



MEMORANDUM

DATE: June 8, 2018

TO: USAID/Management/Office of Acquisition and Assistance/Cost, Audit and Support Division, Branch Chief, David A. McNeil

FROM: Director of External Financial Audits, Abdoulaye Gueye /s/

SUBJECT: Examination of Costs Claimed for Carana Corporation for the Fiscal Year Ended December 31, 2013 (3-000-18-038-1)

This memorandum transmits the final audit report on the examination of costs claimed for Carana Corporation (CC) incurred cost proposal (ICP) for the fiscal year (FY) ended December 31, 2013. The U.S. Agency for International Development (USAID) Office of Acquisition and Assistance, Cost, Audit, and Support Division contracted with Kearney & Company to conduct the audit. The contract required Kearney & Company to perform the audit in accordance with generally accepted government auditing standards.

Kearney & Company states that it performed its audit in accordance with generally accepted government auditing standards. Kearney & Company is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on CC's ICP submitted for December 31, 2013, as well as, management's assertions over the allowability of the incurred costs as reported in the ICP.¹

The objective of this examination was to express an opinion on whether the costs claimed by CC on in-scope contracts and subcontracts for the FY ended December 31, 2013 are allowable, allocable, and reasonable in accordance with contract terms; Part 31 of the Federal Acquisition Regulation (FAR); Agency for International Development Acquisition Regulations (AIDAR), Department of State Standardized Regulations (DSSR), and 2 Code of Federal Regulation (CFR) 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, as applicable. To answer the objective, Kearney & Company designed its testing procedures to evaluate the internal control environment surrounding CC's subcontract management process and verify that adequate coverage for monitoring subcontractor costs existed over CC's claimed incurred costs related to subcontractor billings. Its examination also included evaluating the claimed costs reported in the ICP for compliance with the applicable requirements contained in the FAR, AIDAR, DSSR and other specific contract provisions. Providing an opinion on compliance with specific provisions was not an objective of its examination; accordingly, Kearney & Company did not express such an opinion. Kearney &

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.

Company audited \$24,731,807 of CC's incurred costs for the fiscal year ended December 31, 2013.

Kearney & Company expressed an unmodified opinion that costs claimed by CC on in-scope contracts and subcontracts for the FY ended December 31, 2013 are allowable, allocable, and reasonable in accordance with contract terms; Part 31 of the FAR; AIDAR; DSSR; and 2 CFR 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, as applicable. Kearney & Company did not render an opinion on the effectiveness of the contractor's accounting systems and related internal controls. Kearney & Company's examination did not disclose any findings that are required to be reported under *Government Auditing Standards*. Kearney & Company questioned unsupported direct costs of \$19,680 and \$46,549 in indirect costs composed of \$33,795 in fringe pool costs, \$4,968 in overhead pool costs, and \$7,786 in G&A pool costs.

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

Recommendation I.

Determine the allowability of \$19,680 in USAID unsupported direct questioned costs and recover any amount that is unallowable detailed on pages I, II, and 12 of the audit report.

We ask that you provide your written notification of actions planned or taken to reach a management decision. We appreciate the assistance extended to audit staff during the engagement.

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").

If you have any questions related to this report, please contact Steve Shea, Assistant Director, at (202) 712-1386 or sshea@usaid.gov.

Attachment: As stated

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