



## OFFICE OF INSPECTOR GENERAL U.S. Agency for International Development

### MEMORANDUM

**DATE:** July 23, 2025

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

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

**SUBJECT:** Performance Audit of Incurred Costs for Democracy International, Inc., for Fiscal Year Ended December 31, 2022 (3-000-25-010-I)

This memorandum transmits the final performance audit report on incurred costs submission (ICS) for Democracy International, Inc., (Democracy) for Fiscal Year Ended (FY) December 31, 2022. The U.S. Agency for International Development (USAID) Office of Acquisition and Assistance, Cost, Audit and Support Division, Contract Audit Management Branch contracted with the independent certified public accounting firm of Tichenor & Associates, LLP (Tichenor) to conduct the audit. Tichenor stated that it performed its audit in accordance with government auditing standards issued by the Comptroller General of United States. Tichenor is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on whether costs claimed by Democracy in its FY 2022 ICS are accurate, allowable, allocable, and reasonable in accordance with contract terms and applicable Government regulations.<sup>1</sup>

The audit objective was to express an opinion on management's assertion that: (1) all costs included in this Incurred Cost Submission for Calendar Year ending December 31, 2022, are to establish final indirect cost rates a Fringe Benefit Rate of 46.36% and an Indirect Rate of 36.18% for the period 1/1/22 – 12/31/22 and are allowable in accordance with cost principles of the Federal Acquisition Regulation (FAR) and its supplements applicable to the contracts to which the final indirect cost rates will apply, and (2) this proposal does not include any costs which are expressly unallowable under applicable cost principles of the FAR or its supplements and is fairly stated. Tichenor examined the Contractor compliance with their U.S. Government contract/award terms and applicable Government acquisition regulations, specifically the FAR, the USAID Acquisition Regulations (AIDAR), 2 Code of Federal Regulations (CFR) 200 Uniform Administrative Requirements, Federal Travel Regulations and/or the Department of State

---

<sup>1</sup> We reviewed the audit firm's report for conformity with professional reporting standards. Our desk reviews are typically performed to identify any items needing clarification or issues requiring management attention. Desk reviews are limited to review of the audit report itself and excludes review of the auditor's supporting working papers; they are not designed to enable us to directly evaluate the quality of the audit performed.

Standard Travel Regulation (DSSR) and Buy-American Act for the Contracting Officer to execute the finalization of allowable contract costs and indirect rates for the fiscal year under review with the Contractor. To answer the audit's objective, Tichenor designed its testing procedures to review the incurred costs reported by Democracy for FY 2022 and reconciled it to its general ledger, and other records and documentation to determine its adequacy for audit purposes. Further, Tichenor reviewed applicable rules, regulations, guidance, and Democracy's policies and procedures regarding claimed direct and indirect cost. Tichenor recommended USAID costs of \$2,602,012 for FY 2022.

Tichenor concluded that Democracy has prepared its FY 2022 ICS in accordance with applicable Government acquisition regulations of the FAR, AIDAR, DSSR regarding accuracy, allowability, allocability and reasonableness of incurred costs. Tichenor did not identify any questioned costs or adjustments to the proposed direct and indirect amounts for contract reimbursement on select unsettled flexibly priced contracts in the ICS submitted by Democracy for the periods of January 1, 2022, through December 31, 2022.

OIG does not routinely distribute independent public accounting reports beyond the immediate addressees because a high percentage of these reports contain information restricted from release under the Trade Secrets Act, 18 U.S.C. 1905 and Freedom of Information Act Exemption Four, 5 U.S.C. 552(b)(4) ("commercial or financial information obtained from a person that is privileged or confidential"). In addition, USAID OIG has determined that this transmittal memo and the enclosed report are not subject to notification and reporting requirements under Section 5274 of the National Defense Authorization Act.<sup>2</sup>

---

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