



MEMORANDUM

DATE: August 20, 2020

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

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

SUBJECT: Examination of Costs Claimed by MacFadden & Associates, Inc. for the Two Years Ended December 31, 2016 and 2017 (3-000-20-068-I)

This memorandum transmits the final report on MacFadden & Associates, Inc. (MacFadden) on in-scope awards and subawards for each of the years ended December 31, 2016 and 2017. 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 Brown & Company CPAs and Management Consultants, PLLC to conduct the examination. 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 whether the costs claimed by MacFadden on in-scope awards and subawards for the two years ended December 31, 2016 and 2017 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.¹

The examination objective was to express an opinion on whether the costs claimed by MacFadden on in-scope awards and subawards for each of the years ended December 31, 2016 and 2017 are allowable, allocable, and reasonable in accordance with award terms; Part 31 of

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.

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, the audit firm designed its testing procedures to evaluate the internal control environment surrounding MacFadden's subcontract management process and to determine whether MacFadden had adequate controls in place for monitoring subcontract costs. Its examination included performing a reconciliation between the adjusted total costs booked to date and the cumulative amount billed, by award or subaward, for the years ended December 31, 2016 and 2017, and reporting any over/under-billings. The audit firm examined USAID incurred costs of \$68,435,596 for the years ended December 31, 2016 and 2017.

The audit firm expressed an unmodified opinion that costs claimed by MacFadden on in-scope awards and subawards for the two years ended December 31, 2016 and 2017 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, in all material respects. The audit firm questioned USAID direct costs of \$7,948 (\$7,948 unsupported). The audit firm identified two significant deficiencies in internal control which are also considered as instances of noncompliance. Further, the audit firm questioned indirect costs of \$16,706 in Overhead Field Operations pool costs. Since the direct questioned costs did not meet the OIG's established threshold of \$25,000 for making a recommendation, we are not making a recommendation. Nevertheless, we suggest that USAID Office of Acquisition and Assistance, Cost, Audit and Support Division determine the allowability of the \$7,948 in direct questioned costs and recover any amount determined to be unallowable. In addition, although we are not making a recommendation for significant deficiencies or instances of noncompliance noted in the report, we suggest that the USAID Office of Acquisition and Assistance, Cost, Audit and Support Division determine if the contractor 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").