



## MEMORANDUM

**DATE:** February 6, 2020

**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, Steve Shea/s/

**SUBJECT:** Examination of Costs Claimed for Kimetrica, LLC for the Fiscal Years Ended December 31, 2011, 2012 and 2013 (3-000-20-012-1)

This memorandum transmits the final report on the examination of costs claimed for the Kimetrica, LLC (Kimetrica) on in-scope awards and subawards for the fiscal years (FY) ended December 31, 2011, 2012, and 2013. 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 Kearney & Company, P.C. (Kearney) to conduct the audit in accordance with generally accepted government auditing standards, to determine whether costs claimed are allowable, allocable, and reasonable in accordance with award terms; Part 31 of the Federal Acquisition Regulation (FAR); Agency for International Development Acquisition Regulation (AIDAR); Department of State Standardized Regulation (DSSR); and 2 Code of Federal Regulations (CFR) 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, as applicable. Kearney stated that it performed its examination 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. Kearney is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on whether costs claimed by Kimetrica on in-scope awards and subawards for the FY's ended December 31, 2011, 2012, and 2013 are allowable, allocable, and reasonable in accordance with awards 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.<sup>1</sup>

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<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 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.

The examination's objective was to express an opinion on whether the costs claimed by Kimetrica on in-scope awards and subawards for each of the years ended December 31, 2011, 2012, and 2013 are allowable, allocable, and reasonable in accordance with award 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. To answer the examination's objective, Kearney designed its testing procedures to evaluate the internal control environment surrounding Kimetrica's subcontract management process and to determine whether Kimetrica had adequate controls in place for monitoring subcontract costs. Its examination included performing a reconciliation between the adjusted total cost booked to date and the cumulative amount billed by award or subaward, for each of the FY's ended December 31, 2011, 2012, and 2013 and evaluating claimed costs reported in Kimetrica's incurred cost proposals for compliance with applicable requirements contained in the FAR, AIDAR, DSSR, and other specific contract provisions. Kearney examined USAID's incurred costs of \$2,690,802 for the FY's December 31, 2011, 2012, and 2013.

Kearney expressed an adverse opinion to convey that costs claimed by Kimetrica on in-scope awards and subawards for the FY's ended December 31, 2011, 2012, and 2013 are not allowable, allocable, and reasonable in accordance with award 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, in all material respects. Kearney reported three significant deficiencies, and instances of non-compliance with federal guidance and regulations applicable to FY's 2011, 2012, and 2013, relating to insufficient documentation in support of costs claimed in its incurred costs proposal. Kearney questioned USAID's direct questioned costs of \$24,301 (\$24,301 unsupported). Kearney questioned \$201,162 in indirect costs composed of G&A pool costs of \$114,875; overhead pool costs of \$59,016; and fringe pool costs of \$27,271. Since the direct questioned costs did not meet the OIG's established threshold of \$25,000 for making recommendation, we are not making a recommendation. Nevertheless, we suggest that the USAID's Office of Acquisition and Assistance Cost, Audit and Support Division determine the allowability of the \$24,301 in direct questioned costs and recover any amount determined to be unallowable. In addition, although we are not making a recommendation for the significant deficiencies and instances of noncompliance 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 issues noted.

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").