



MEMORANDUM

DATE: April 16, 2020

TO: USAID/Management/Office of Acquisition and Assistance, Cost, Audit and Support Division, Acting Supervisory Auditor, Eleanor C. Jefferson

FROM: Director of External Financial Audits Division (IG/A/EFA), David A. McNeil /s/

SUBJECT: Examination of Panagora Group, LLC's Indirect Cost Rate Proposals and Related Books and Records for Reimbursement for the Three Fiscal Years Ended December 31, 2014, 2015, and 2016 (3-000-20-023-I)

This memorandum transmits the final audit report on the examination of indirect cost rate proposals and related books and records for reimbursement of Panagora Group, LLC (Panagora) for the fiscal years (FY) ended December 31, 2014, December 31, 2015 and December 31, 2016. 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 Booth Management Consulting, LLC (BMC) to conduct the audit. The audit firm 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. The audit firm is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on the allowability, allocability, and reasonableness in accordance with contract terms; Part 31 of Federal Acquisition Regulation (FAR); Agency for International Development Acquisition Regulations (AIDAR); Department of State Standardized Regulations (DSSR); and 2 Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, of the direct and indirect costs claimed in the certified final indirect cost rate proposals for awards, in the three FYs ended December 31, 2014, December 31, 2015 and December 31, 2016 by Panagora.¹

The objective of this examination was to express an opinion on whether the costs claimed by Panagora's in-scope contracts and subcontracts for the three FYs ended December 31, 2014, December 31, 2015 and December 31, 2016 are allowable, allocable, and reasonable in

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.

accordance with contract 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 objective, BMC evaluated the contractor's internal controls, assessed control risk, and determined the extent of audit testing needed based on the control risk assessment; examined, on a test basis, evidence supporting the amounts and disclosures in the data and records evaluated; assessed the accounting principles used and significant estimates made by the contractor; and evaluated the overall data and records presentation. Testing covered direct labor cost, direct travel cost, other direct costs, indirect labor cost, overhead costs, general and administrative expenses, and direct subcontracts. Additionally, as directed by the USAID contract with BMC, testing covered the following special audit requirements for expenses of specific concern to USAID: consultants, subcontractors, staff and consultant limitations, and Buy-American requirements. BMC's examination included evaluating the contractor's indirect cost allocation bases for equity and consistency with generally accepted accounting principles, and AIDAR, where applicable, including verifying that the bases properly: (1) reflected the appropriate cost accounting period; and (2) allocated indirect cost to final cost objectives commensurate with the benefits received. The audit firm determined that the allocation bases were equitable and reasonable for allocating costs to contracts based on benefits received. The audit firm examined USAID incurred costs of \$1,374,177 for the three FYs ended December 31, 2016 – respectively, \$228,110, \$241,327, and \$904,740, for FY2014, FY2015, and FY2016.

The audit firm expressed an unqualified opinion that costs claimed by Panagora's in-scope contracts and subcontracts for the three FYs ended December 31, 2014, December 31, 2015, and December 31, 2016 are allowable, allocable, and reasonable in accordance with contract 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. However, BMC identified an internal control deficiency – which it did not consider significant – due to lack of proper approval of certain transactions, detailed as Reportable Finding #1 on pages 11 and 12 of the audit report. Although we are not making a recommendation, we suggest that USAID's Office of Acquisition and Assistance Cost, Audit and Support Division determine if Panagora addressed the issue noted. The audit firm did not question any costs.

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").