



MEMORANDUM

DATE: July 26, 2018

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

FROM: Acting Director of External Financial Audits, Steven Shea /s/

SUBJECT: Examination of Home Office Incurred Costs for The Louis Berger Group, Inc. for the Two Fiscal Years Ended June 30, 2010 (3-000-18-044-I)

This memorandum transmits the final report on the examination of home office incurred costs for The Louis Berger Group, Inc. (LBGI) for the fiscal years (FY) ended June 30, 2009 and 2010. 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 examination. The contract required Kearney & Company to perform the examination in accordance with attestation standards established by the American Institute of Certified Public Accountants (AICPA) and the standards applicable to attestation engagements contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Kearney & Company states that it performed its examination in accordance with attestation standards established by the AICPA and the standards applicable to attestation engagements contained in Government Auditing Standards, issued by the Comptroller General of the United States. Kearney & Company is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on whether LBGI's claimed cost allocations to subsidiaries and/or segments who subsequently claimed those allocations against Government contracts and/or subcontracts for each of the FYs ended June 30, 2009 and June 30, 2010 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 Regulations (CFR) 200, *Uniform Administrative Requirements Cost Principles and Audit Requirements for Federal Awards*.¹

The objectives of the examination was to express an opinion on whether LBGI's claimed cost allocations to subsidiaries and/or segments who subsequently claimed those allocations against Government contracts and/or subcontracts are allowable, allocable, and reasonable in accordance with Part 31 of the FAR; AIDAR; DSSR; and 2 CFR 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, as applicable. To answer the objective, Kearney & Company examined LBGI's claimed cost allocations to subsidiaries and/or segments who subsequently claimed those allocations against Government contracts and/or subcontracts for the FYs ended June 30, 2009

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.

and June 30, 2010. Kearney & Company's examination also focused on LBGI's Nation Building (NB) and Integrated Development (ID) segments as those segments held government contracts and subcontracts in FYs 2009 and 2010. The remaining subsidiaries and segments presented by LBGI did not hold government contracts and subcontracts during those FYs and Kearney & Company excluded from the scope of its examination any costs that were allocated solely to the remaining subsidiaries and segments. Kearney & Company's examination did not include procedures over the extent to which LBGI's NB and ID segments subsequently applied home office allocations to government contracts and subcontracts. Its examination also included evaluating the allocated costs claimed 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 & Company audited \$64,953,815 of LBGI's home office costs of which \$21,900,410 represented USAID's audited cost.

Kearney & Company expressed an unmodified opinion that LBGI's claimed cost allocations to subsidiaries and/or segments who subsequently claimed those allocations against government contracts and/or subcontracts for FYs 2009 and 2010 are allowable, allocable, and reasonable in accordance with 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. The auditor's examination did not disclose any findings that are required to be reported under *Government Auditing Standards*. Kearney & Company did not question any directly allocated costs. Kearney & Company questioned \$40,462 of indirectly allocated costs, of which \$19,463 was allocated to the LBGI's NB and ID segments.

OIG does not routinely distribute independent public accounting reports beyond the immediate addresses 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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