



## MEMORANDUM

**DATE:** August 13, 2019

**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 Division, Steven Shea/s/

**SUBJECT:** Performance Audit Over the Adequacy of Mendez England & Associates' Accounting System Administration (3-000-19-040-1)

This memorandum transmits the final audit report on the adequacy of the accounting system administration for Mendez England & Associates (ME&A). The U.S. Agency for International Development's (USAID) Office of Acquisition and Assistance, Cost, Audit and Support Division contracted with the independent certified public accounting firm Kearney & Company, P.C. 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 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 the adequacy of ME&A's accounting system; the effectiveness of its internal controls; or its compliance with applicable Federal laws and regulations.<sup>1</sup>

The audit objectives were to conclude on whether ME&A has established an adequate accounting system and determine whether ME&A's accounting system (1) adequately accumulates, segregates, and identifies costs under U.S. Government awards; and (2) allows for the proper differentiation between direct costs, indirect costs, and unallowable costs in compliance with applicable government regulations. To answer the audit objectives, the audit firm assessed the design of ME&A's policies and key internal controls relating to the accounting system criteria; tested the implementation of ME&A's policies and key internal controls; and concluded on the adequacy of the accounting system as a result of audit procedures performed

---

<sup>1</sup> 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 within the context of the audit objectives, from April 2018 to January 2019.

The audit firm concluded that ME&A's accounting system does not adequately accumulate, segregate, and identify costs under U.S. Government awards, and does not adequately allow for the proper differentiation between direct costs, indirect costs, and unallowable costs in compliance with applicable government regulations and benchmarks. The audit firm noted one material weakness related to lack of supporting documentation, document reviews and approvals. Although we are not making a recommendation for the significant deficiency noted in the report, we suggest that USAID's Office of Acquisition and Assistance, Cost, Audit and Support Division determine if the recipient addressed the issue noted.

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

**Recommendation I.** Verify that Mendez England & Associates corrects Finding #1 detailed on pages 7 through 9 of the audit report.

We ask that you provide your written notification of actions planned or taken to reach management decision. We appreciate the assistance extended 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").