



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

MEMORANDUM

DATE: August 8, 2025

TO: Kenneth Jackson
USAID/Deputy Administrator for Management and Resources

Douglas A. Pitkin
USAID/Acting Chief Financial Officer

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

SUBJECT: Performance Audit of Incurred Costs for Creative Associates International, Inc.
for Fiscal Year Ended September 30, 2022 (3-000-25-015-I)

This memorandum transmits the final performance audit report on incurred costs submission (ICS) for Creative Associate International, Inc. (Creative Associates) for the fiscal year (FY) ended September 30, 2022. The U.S. Agency for International Development (USAID) /Management/Office of Acquisition and Assistance/Cost Audit and Support Division contracted with the Tichenor & Associates, LLP (Tichenor) to conduct the audit. Tichenor stated that it conducted the audit in accordance with generally accepted government audit standards (GAGAS). Tichenor is responsible for the report and the conclusions expressed in it. We do not express an opinion on whether costs claimed by Creative Associates in the FY 2022 ICS are accurate, allowable, allocable, and reasonable in accordance with contract terms and applicable Government acquisition regulations.¹

The audit object was to express an opinion on management's assertion that: (1) All costs included in the proposal ICS to establish final indirect cost rates for September 30, 2022 are allowable in accordance with the 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, is fairly stated. In addition, Tichenor examined the Creative Associates' compliance with their U.S. Government contract/award terms, and applicable Government acquisition and regulations, specifically the Federal

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

Acquisition Regulation (FAR), the USAID Acquisition Regulations (AIDAR), 2 CFR 200 Uniform Administrative Requirements, Federal Travel Regulations and/or the Department of State Standard Travel Regulations (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. Lastly, Tichenor examined Creative Associates' internal controls to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on management's assertion, but not for the purpose of expressing an opinion on the effectiveness of the internal control. To answer the audit's objective, Tichenor reviewed Creative Associates' FY 2022 ICS 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 Creative Associates' policies and procedures regarding claimed direct and indirect cost. Tichenor examined USAID expenditures of \$102,624,549 for FY 2022.

Tichenor disclosed three internal control deficiencies; Finding No. 2022-001: Improper Recording of Bonus Costs to General Ledger Direct Labor Accounts, Finding No. 2022-002: Unreasonable Amount of Claimed Executive Compensation Costs, and Finding No. 2022-003: Inadequate Subcontractor Monitoring. Tichenor concluded, except for the three findings, Creative Associates has prepared its FY 2022 ICS in accordance with applicable Government acquisition regulations of the FAR, the AIDAR, and the DSSR regarding accuracy, allowability, allocability, and reasonableness of incurred costs and it is appropriate for the Contracting Officer's use in executing the finalization of allowable costs and indirect rates for the fiscal year under review with the Contractor. Tichenor's procedures resulted in questioned costs and adjustments to the proposed direct and indirect amounts for contract reimbursement on select unsettled flexibly priced contracts in the ICS submitted by the Contractor for the period of October 1, 2021, through September 30, 2022. During Tichenor's review of Creative Associates' General Ledger (GL), Tichenor identified misclassified bonus costs charged to the GL Labor – CCN accounts totaling \$516,293. As a result, Tichenor questioned \$516,293 in Direct Labor – CCN costs contained in Creative Associates' FY 2022 ICS that should have been a fringe benefit cost. Within the Overhead Pool, a \$3,546 net increase in Fringe Benefit – CCN costs allocated on Overhead Labor due to the impact on the Fringe Benefit – CCN rate of the questioning of Bonus transaction costs that were improperly recorded in the GL Direct Labor – CCN accounts. Tichenor's procedures also resulted in questioned cost in the G&A Cost pool. Tichenor questioned \$664,697 of claimed Indirect G&A Labor costs related to Finding 2022-002 of Unreasonable Executive Compensation Costs. In addition, although we are not making a recommendation for the significant deficiencies noted in the report, we suggest that USAID's Office of Acquisition and Assistance, Cost, Audit and Support Division, Contract Audit Management Branch determine if Creative Associates addressed the issues noted.

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

Recommendation 1. Verify that Creative Associates corrects the one material weaknesses in internal control detailed on pages 15, 16 and 17 of the audit report.

We ask that you provide your written notification of actions planned or taken to reach

management decision.

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

² The James M. Inhofe National Defense Authorization Act for Fiscal Year 2023 Pub. L. No. 117-263, § 5274. Please direct related inquiries to oignotice_ndaa5274@usaid.gov.