

OFFICE OF INSPECTOR GENERAL

U.S. Agency for International Development

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

Audit Report 3-000-25-005-U
February 21, 2025





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
Khadija Walker, /s/

SUBJECT: Ukraine: Audit of Costs Incurred by PACT Inc. from January 1, 2018, to
December 31, 2022 (3-000-25-005-U)

Enclosed is the final audit report on the audit of claimed costs incurred by PACT Inc. (PACT) 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 PACT 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 firms' 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 PACT 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).

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.

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 PACT's contract bidding and procurement processes to determine whether they complied with all regulatory and award requirements.
4. Evaluate and obtain sufficient understanding of PACT's internal controls, assess control risk, and identify reportable conditions, including material internal control weaknesses.
5. Perform tests to determine whether PACT 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 PACT has delivered, accounted for, and made proper disposition of commodities and supplies purchased under the contract or furnished by USAID.
7. Determine to the extent specified herein if PACT has requested from USAID the necessary approval for the issuance of subawards according to regulatory and award requirements.
8. Determine whether PACT has taken corrective action on prior audit report recommendations.

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

Premier Group concluded that PACT generally met requirements under the USAID contract related to all eight of the audit objectives. The audit firm did not identify any material weaknesses in internal control over financial reporting and found no reportable noncompliance with applicable laws, regulations, and contracts. However, Premier Group identified weaknesses and questioned costs in the amount of \$32,438.89 that PACT billed USAID from January 1, 2018, to December 31, 2022.

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

Recommendation I. Determine the allowability of \$32,438.89 in questioned costs on page 18 of 24 of the audit report and recover any amount that is unallowable.

Recommendation 2. Require PACT to update their internal controls to mitigate the risk of assigning funds from one project to another by developing a process to document how to input project expenses into the financial management system.

Recommendation 3. Require PACT to establish and implement policies and procedures that requires a two-person review and signatures indicating that funds are accurate and solely being used for their authorized purposes.

We are issuing this final audit report without the written comments due to the agency's uncertainty to provide management comments and we will reissue this report if/when we receive them.

Due to the agency's inability to provide our office with a response, all recommendations will be considered as open unresolved.

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



PACT, INC.
1140 3RD STREET NE, SUITE 400 WASHINGTON, DC 20002

**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 27, 2025

Prepared by
Premier Group Services, Inc.
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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

This report presents our results of the incurred cost audit of PACT Inc. herein after referred to as PACT, for the calendar period of January 1, 2018, to December 31, 2022. Our audit fieldwork was performed between September 15, 2023, and September 18, 2024, and our results, reported herein, are as of January 27, 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 the PACT's contracts with USAID and applicable government acquisition regulations.

We tested the significant claimed cost elements: Personnel & Fringe, Travel, 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 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.

Incurring Costs: We questioned \$32,438.89 related to our testing of Direct Costs charged to USAID. See Schedule A-1 through A-3 for direct 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 numbers 72012121CA00001, 72012122CA00001, and AID-121-A-16-00011 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, PACT 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, PACT 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 \$32,438.89 due to PACT comingling funds from one project to another project.

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 27, 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.

PACT Inc. Overview

PACT Inc. (herein after referred to as PACT) is an international nonprofit that works in nearly 40 countries building solutions for human development in partnerships with the countries and communities it serves. Their missions include leveraging the immense promise that exists in the local communities and ensuring the individuals in those communities are active participants in PACT's programing in every step. From January 1, 2018, to December 31, 2022, PACT had the following USAID contracts:

Contract Number	Contract Name	Period of Performance	Total Amount Claimed
72012121CA00001	Community Action for HIV Control (CAHC)	July 1, 2021–June 30, 2026	\$19,497,603
72012122CA00001	Public Health System Recovery and Resilience Activity (PHS R&R)	May 10, 2022 – May 9, 2027	\$44,999,718
AID-121-A-16-00011	Enhance Non-Governmental Actors And Grassroots Engagement (ENGAGE)	October 1, 2016 – September 30, 2023	\$45,999,999.92

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

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

- Express opinion on whether costs incurred by PACT 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 the PACT'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 the PACT's internal controls, assess control risk, and identify reportable conditions, including material internal control weaknesses.
- Perform tests to determine whether the PACT complied in all material respects with regulatory and award requirements related with 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 PACT 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 PACT has requested from USAID the necessary approval for the issuance of subawards according to regulatory and award requirements.
- Determine whether PACT 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 the PACT's incurred cost elements: Personnel & Fringe, Travel, 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 PACT and its environment, including its internal control, to assess the risk of material misstatement of PACT books and records, 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 or not any prior audit or compliance reviews had been performed with respect to the USAID contracts.

RESULTS

Our testing results, by cost element claimed from FY2018 to FY2022, are presented below:

1. Personnel & Fringe:

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

We examined whether employee salaries and fringe benefits were properly approved and in line with FAR requirements or contract provisions. We also verified that salary rates, salary increases, and fringe benefits were approved by the USAID Contracting Officer (CO) and were supported by payroll records. Additionally, we compared the Agreement Officer (AO) – approved staffing pattern to the staff list from PACT to ensure staffing changes complied with regulatory and contractual requirements.

From our testing, we questioned \$25,219.68 of Personnel and Fringe Costs. [See Notification of Findings and Recommendations (NFRs), PACT’s Responses, and Auditor’s Conclusions, Page 8]

2. Travel Costs:

We reviewed vendor invoices, employee expense reports, airline tickets, trip preapproval authorization where applicable, cost reconciliations, and verified travel 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 \$7,219.21 of Travel Costs. [See Notification of Findings and Recommendations (NFRs), PACT’s Responses, And Auditor’s Conclusions, Page 8].

3. Contractual & Procurement Costs:

We reviewed executed contracts, purchase orders, proof of due diligence, quotes, invoices, proof of payments, conflict of interest, monitoring reports, and subawards documents. We also verified agreements with amounts recorded and claimed agreed to the amounts recorded and claimed.

From our testing, we found no questioned cost within Contractual & Procurement Costs.

4. Other Direct Costs:

We reviewed vendor purchase orders, related vendor invoices and verified agreement with amounts recorded and claimed. In addition, we examined each selection to determine whether the expense was properly supported and met regulatory requirements, contract requirements, and contract terms and conditions.

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

5. Commodities & Inventory Costs:

We reviewed commodities and inventory procured by PACT, as well as commodities and inventory directly procured by USAID for PACT's 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 commodities and inventory existed and was used for its intended purpose, according to the contract terms, and whether proper controls were in place to safeguard the commodities and inventory.

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

6. 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, PACT did not overbill or underbill USAID. See Schedule B for PACT's 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 10].

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 PACT's 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 PACT's work under the contract. Per communication with PACT 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), PACT'S RESPONSES, AND AUDITOR'S CONCLUSIONS

Finding 1: Comingling Fund Between Projects

Conditions: PACT launched the Community Action for HIV Control (CAHC) project in July 2021 and the Public Health System Recovery and Resilience Activity (PHS R&R) project in May 2022. During the registration period needed for CAHC and PHS R&R to receive accreditation from Ukrainian legislation, PACT used Enhance Non-Governmental Actors and Grassroots Engagement (ENGAGE) funds to pay CAHC incurred startup personnel cost of \$25,219.68 and PHS R&R travel expenses of \$7,219.21.

Cause: Rather than waiting for the approximate 2 to 3 months registration period, PACT decided to use funds assigned to ENGAGE to fund CAHC incurred startup cost and CAHC funds to pay PHS R&R incurred travel expenses.

Criteria: § 200.302 Financial Management. Effective control, and accountability for, all funds, property, and other assets. The non-Federal entity must adequately safeguard all assets and ensure that they are used solely for authorized purposes.

Effect: Using funds from the ENGAGE project to fund CAHC startup cost and CAHC funds to pay PHS R&R travel expenses leads to the comingling of funds between two independent PACT projects. This impacts budget allocation and financial reporting accuracy, ultimately reducing the project's resource use efficiency.

Recommendations:

- Determine the allowability of questioned direct costs in the amount of \$32,438.89 and recover any amount that is unallowable.
- We recommend that PACT update their internal controls to mitigate the risk of assigning funds from one project to another project by developing a process to document how to input project expenses into the financial management system.
- We recommend that PACT establish and implement policies and procedures that require a two-person review and signatures indicating that funds are accurate and solely being used for their authorized purposes

PACT's Responses: PACT did not use ENGAGE project funds to pay for CAHC startup costs or CAHC funds to pay for PHS R&R travel expenses. PACT did use the Ukraine bank accounts of the existing project to hold cash for the new project that didn't have a bank account set up yet. PACT drew down money from PMS for both CAHC and PHS R&R at start up and transferred it into the bank account of an existing project to facilitate start up payments while waiting for the registration of the new project to be finalized, allowing PACT to open up a new project specific bank account. For the start-up of PHS R&R, PACT did discuss this with USAID and a copy of that correspondence was shared with the auditors. Once the new project was registered, all payments and the cash balance for the new project were shifted to the new bank account.

PACT uses fund accounting, which means that all financial transactions are captured in our accounting system with a project code. At any point of time, PACT is able to produce a balanced

trial balance for a project showing the amount in any bank account for the project. Expenses are reported immediately against the project's correct budget so financial reporting is accurate. The expenses for both CAHC in the first case and PHS R&R in the second case were recorded as expense to those projects and not recorded to an incorrect project. Neither ENGAGE nor CAHC was overbilled as the expenses were reported under the right project as they were incurred.

It wasn't the best way to proceed to use the bank account of ENGAGE to hold cash/handle payments for CAHC and then the bank account for CAHC to hold cash/handle payments for PHS R&R prior to project registration being complete and new bank accounts opened. However, the transactions noted by the auditors were paid for with cash from the correct project and reported as being expenses of the correct project. The transactions had appropriate supporting documentation, complying with 2 CFR part 200 and safeguarding all assets to ensure that they are used solely for the authorized purpose. How PACT handled the payment of these transactions did not distort project management of expenditures. In the future, if PACT wins another new award with USAID, PACT will agree with USAID in advance whether local (in country) payments can start prior to the completion of project registration or not.

Auditor's Conclusion:

PACT's response to Finding 1 has been reviewed; however, we maintain that the identified issue of commingling funds between CAHC, ENGAGE, and PHS R&R remains valid and should be included in the report. As outlined in § 200.302 Financial Management, non-Federal entities must adequately safeguard all assets and ensure they are used solely for their authorized purposes. The use of funds from the ENGAGE account to cover startup and personnel costs for CAHC and PHS R&R during the accreditation process demonstrates that funds designated exclusively for ENGAGE were utilized for purposes beyond their authorization, constituting noncompliance with federal financial management requirements.

CONCLUSION

We conclude that PACT 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 direct costs. We also determined that PACT did not over or underbill USAID from FY 2018 to FY 2022. From our testing, we questioned \$32,438.89 of direct costs due to comingling funds. Based on the incurred cost audit procedures performed and the result obtained, we have met our audit objective.

INDEPENDENT AUDITOR’S REPORT ON THE INCURRED COSTS

Opinion

We have audited the incurred costs of PACT Inc. (PACT) for USAID Award Numbers 72012121CA00001, 72012122CA00001, and ADI-121-A-16-00011 which comprise Personnel & Fringe, Travel, Contractual & Procurement, Commodities & Inventory, Other Direct Cost for the period of January 1, 2018, to December 31, 2022.

In our opinion, the incurred costs referred to above present 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 PACT 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 PACT’s internal control. Accordingly, no such opinion is expressed.
- Perform procedures to determine whether PACT 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 27, 2025, on our consideration of PACT’s 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 PACT 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 27, 2025

INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL

We have audited PACT’s incurred costs for January 1, 2018, to December 31, 2022, and have issued our report thereon dated January 27, 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 PACT's internal control over financial reporting by obtaining an understanding of the design effectiveness of PACT's internal control, determining whether controls had been placed in operation, assessing control risk, and performing tests of PACT'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 PACT's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of PACT's 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 PACT’s 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 PACT’s internal control. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering PACT’s 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 PACT 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 27, 2025

INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE

We have audited the incurred costs of PACT for the period of January 1, 2018, to December 31, 2022, and have issued our report thereon dated January 27, 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 PACT 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 PACT.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether PACT’s 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 PACT. 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 PACT’s compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering PACT’s 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 PACT 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 27, 2025

STATUS OF PRIOR AUDIT FINDINGS

We also requested copies of prior audits, reviews, and evaluations related to PACT's activities under the USAID contract. Per communication with PACT, 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 – December 31, 2022 Total Costs	Questioned Costs – Ineligible*	Questioned Costs – Unsupported*	Accepted January 1, 2018 - December 31, 2022, Costs	Finding
72012121CA00001	A-1	\$ 3,574,450.00	\$25,219.68	-	\$ 3,549,230.32	1
72012122CA00001	A-2	\$ 1,825,533.46	\$ 7,219.21	-	\$ 1,818,314.25	1
AID-121-A-16-00011	A-3	\$28,341,042.00	-	-	\$28,341,042.00	N/A
Total USAID Contracts		\$33,741,025.46	\$32,438.89	-	\$33,708,586.57	

Schedule A-1 – Schedule of Allowable Costs – USAID Contract No. 72012121CA00001

Contract Number: 72012121CA00001
Contract Name: Community Action for HIV Control
Contract Type: Reimbursement
Funding Amount: \$19,497,603

Cost Element	January 1, 2018 – December 31, 2022, Total Costs	Questioned Costs - Ineligible	Questioned Costs - Unsupported	January 1, 2018 – December 31, 2022, Accepted Costs	Finding
Direct Costs					
Personnel	\$ 869,198.00		\$ 25,219.68	\$ 843,978.32	1
Fringe Benefit	\$ 64,544.00			\$ 64,544.00	
Allowance	\$ 88,748.00			\$ 88,748.00	
Travel	\$ 7,222.00			\$ 7,222.00	
Supplies	\$ 100,465.00			\$ 100,465.00	
Other Direct Cost	\$ 125,030.00			\$ 125,030.00	
Equipment	\$ 3,864.00			\$ 3,864.00	
Consultants	\$ 43,809.00			\$ 43,809.00	

Subawards	\$1,664,807.00			\$ 1,664,807.00	
Workshops and Program Activities	\$ 45,251.00			\$ 45,251.00	
Total Direct Costs	\$3,012,938.00			\$ 2,987,718.32	
Indirect Costs					
Direct Costs @ 21.78%	\$ 561,512.00			\$ 561,512.00	
Total Costs	\$3,574,450.00		\$25,219.68	\$3,549,230.32	

* 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 A-2 – Schedule of Allowable Costs – USAID Contract No. 72012122CA00001

Contract Number: 72012122CA00001

Contract Name: Public Health System Recovery and Resilience Activity

Contract Type: Reimbursement

Funding Amount: \$44,999,718

Cost Element	January 1, 2018 – December 31, 2022, Total Costs	Questioned Costs - Ineligible	Questioned Costs - Unsupported	January 1, 2018 – December 31, 2022, Accepted Costs	Finding
Direct Costs					
Personnel	\$ 479,463.00			\$ 479,463.00	
Fringe Benefits	\$ 39,178.00			\$ 39,178.00	
Allowances	\$ 1,232.00			\$ 1,232.00	
Travel	\$ 48,962.00		\$ 7,219.21	\$ 41,742.79	1
Supplies	\$ 86,969.00			\$ 86,969.00	
Consultants	\$ 12,583.00			\$ 12,583.00	
Workshops and Program Activities	\$ 40,897.00			\$ 40,897.00	
Subawards	\$ 728,750.00			\$ 728,750.00	
Other Direct	\$ 73,120.00			\$ 73,120.00	
Total Direct Costs	\$1,511,154.00			\$ 1,503,934.79	
Indirect Costs					
Direct Costs @ 21.78%	\$ 314,380.00			\$ 314,380.00	
Total Costs	\$1,825,534.00		\$7,219.21	\$ 1,818,314.79	

Schedule A-3 – Schedule of Allowable Costs – USAID Contract No. AID-121-A-16-00011

Contract Number: AID-121-A-16-00011
Contract Name: Enhance Non-Governmental Actors and Grassroots Engagement
Contract Type: Reimbursement
Funding Amount: \$45,999,999.92

Cost Element	January 1, 2018 – December 31, 2022 Total Costs	Questioned Costs - Ineligible	Questioned Costs - Unsupported	January 1, 2018 – December 31, 2022 Accepted Costs	Finding
Direct Costs					
Personnel	\$ 5,295,173.00			\$ 5,295,173.00	
Fringe Benefits	\$ 944,761.00			\$ 944,761.00	
Allowances	\$ 451,681.00			\$ 451,681.00	
Travel	\$ 245,208.00			\$ 245,208.00	
Equipment	\$ 375.00			\$ 375.00	
Supplies	\$ 153,941.00			\$ 153,941.00	
Consultants	\$ 292,740.00			\$ 292,740.00	
Workshops and Programs Activities	\$ 855,468.00			\$ 855,468.00	
Subawards	\$ 13,701,922.00			\$ 13,701,922.00	
Other Direct	\$ 2,099,993.00			\$ 2,099,993.00	
Total Direct Costs	\$ 24,041,262.00			\$ 24,041,262.00	
Indirect Costs					
Direct Costs @ 21.78%	\$ 4,299,780.00			\$ 4,299,780.00	
Total Costs	\$ 28,341,042.00			\$ 28,341,042.00	

* 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 – December 31, 2022, Total Allowable Costs	Less Contract Limitations/Rebates/ Credits	Total Adjusted Allowable Costs	January 1, 2018 – December 31, 2022, Billed Amount	Over/Under
72012121CA00001	\$3,549,230.32	-	\$3,549,230.32	\$3,574,450.00	-
72012122CA00001	\$1,818,314.79	-	\$1,818,314.79	\$1,825,534.00	-
AID-121-A-16-00011	\$28,341,042.00	-	\$28,341,042.00	\$28,341,042.00	-
Total Costs	\$ 33,708,587.10	-	\$ 33,708,586.10	\$33,741,026.00	-