overview	4
OBJECTIVE, SCOPE, AND METHODOLOGY	4
Objective.....	4
Scope & Methodology	5
AUDIT RESULTS.....	6
NOTIFICATION OF FINDINGS AND RECOMMENDATIONS (NFRs), CHEMONICS’ RESPONSES, AND AUDITOR’S CONCLUSIONS	9
Finding 1: Insufficient Documentation for Allowance, Travel & Transportation and Contractual & Procurement Expenses	9
CONCLUSION.....	12
INDEPENDENT AUDITOR’S REPORT ON THE INCURRED COSTS.....	13
INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL.....	16
INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE	18
STATUS OF PRIOR AUDIT FINDINGS.....	20
SUPPLEMENTAL SCHEDULES	21
Schedule A – Schedule of Allowable Costs by USAID Contract.....	21
Schedule A-1 – Schedule of Allowable Costs – USAID Contract No. AID-OAA-TO-17-00009	21
Schedule A-2 – Schedule of Allowable Costs – USAID Contract No. 72012121C00002.....	22
Schedule A-3 – Schedule of Allowable Costs – USAID Contract No. 72012118C00002.....	23
Schedule A-4 – Schedule of Allowable Costs – USAID Contract No. 72012118C00006.....	23
Schedule A-5 – Schedule of Allowable Costs – USAID Contract No. 72012120C00003.....	24
Schedule A-6 – Schedule of Allowable Costs – USAID Contract No. 72012120CA00001	25
Schedule B – Reconciliation of Booked to Billed Costs.....	26

EXECUTIVE SUMMARY

Mr. David A. McNeil
Director, External Financial Audit Division
U.S. Agency for International Development (USAID)
Office of Inspector General (OIG)
1300 Pennsylvania Avenue, NW
Washington, DC 20523

Dear Mr. McNeil:

This report presents our results of the incurred cost audit of Chemonics International, Inc. (Chemonics) for the calendar period of January 1, 2018, to December 31, 2022. Our audit fieldwork was performed between September 15, 2023, and September 30, 2024, and our results, reported herein, are as of January 23, 2025.

Our audit objective was to determine whether the incurred costs from January 1, 2018 to December 31, 2022, were allowable, allocable, and reasonable in accordance with Chemonics' contracts with USAID and applicable government acquisition regulations. We tested the significant claimed cost elements: Personnel & Fringe, Allowance, Travel & Transportation, Contractual & Procurement, Commodities & Inventory, and Other Direct Costs (ODCs). This report summarizes our testing results as per the Federal Acquisition Regulation (FAR), Agency for International Development Acquisition Regulation (AIDAR), Department of State Standardized Regulations (DSSR) for travel-related expenses, 2 CFR 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, Task order/Award Terms, and Other relevant regulations/policies.

We conducted this incurred cost audit in accordance with Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient and appropriate evidence to provide a reasonable basis for our findings and recommendations based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Incurred Costs:

We questioned \$53,983.41 related to our testing of incurred costs charged to USAID. See Schedule A-1 through A-6 for direct and indirect costs, by USAID contract, incurred from January 1, 2018, to December 31, 2022.

Reconciliation of Booked to Billed Costs:

This incurred cost audit included performing a reconciliation, by USAID Contract Award Numbers, AID-OOA-TO-17-00009, 72012118C00002, 72012118C600006, 72012120C00003, 72012121C00002, and 72012120CA00001, between the total adjusted cumulative allowable costs booked to date and the total cumulative amount billed from January 1, 2018, to December 31,

2022, and reporting any over/under-billing amounts. Based on the results of the reconciliation, Chemonics did not overbill or underbill USAID.

Report Schedules:

We have provided the following schedules for further detail:

- Schedule A – Schedule of Allowable Costs by Contract. This schedule summarizes by USAID contract the claimed costs that are considered allowable and reimbursable.
- Schedule B – Reconciliation of Booked to Billed Costs. This schedule summarizes by USAID contract, the total adjusted cumulative cost booked to date, compares it to the cumulative amount billed, and reports any over/under billing amounts.

Allowability, Allocability, and Reasonableness of Incurred Costs

Overall, Chemonics has reported its incurred costs in accordance with the applicable regulations set forth in the FAR, the AIDAR, and/or the DSSR, and USAID contracts which relate to allowability, allocability, and reasonableness of incurred costs. However, based on our testing of incurred costs for the calendar periods January 1, 2018, to December 31, 2022, we questioned \$53,983.41 due to insufficient information in the sample support documents provided by Chemonics.

Based on the incurred cost audit procedures performed and the results obtained, we have met our audit objective.

Sincerely,



Premier Group Services, Inc.
Lanham, MD
January 23, 2025

BACKGROUND

USAID Overview

The U.S. Agency for International Development (USAID) is an independent Federal agency headquartered in Washington, DC, with presence in 87 countries. Established in November 1961, USAID is the lead Federal agency that works to end extreme global poverty and enable resilient, democratic societies to realize their potential. USAID is headed by an Administrator and receives overall foreign policy guidance from the Secretary of State.

USAID OIG’s mission is to safeguard and strengthen U.S. foreign assistance through timely, relevant, and impactful oversight of the entities under their jurisdiction.

Chemonics International, Inc. Overview

Chemonics International, Inc (hereinafter referred to as Chemonics) is a private international development firm headquartered in Washington D.C., that specializes in global sustainability. Their missions include delivering consulting, program management, and project implementation services in the areas of health, economic growth, education, and governance. Specific services for consulting projects include applied research, capacity building, stakeholder engagement, project design, monitoring and evaluation, and knowledge sharing. From April 10, 2017-November 14, 2024, Chemonics had the following USAID contracts:

Contract Number	Contract Name	Contract Period	Total Amount Claimed
AID-OAA-TO-17-00009	Ukraine Confidence Building Initiative II (UCBI)	April 10, 2017- April 10, 2019	\$56,597,712.82
72012121C00002	Justice for All (J4A)	June 6, 2021 – September 26, 2022	\$16,351,714.04
72012118C00002	Competitive Economy Program (CEP)	June 25, 2018 – December 31, 2018	\$41,959,487.00
72012118C00006	Democratic Governance East (DG-East)	September 24, 2018- July 31, 2019	\$107,051,252.00
72012120C00003	Transformation Communications Activity (TCA)	July 1, 2020- September 28, 2021	\$15,647,622.70
72012120CA00001	Agriculture Growing Rural Opportunities (AGRO)	November 15, 2019 – November 14, 2024	\$120,000,000.00

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

The objectives of the incurred cost audit in detail were to:

- Express opinion on whether costs incurred by Chemonics under the subject awards for the period audited are fairly presented and in conformity with the terms of regulatory and

award requirements and Generally Accepted Accounting Principles (GAAP) or other comprehensive basis of accounting.

- Identify as unsupported, unreasonable, or ineligible, any questioned costs incurred in implementing the USAID activities for the period audited in conformity with the terms of the regulatory and award requirements, and GAAP or other comprehensive basis of accounting (including the cash receipts and disbursements basis and modifications of the cash basis).
- Evaluate Chemonics's contract bidding and procurement processes to determine whether they complied with all contract requirements of regulatory and award requirements.
- Evaluate and obtain a sufficient understanding of Chemonics's internal controls, assess control risk, and identify reportable conditions, including material internal control weaknesses.
- Perform tests to determine whether Chemonics complied in all material respects with regulatory and award requirements related to USAID-funded programs and projects. All material instances of noncompliance and all indications of illegal acts that have occurred or are likely to have occurred must be identified and reported to OIG.
- Determine, to the extent specified herein, if Chemonics has delivered, accounted for, and made proper disposition of commodities and supplies purchased under the contract or furnished by USAID.
- Determine to the extent specified herein, if Chemonics has requested from USAID the necessary approval for the issuance of subawards according to regulatory and award requirements.
- Determine whether Chemonics has taken corrective actions on prior audit report recommendations.

Scope & Methodology

We conducted our incurred cost audit in accordance with Government Auditing Standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Incurred Costs: We examined Chemonics' incurred cost elements: Personnel & Fringe, Allowance, Travel & Transportation, Contractual & Procurement, Commodities & Inventory, and Other Direct Costs (ODCs). We reviewed the FAR, AIDAR, DSSR, 2 CFR 200, Task Order/Award Terms, and Other relevant regulations/policies to ensure that all costs incurred under the USAID contracts were reasonable, allocable, and allowable.

Internal Controls: Through inspection of documents, inquiry of personnel, and observation of procedures, we obtained a sufficient understanding of Chemonics and its environment, including its internal control, to assess the risk of material misstatement of the books and records of Chemonics, whether due to error or fraud, and to design the nature, timing, and extent of further audit procedures.

Compliance with Laws and Regulations: We identified the significant provisions of laws and regulations to design relevant compliance-related procedures for the audit. We looked at those

provisions (a) for which compliance could be objectively determined and (b) that had a direct and material effect on the Activity. Our audit included steps to allow us to detect all material instances of noncompliance, defined as instances that could have a direct and material effect on the incurred costs.

Follow-Up to Prior Audit Recommendations: We inquired of management as to whether any prior audit or compliance reviews had been performed with respect to the USAID contracts.

AUDIT RESULTS

Our testing results, by cost element claimed from January 1, 2018 – December 31, 2022, are presented below:

1. Personnel & Fringe:

We reviewed all time and attendance records, payroll, personnel, and/or other records to determine if an employee was a valid employee who worked on the contract/award effort. We compared the total hours charged to each project with the payroll summary to ensure they matched and that the hours were within the approved level of effort (LOE) for each staff member.

We examined whether labor costs, including any changes or overtime, were properly approved and in line with FAR requirements or contract provisions. We also verified that salary rates and increases were approved by the USAID Contracting Officer (CO) when necessary and were supported by payroll records. Additionally, we compared the CO/Agreement Officer (AO)-approved staffing pattern to the staff list from Chemonics to ensure staffing changes complied with regulatory and contractual requirements.

From our testing, we found no questioned costs within Personnel & Fringe Costs.

2. Travel & Transportation Costs:

We reviewed vendor invoices, employee expense reports, airline tickets, etc. and verified agreement with amounts recorded and claimed. In addition, we verified that travel expenses were properly approved and were in compliance with Federal Travel Regulations and/or Department of State Standard Travel Regulations (DSSR) requirements.

From our testing, we questioned \$15,163.92 of Travel & Transportation Costs due to insufficient information in the sample support documents provided [See the Notification of Findings and Recommendations (NFRs), Chemonics' responses, And Auditor's Conclusions, Page 9]

3. Other Direct Costs (ODCs):

We reviewed vendor purchase orders, and related vendor invoices and verified agreements with amounts recorded and claimed. In addition, we verified that contract requirements were complied with.

From our testing, we found no questioned costs within Other Direct Costs.

4. Commodities & Inventory Costs:

We reviewed equipment procured by Chemonics, as well as equipment directly procured by USAID for Chemonics' use. This included examining vendor purchase orders and related invoices to ensure that the amounts matched what was recorded and claimed. We also checked whether the equipment existed and was used for its intended purpose, according to the contract terms, and whether proper controls were in place to safeguard the equipment. Additionally, we conducted end-use reviews for a sample of commodities based on our assessment of control risks.

From our testing, we found no questioned costs within Commodities & Inventory Costs.

5. Contractual & Procurement Costs:

We reviewed subcontractor invoices and verified that hours and hourly rates charged agreed to subcontract agreements and amounts recorded and claimed. Additionally, we performed analytical procedures on the claimed amounts to verify their mathematical accuracy, ensure consistency with historical amounts via comparative/trend analysis, and review for unallowable costs via nomenclature reviews. In addition, we verified that subcontractor travel expenses were in compliance with Federal Travel Regulations and/or Department of State Standard Travel Regulations (DSSR).

Additionally, we performed subcontractor-assist audit procedures regarding the following subcontractors:

Subcontractor	Subcontract Amount
John Hopkins University	\$473,311.40
NGO Words Help	\$441,648.09
State Judicial Administration of Ukraine	\$310,627.85
PE Bronin S.V.	\$165,038.42
AUAC (3)	\$719,590.68
Consortium of LLC Civita Ukraine, Berman Group s.r.o., and NGO Lehkyi Bizness	\$516,331.70
ISD Group	\$139,850.00
IPLACE Digital	\$127,621.45
KRA086 Yevchenko S.V., PE	\$33,576.53
KHE004 Marketing & Legal Solutions, LLC	\$33,084.84
NGO PIP (YEP)	\$167,239.43
Lviv IT Cluster	\$122,914.98

These limited procedures included the following:

- Documenting our understanding of Chemonics' subcontractor monitoring procedures in effect during the audit year.
- Documenting how Chemonics selected the subcontractor for the subaward.
- Requesting the latest audit reports of the subcontractor and noting any audit findings.

- Reviewing the original subcontract agreement in order to determine if the subcontract agreement contains the appropriate flow-down clauses from Chemonics' prime contract with USAID.
- Determine whether selected invoices from the subcontractor are in compliance with any indirect rate ceilings in the subcontract.
- Determine whether Chemonics verified that the subcontractor has an adequate accounting system.

From our testing and subcontractor assist audit procedures, we questioned \$10,969.49 of Subcontractor Costs due to insufficient information in the sample support documents provided. [See the Notification of Findings and Recommendations (NFRs), Chemonics' Responses, And Auditor's Conclusions, Page 9]

6. Allowances:

We reviewed employee timesheets, employment agreements, and related employee expense reports and verified that these individuals were entitled to the requested allowances and were paid. We also verified the agreement with amounts recorded and claimed.

In addition, we verified that the per diem allotments received complied with Federal Travel Regulations and/or Department of State Standard Travel Regulations (DSSR) requirements.

From our testing, we questioned \$27,850.00 of Allowances Costs due to insufficient information in the sample support documents provided. [See the Notification of Findings and Recommendations (NFRs), Chemonics' Responses, And Auditor's Conclusions, Page 9]

7. Indirect Costs:

We reviewed the NICRA agreement rates for Indirect Fringe (12.99%), Overhead (45.89%), and G&A (4.69%) and compared them with the actual amounts charged by Chemonics. This included verifying that the charged amounts aligned with the rates specified in the NICRA agreement and were applied correctly across the relevant categories.

From our testing, we found no questioned costs within the Indirect Costs.

8. Reconciliation of Booked to Billed Costs:

This incurred cost audit included performing a reconciliation, by USAID contract, between the total adjusted cumulative allowable costs booked and the total cumulative amount billed from January 1, 2018, to December 31, 2022, and reporting any over/ under-billing amounts. Based on the results of the reconciliation, Chemonics did not overbill or underbill USAID. See Schedule B for Chemonics' billings by USAID contract from January 1, 2018, to December 31, 2022.

Our audit results are summarized in the following reports and schedules:

Incurred Costs: We issued an unqualified opinion on the fairness of the presentation of the Incurred Costs [See Independent Auditor's Report on the Incurred Costs, Page 11].

We determined that an adequate accounting system was in place to account for and classify costs incurred properly.

Internal Controls: Our audit detected one significant deficiency in Chemonics’ Internal Control.

Compliance with Laws and Regulations: Our audit detected no instance of non-compliance that is required to be reported.

Follow-Up to Prior Audit Recommendations: We requested copies of prior audits, reviews, and evaluations related to Chemonics’ work under the contract. Per communication with Chemonics and USAID, no prior audit findings could have a material effect on the incurred costs.

Schedule A – Schedule of Allowable Costs by Contract: This schedule summarizes by USAID contract the claimed costs that are considered allowable and reimbursable.

Schedule B – Reconciliation of Booked to Billed Costs: This schedule summarizes by USAID contract, the total adjusted cumulative cost booked to date, compares it to the cumulative amount billed and reports any over/under billing amounts.

NOTIFICATION OF FINDINGS AND RECOMMENDATIONS (NFRs), CHEMONICS’ RESPONSES, AND AUDITOR’S CONCLUSIONS

Finding 1: Insufficient Documentation for Allowance, Travel & Transportation and Contractual & Procurement Expenses

Condition: Chemonics did not provide adequate documentation to support a few transactions in Allowance, Travel & Transportation, and Contractual & Procurement expense, complicating the verification and reconciliation process. Specifically, the information provided in the allocation details is not sufficient to reconcile with proof of payments. Below are details of unsupported costs:

Expense Category	Unsupported Costs	Insufficient Documents
Allowance	\$27,850.00	Proof of payment & invoice shows \$27,850 while the DSSR rate for education allowance is \$26,050. The explanation was provided but there was no sufficient document provided to support the explanation and reconcile the numbers
Travel & Transportation	\$15,163.92	Unable to reconcile the amount in Proof of Payment with the allocation details provided
Contractual & Procurement	\$10,969.49	Unable to find the exchange rate used in this transaction to convert the Proof of Payment amount to USD for reconciliation purposes
Total	\$53,983.41	

Cause: The issue stemmed from incomplete supporting documentation for sampled transactions, exacerbated by the system switch from D365 to ABACUS. The transition to the new system,

coupled with a large volume of sample support documents that did not sufficiently provide information to reconcile the amount of transactions in the general ledger and sample support documents, hindered the reconciliation of these transactions.

Criteria: § 200.302 Financial Management. The non-federal entity must maintain a financial management system that ensures accurate tracking of funds, proper documentation for all transactions, and reconciliation with the general ledger to ensure accountability and compliance with applicable regulations.

Effect: As a result of the inadequate supporting documentation, the accuracy of a few transactions could not be verified, leading to an inability to fully reconcile the transactions between the sample support (e.g., proof of payment, invoice) and the general ledger. This lack of reconciliation creates a risk that financial records may not accurately reflect actual expenditures, potentially impacting financial reporting and compliance with grant or contractual requirements.

Recommendations:

- Determine the allowability of questioned direct costs in the amount of \$53,983.41 and recover any amount that is unallowable
- **Improve Documentation Practices:** Establish clear guidelines for documentation requirements for all transactions. Ensure that all supporting documents, such as invoices, receipts, and allocation details, are complete and readily accessible.
- **Training for Staff:** Conduct training sessions for relevant staff on proper documentation procedures and the importance of maintaining complete and accurate records. Emphasize the connection between thorough documentation and compliance with audit requirements.
- **Regular Review and Reconciliation:** Implement a routine process for reviewing and reconciling transaction documentation with the general ledger. This should include periodic checks to identify and resolve any discrepancies in a timely manner.

Chemonics' Response:

Finding Number 1: Insufficient Documentation for Allowance, Travel & Transportation and Contractual & Procurement Expenses. Chemonics did not provide adequate documentation to support a few transactions in Allowance, Travel & Transportation, and Contractual & Procurement expense, complicating the verification and reconciliation process. Specifically, the information provided in the allocation details is not sufficient to reconcile with proof of payments. Below are details of unsupported costs:

Expense Category	Unsupported Costs	Insufficient Documents
Allowance	\$27,850.00	Proof of payment & invoice shows \$27,850 while the DSSR rate for education allowance is \$26,050. The explanation was provided but there was no sufficient document provided to support the explanation and reconcile the numbers
Travel & Transportation	\$15,163.92	Unable to reconcile the amount in Proof of Payment with the allocation details provided
Contractual & Procurement	\$10,969.49	Unable to find the exchange rate used in this transaction to convert the Proof of Payment amount to USD for reconciliation purposes
Total	\$53,983.41	

Chemonics has comprehensive internal controls, policies, and procedures to ensure proper documentation to support costs incurred. The above-mentioned supporting documentation was provided to the auditors in May 2024, during the initial submission of sample documentation. The documentation provided supports all costs billed to the client. Chemonics has provided detailed responses and supporting documentation in Annex A: Supporting Documentation Provided to Auditors Related to Question Costs (Annex A).

Chemonics noted the Cause identified by the auditor on page 10, “The issue stemmed from incomplete supporting documentation for sampled transactions, exacerbated by the system switch from D365 to ABACUS” as inaccurate. Chemonics had no such transaction from D365 to ABACUS, as both systems are currently in use. D365 is Chemonics’s primary financial record (general ledger) used in the Washington – DC office, while ABACUS is the financial system (subledger) used in project/field offices with monthly reconciliation performed between the two systems. Documentation requirements for costs allocated to USAID contracts are set as policy/practice and therefore not subject to which system is in use.

Auditor's Conclusion:

Chemonics' response to Finding 1 has been reviewed; however, we maintain that the issues identified regarding insufficient documentation for Allowance, Travel & Transportation, and Contractual & Procurement expenses are valid and should remain in the report.

1. Insufficient Documentation for Cost Support

While Chemonics asserts that all costs billed to the client are supported by documentation, our audit revealed that a few transactions could not be fully reconciled with the provided documentation. The allocation details did not match the proof of payments, and in some instances, additional documentation was needed to substantiate the expenses. We acknowledge that documentation was submitted in May 2024, but it was insufficient to provide full support for all the questioned costs.

2. Clarification Regarding System Transition

Chemonics has clarified the use of D365 and ABACUS systems. However, regardless of the system used, our finding remains focused on the inability to reconcile certain transactions with the documentation provided. The audit does not focus on system changes but on the adequacy of documentation available for the transactions tested. The supporting documents provided through D365 are in spreadsheet format and typically do not include signatures, unlike those from the ABACUS system.

CONCLUSION

We conclude that Chemonics has prepared its Incurred Cost Submissions in accordance with applicable Government acquisition regulations of the FAR, the AIDAR, and the DSSR regarding allowability, allocability, and reasonableness of incurred costs. We also determined that Chemonics did not over or underbill USAID from FY2018 to FY 2022. From our testing, we questioned \$53,983.41 of direct costs due to unsupported costs. Based on the incurred cost audit procedures performed and the results obtained, we have met our audit objective.

INDEPENDENT AUDITOR’S REPORT ON THE INCURRED COSTS

Opinion

We have audited the incurred costs of Chemonics International, Inc. (Chemonics) for USAID Award Numbers AID-OAA-TO-17-00009, 72012121C00002, 72012118C00002, 72012118C00006, 72012120C00003, and 72012120CA00001 which comprises Personnel & Fringe, Allowance, Travel & Transportation, Contractual & Procurement, Commodities & Inventory, and Other Direct Costs (ODCs), for the period of January 1, 2018, to December 31, 2022.

In our opinion, the incurred costs referred to above were presented fairly, in all material respects, costs reimbursed by the U.S. Agency for International Development (USAID) for the period January 1, 2018, to December 31, 2022, in accordance with the terms of the contract or in conformity with the accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Incurred Costs section. We are required to be independent of Chemonics and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Management’s Responsibility for the Incurred Costs

Management is responsible for the preparation and fair presentation of the incurred costs in accordance with the requirements specified by the U.S. Agency for International Development (USAID), and accounting principles generally accepted in the United States of America. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of incurred costs that are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibilities for the Audit of the Incurred Costs

Our objectives are to obtain reasonable assurance about whether the incurred costs as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with the U.S. Government Auditing Standards issued by the Comptroller General of the United States will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in

the aggregate, they would influence the judgment made by a reasonable user based on the incurred cost submissions.

In performing an audit in accordance with the generally accepted auditing standards and the Government Auditing Standards, issued by the Comptroller General of the United States, we:

- Plan and perform the audit to obtain reasonable assurance about whether the incurred costs are free of material misstatement.
- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the incurred costs, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the incurred costs.
- Obtain an understanding of internal control and perform tests of internal controls in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Chemonics' internal control. Accordingly, no such opinion is expressed.
- Perform procedures to determine whether Chemonics has complied with applicable laws, regulations, and the terms and conditions of USAID contracts that could have a direct and material effect.
- Follow up on prior audit findings.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the incurred costs.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

We believe that our audit provides a reasonable basis for our opinion.

Other Reports Required by Government Auditing Standards

In accordance with U.S. Government Auditing Standards, we have also issued our reports, dated January 23, 2025, on our consideration of Chemonics' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, and the terms and conditions of the USAID contracts. Those reports are an integral part of an audit performed in accordance with U.S. Government Auditing Standards and should be read in conjunction with this Independent Auditor's Report in considering the results of our audit.

Restriction on Use

This report is intended solely for the information, and use of Chemonics management, the Government Accountability Office, Congress, and the U.S. Agency for International Development (USAID) and is not intended to be and should not be used by anyone other than these specified parties.

Premier Group Services, Inc.

Lanham, MD

January 23, 2025

INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL

We have audited Chemonics International, Inc. incurred costs (Chemonics) for January 1, 2018, to December 31, 2022, and have issued our report thereon dated January 23, 2025. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit of the incurred costs for the period of January 1, 2018, to December 31, 2022, we considered Chemonics' internal control over financial reporting by obtaining an understanding of the design effectiveness of Chemonics's internal control, determining whether controls had been placed in operation, assessing control risk, and performing tests of Chemonics's controls as a basis for designing our auditing procedures for the purpose of expressing our opinion on the incurred costs, but not to express an opinion on the effectiveness of Chemonics' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Chemonics' internal control over financial reporting. We limited our internal control testing to those controls necessary to achieve the objectives described in the GAO’s Standards for Internal Controls in the Federal Government.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s incurred costs will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purposes described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiency in internal control that we consider to be material weakness.

Our audit detected one significant deficiency involving Chemonics’ Internal Control and its operations related to Finding #1.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and the result of that testing and not to provide an opinion on the effectiveness of Chemonics’ internal control. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Chemonics’ internal control. Accordingly, this communication is not suitable for any other purpose.

Restriction on Use

This report is intended solely for the information, and use of Chemonics management, the Government Accountability Office, Congress, and the U.S. Agency for International Development (USAID) and is not intended to be and should not be used by anyone other than these specified parties.

Premier Group Services, Inc.

Lanham, MD

January 23, 2025

INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE

We have audited the incurred costs of Chemonics International, Inc. (Chemonics) for the period of January 1, 2018, to December 31, 2022, and have issued our report thereon dated January 23, 2025. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the Government Auditing Standards, issued by the Comptroller General of the United States.

The management of Chemonics is responsible for complying with laws, regulations, contracts, and grant requirements applicable to its U.S. Agency for International Development (USAID)-funded program. We performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of incurred cost amounts, and certain other laws and regulations specified in the Uniform Guidance 2 CFR 200. We limited our tests of compliance to these provisions, and we did not test compliance with all laws and regulations applicable to Chemonics.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Chemonics’ incurred costs are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and significant provisions of contracts, noncompliance with which could have a direct and material effect on the determination of incurred cost amounts, and certain other laws and regulations. We limited our tests of compliance to these provisions, and we did not test compliance with all laws and regulations applicable to Chemonics. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests of compliance disclosed no instances of noncompliance or other matters that are required to be reported herein under Government Auditing Standards or Uniform Guidance 2 CFR 200.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on Chemonics’ compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Chemonics’ compliance. Accordingly, this communication is not suitable for any other purpose.

Restriction on Use

This report is intended solely for the information, and use of Chemonics management, the Government Accountability Office, Congress, and the U.S. Agency for International Development (USAID) and is not intended to be and should not be used by anyone other than these specified parties.

Premier Group Services, Inc.

Lanham, MD
January 23, 2025

STATUS OF PRIOR AUDIT FINDINGS

We also requested copies of prior audits, reviews, and evaluations related to Chemonics' activities under the USAID contract. Per communication with Chemonics, there were no prior audit findings that could have a material effect on the incurred costs.

SUPPLEMENTAL SCHEDULES

Schedule A – Schedule of Allowable Costs by USAID Contract

USAID Contract	Schedule	January 1, 2018, to December 31, 2022, Total Costs	Questioned Costs – Ineligible*	Questioned Costs – Unsupported**	Accepted January 1, 2018, to December 31, 2022 Costs	Finding
AID-OAA-TO-17-00009 (UCBI II)	A-1	\$21,632,951.19	-	-	\$21,632,951.19	N/A
72012121C00002 (J4A)	A-2	\$4,352,171.72	-	\$4,419.92	\$4,347,751.80	1
72012118C00002 (CEP)	A-3	\$22,699,960.32	-	\$7,903.22	\$22,692,057.10	1
72012118C00006 (DGE)	A-4	\$31,623,446.69	-	\$28,476.76	\$31,594,969.93	1
72012120C00003 (TCA)	A-5	\$3,312,949.59	-	\$12,982.51	\$3,299,967.08	1
72012120CA00001 (AGRO)	A-6	\$20,989,356.74	-	\$201.00	\$20,989,155.74	1
Total USAID Contracts		\$104,610,836.25		\$53,983.41	\$104,556,852.84	

Schedule A-1 – Schedule of Allowable Costs – USAID Contract No. AID-OAA-TO-17-00009

Contract Number:	AID-OAA-TO-17-00009
Contract Name:	Ukraine Confidence Building Initiative II (UCBI II)
Contract Type:	Reimbursement
Funding Amount:	\$56,597,712.82

Cost Element	January 1, 2018, to December 31, 2022 Total Costs	Questioned Costs - Ineligible	Questioned Costs - Unsupported	January 1, 2018, to December 31, 2022 Accepted Costs	Finding
Direct & Indirect Costs					
Personnel & Fringe	\$3,970,185.85	-	-	\$3,970,185.85	N/A

Travel & Transportation	\$140,802.72	-	-	\$140,802.72	N/A
Contractual & Procurement	\$15,251,531.73	-	-	\$15,251,531.73	N/A
Commodities & Inventory	\$325,829.01	-	-	\$325,829.01	N/A
Other Direct Costs	\$1,450,064.45	-	-	\$1,450,064.45	N/A
Allowance	\$494,537.43	-	-	\$494,537.43	N/A
Indirect Cost	\$8,150,965.12	-	-	\$8,150,965.12	N/A
Total Costs	\$21,632,951.19	-	-	\$21,632,951.19	N/A

Schedule A-2 – Schedule of Allowable Costs – USAID Contract No. 72012121C00002

Contract Number:	72012121C00002
Contract Name:	Justice for All (J4A)
Contract Type:	Reimbursement
Funding Amount:	\$16,351,714.04

Cost Element	January 1, 2018, to December 31, 2022 Total Costs	Questioned Costs - Ineligible	Questioned Costs - Unsupported	January 1, 2018, to December 31, 2022 Accepted Costs	Finding
Direct & Indirect Costs					
Personnel & Fringe	\$2,520,197.79	-	-	\$2,520,197.79	N/A
Travel & Transportation	\$658,458.74	-	\$4,419.92	\$654,038.82	1
Contractual & Procurement	\$371,532.66	-	-	\$371,532.66	N/A
Commodities & Inventory	\$521.86	-	-	\$521.86	N/A
Other Direct Costs	\$540,225.22	-	-	\$540,225.22	N/A
Allowance	\$261,235.48	-	-	\$261,235.48	N/A
Indirect Cost	\$2,196,332.10	-	-	\$2,196,332.10	N/A
Total Costs	\$4,352,171.75	-	\$4,419.92	\$4,347,751.83	N/A

Schedule A-3 – Schedule of Allowable Costs – USAID Contract No. 72012118C00002

Contract Number:	72012118C00002
Contract Name:	Competitive Economy Program (CEP)
Contract Type:	Reimbursement
Funding Amount:	\$41,959,487.00

Cost Element	January 1, 2018, to December 31, 2022 Total Costs	Questioned Costs - Ineligible	Questioned Costs - Unsupported	January 1, 2018, to December 31, 2022 Accepted Costs	Finding
Direct & Indirect Costs					
Personnel & Fringe	\$5,900,194.00	-	-	\$5,900,194.00	N/A
Travel & Transportation	\$806,601.95	-	\$7,903.22	\$798,698.73	1
Contractual & Procurement	\$14,021,241.62	-	-	\$14,021,241.62	N/A
Commodities & Inventory	\$29,128.18	-	-	\$29,128.18	N/A
Other Direct Costs	\$1,054,144.20	-	-	\$1,054,144.20	N/A
Allowance	\$549,972.88	-	-	\$549,972.88	N/A
Indirect Cost	\$7,704,754.68	-	-	\$7,704,754.68	N/A
Total Costs	\$22,361,282.83	-	\$7,903.22	\$22,353,379.61	N/A

Schedule A-4 – Schedule of Allowable Costs – USAID Contract No. 72012118C00006

Contract Number:	72012118C00006
Contract Name:	Democratic Governance East (DG-East)
Contract Type:	Reimbursement
Funding Amount:	\$107,051,252.00

Cost Element	January 1, 2018, to December 31, 2022 Total Costs	Questioned Costs - Ineligible	Questioned Costs - Unsupported	January 1, 2018, to December 31, 2022 Accepted Costs	Finding
Direct & Indirect Costs					
Personnel & Fringe	\$7,922,861.38	-	-	\$7,922,861.38	N/A
Travel & Transportation	\$1,486,412.97	-	\$626.76	\$1,485,786.21	1
Contractual & Procurement	\$7,922,861.38	-	-	\$7,922,861.38	N/A
Commodities & Inventory	\$3,030,788.74	-	-	\$3,030,788.74	N/A
Other Direct Costs	\$2,973,964.24	-	-	\$2,973,964.24	N/A
Allowance	\$1,990,876.03	-	\$27,850.00	\$1,963,026.03	1
Indirect Cost	\$10,174,502.64	-	-	\$10,174,502.64	N/A
Total Costs	\$31,623,446.69		\$28,476.76	\$31,594,969.93	N/A

Schedule A-5 – Schedule of Allowable Costs – USAID Contract No. 72012120C00003

Contract Number:	72012120C00003
Contract Name:	Transformation Communications Activity (TCA)
Contract Type:	Reimbursement
Funding Amount:	\$15,647,622.70

Cost Element	January 1, 2018, to December 31, 2022 Total Costs	Questioned Costs - Ineligible	Questioned Costs - Unsupported	January 1, 2018, to December 31, 2022 Accepted Costs	Finding
Direct & Indirect Costs					
Personnel & Fringe	\$1,130,951.00	-	-	\$1,130,951.00	N/A
Travel & Transportation	\$59,298.35	-	\$2,013.02	\$57,285.33	1
Contractual & Procurement	\$1,397,756.89	-	\$10,969.49	\$1,386,787.40	1

Commodities & Inventory	\$503.85	-	-	\$503.85	N/A
Other Direct Costs	\$266,378.26	-	-	\$266,378.26	N/A
Allowance	\$458,061.24	-	-	\$458,061.24	N/A
Indirect Cost	\$3,064,221.35	-	-	\$3,064,221.35	N/A
Total Costs	\$3,312,949.59	-	\$12,982.51	\$3,321,906.06	N/A

Schedule A-6 – Schedule of Allowable Costs – USAID Contract No. 72012120CA00001

Contract Number:	72012120CA00001
Contract Name:	Agriculture Growing Rural Opportunities (AGRO)
Contract Type:	Reimbursement
Funding Amount:	\$120,000,000.00

Cost Element	January 1, 2018, to December 31, 2022 Total Costs	Questioned Costs - Ineligible	Questioned Costs - Unsupported	January 1, 2018, to December 31, 2022 Accepted Costs	Finding
Direct & Indirect Costs					
Personnel & Fringe	\$6,257,250.71	-	-	\$6,257,250.71	N/A
Travel & Transportation	\$1,023,018.27	-	\$201.00	\$1,022,817.27	1
Contractual & Procurement	\$12,075,539.21	-	-	\$12,075,539.21	N/A
Commodities & Inventory	\$77,976.31	-	-	\$77,976.31	N/A
Other Direct Costs	\$808,990.81	-	-	\$808,990.81	N/A
Allowance	\$747,804.05	-	-	\$747,804.05	N/A
Indirect Cost	\$7,162,361.00	-	-	\$7,162,361.00	N/A
Total Costs	\$20,990,579.36	-	\$201.00	\$20,990,378.36	N/A

* Ineligible costs: Costs that are explicitly questioned because they are unreasonable, prohibited by the FAR or applicable laws and regulations, or not program-related.

** Unsupported costs: Costs that are not backed with adequate documentation or did not have required prior approvals or authorizations.

Schedule B – Reconciliation of Booked to Billed Costs

Contract Number	January 1, 2018, to December 31, 2022 Total Allowable Costs	Less Contract Limitations/Rebates/ Credits	Total Adjusted Allowable Costs	January 1, 2018, to December 31, 2022 Billed Amount	Over-Billed
AID-OAA-TO-17-00009	\$21,632,951.19	-	\$21,632,951.19	\$21,632,951.19	-
72012121C00002	\$4,347,751.80	-	\$4,347,751.80	\$4,352,171.72	-
72012118C00002	\$22,692,057.10	-	\$22,692,057.10	\$22,699,960.32	-
72012118C00006	\$31,594,969.93	-	\$31,594,969.93	\$31,623,446.69	-
72012120C00003	\$3,299,967.08	-	\$3,299,967.08	\$3,312,949.59	-
72012120CA00001	\$20,989,155.74	-	\$20,989,155.74	\$20,989,356.74	-
Total Costs	\$104,556,852.84		\$104,556,852.84	\$104,610,836.25	-