



MEMORANDUM

DATE: April 23, 2019

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

FROM: Deputy Assistant Inspector General for Audits, Alvin Brown/s/

SUBJECT: Report on the Examination of Costs Claimed by EnCompass LLC for the Year Ended December 31, 2015 (3-000-19-016-I)

This memorandum transmits the final examination report of costs claimed for EnCompass LLC's incurred cost proposal (ICP) for the fiscal year (FY) ended December 31, 2015. 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.

The audit firm states that it performed its 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 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 EnCompass LLC's costs claimed in the ICP submitted for December 31, 2015.¹

The objective of the examination was to express an opinion on whether the costs claimed by EnCompass LLC on in-scope contracts and subcontracts for the FY ended December 31, 2015 are allowable, allocable, and reasonable in accordance with award terms; Part 31 of the Federal Acquisition Regulation (FAR), the Agency for International Development Acquisition Regulations (AIDAR), the 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*, as applicable. To answer the objective, Kearney & Company designed its testing procedures to evaluate the internal control environment surrounding

¹We 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.

EnCompass LLC's subcontract management process and verify that adequate controls for monitoring subcontractor costs existed over Encompass LLC's claimed incurred costs. The audit firm's 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. Kearney & Company audited \$1,674,948 of EnCompass LLC's incurred costs for the year ended December 31, 2015.

The audit firm expressed an unmodified opinion that costs claimed by EnCompass LLC on in-scope awards and subawards for the year ended December 31, 2015 are allowable, allocable, and reasonable in accordance with contract terms; Part 31 of the FAR; AIDAR; DSSR; and 2CFR 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, as applicable. Kearney & Company questioned \$2,200 in unsupported direct costs. Since the questioned costs did not meet the Office of Inspector General's (OIG) established threshold of \$25,000 for making a recommendation, we are not making a recommendation. Nevertheless, we suggest that USAID's Office of Acquisition and Assistance determine the allowability of the \$2,200 in questioned costs and recover any amount determined to be unallowable.

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").