



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

MEMORANDUM

DATE: August 6, 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: Audit of Incurred Costs for Palladium International, LLC, for Fiscal Year Ended June 30, 2022 (3-000-25-014-I)

This memorandum transmits the final audit report on incurred costs submission (ICS) for Palladium International, LLC, for fiscal year (FY) ended June 30, 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 Palladium International in FY 2022 ICS are accurate, allowable, allocable, and reasonable in accordance with contract terms and applicable Government acquisition regulations.¹

Tichenor's audit objectives were to: (1) determine whether all costs were included in the proposal to establish final indirect cost rates for the period July 1, 2021, to June 30, 2022, and were 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 applied; (2) ascertain that the proposal did not include any costs which are expressly unallowable under applicable cost principles of the FAR or its supplements; (3) examine

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.

Palladium International's compliance with the U.S. Government contract or 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 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; and (4) examine Palladium International's internal controls to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing Tichenor's opinion on management's assertion, but not for the purpose of expressing Tichenor's opinion on the effectiveness of Palladium International's internal control. To answer the audit's objectives, Tichenor: (1) reviewed Palladium International's FY 2022 ICS and reconciled it to the general ledger; (2) reviewed applicable rules, regulations, and guidance; (3) reviewed Palladium International's policies and procedures regarding claimed direct and indirect costs; (4) examined, on a test basis, evidence supporting the amounts and disclosures in Palladium International's data and records evaluated; and (5) assessed the accounting principles used and significant estimates made by Palladium International. Tichenor examined USAID allowable costs of \$156,641,087 for FY 2022.

Tichenor concluded that Palladium International prepared its FY 2022 ICS in accordance with applicable Government acquisition regulations in the FAR, the AIDAR, and the DSSR regarding accuracy, allowability, allocability, and reasonableness of incurred costs and is appropriate for the Contracting Officer's use in finalizing of allowable costs and indirect rates for the 2022 fiscal year. Further, Tichenor identified no questioned costs or adjustments to the proposed direct and indirect amounts for contract reimbursement on select unsettled flexibly priced contracts in the ICS submitted by Palladium International for the period of July 1, 2021, through June 30, 2022. Tichenor did, however, identify one significant deficiency pertaining to Palladium International's failure to use current NICRA provisional billing indirect rates when billing on cost type contracts. Although we are not making a recommendation for the significant deficiency noted in the report, we suggest that USAID determine whether Palladium International addressed the issue identified.

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 oinotice_ndaa5274@usaid.gov.