MEMORANDUM

DATE: July 10, 2019

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

FROM: Acting Director for External Financial Audit Division, Steve Shea /s/

SUBJECT: Independent Accountant's Report of International Relief and Development Incurred Cost Audit for the Years Ending December 31, 2009, 2011, 2012, 2013, and 2014 (3-000-19-031-I)

This memorandum transmits the final report on audit of costs claimed for International Relief and Development, Inc. (IRD) on in-scope awards for the fiscal years (FY) ended December 31, 2009, 2011, 2012, 2013, and 2014. The U.S. Agency for International Development (USAID) Office of Acquisition and Assistance, Cost, Audit, and Support Division contracted with the independent certified public accounting firm, Hamilton Enterprises, LLC to conduct the audit. The audit firm stated that the contract required the audit firm to perform the audit in accordance with generally accepted government auditing standards.

The audit firm states that it performed its audit in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in generally accepted government auditing standards. The audit firm is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on whether costs claimed on in-scope awards for each FY is allowable, allocable, and reasonable in accordance with 2 Code of Federal Regulations (CFR) Parts 226, 230, the Agency for International Development Acquisition Regulation (AIDAR), Department of State Standard Travel Regulations (DSSR), the Federal Acquisition Regulation (FAR) Part 31, and award terms[1].

The objective of the audit was to determine the allowability, allocability, and reasonableness of the incurred costs charged to awards for fiscal year ending December 31, 2009, and fiscal years ending December 31, 2011 through

[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 examination 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 examination performed.

December 31, 2014. To answer the audit objective, the audit firm evaluated the incurred costs using the applicable requirements contained in: 22 CFR Part 226—Administration of Assistance Awards to U.S. Non-Governmental Organizations; 2 CFR Part 230—Cost Principles for Nonprofit Organizations; AIDAR; DSSR; FAR Part 31; and award terms. The audit firm examined $332,576,804 of USAID's incurred costs for the FYs ended December 31, 2009, 2011, 2012, 2013, and 2014.

The audit firm stated that in its opinion, the incurred costs claimed by IRD on in-scope awards for the FYs ended December 31, 2009, 2011, 2012, 2013, and 2014 are not allocable, allowable, and reasonable, in all material respects. In addition, the audit firm did not express an opinion on the effectiveness of internal control. The audit firm questioned $4,407,986 in direct costs ($49,945 ineligible, $4,358,041 unsupported). The audit firm also questioned $4,718,948 in indirect cost pools composed of $4,479,912 in overhead pool and $239,036 in fringe benefit pool costs.

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

Recommendation 1. Determine the allowability of $4,407,986 in direct questioned costs ($49,945 ineligible, $4,358,041 unsupported) on pages 2, and12 through 30 of the report, and recover any amount that is unallowable.

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").