



## MEMORANDUM

**DATE:** June 10, 2021

**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 Palladium International, LLC for the Fiscal Years Ended June 30, 2016 and 2017 (3-000-21-041-1)

This memorandum transmits the final examination report on costs claimed by Palladium International, LLC (Palladium) on in-scope contracts and subcontracts for the fiscal years ended June 30, 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 of Booth Management Consulting, LLC (BMC) 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 costs claimed by Palladium on in-scope contracts and subcontracts for the fiscal years ended June 30, 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.<sup>1</sup>

The examination's objective was to express an opinion on whether the costs claimed by Palladium on in-scope contracts and subcontracts for the fiscal years ended June 30, 2016 and 2017 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. To answer the examination's objective, BMC designed its testing procedures to evaluate the internal control environment surrounding Palladium's subcontract management process and to verify that Palladium had adequate controls in place for monitoring subcontractor costs. Its examination included the reconciliation of the

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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 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.

adjusted total costs booked to date and the cumulative amount billed, by contract or subcontract, and reporting any over/under-billings. The audit firm examined USAID incurred costs of \$137,223,064 for the two years ended June 30, 2016 and 2017.

BMC expressed a qualified opinion due to inadequate supporting documentation for transactions selected for testing. According to BMC, due to the possible effects of these matters, costs claimed by Palladium on in-scope contracts and subcontracts for the FYs 2016 and 2017 are not acceptable, in accordance with contract terms; Part 31 of the FAR; AIDAR; DSSR; and 2 CFR 200, *Uniform Administrative Requirements, Cost Principles, and Examination Requirements for Federal Awards*, as applicable, in all material respects. The audit firm identified \$389,803 in total direct questioned costs (\$389,803 unsupported) applicable to USAID. BMC also identified indirect questioned costs of \$768,045 composed of \$650,047 in Fringe, \$21,784 in Over Head Home, \$12,106 in Over Head Client and \$84,108 in General & Administrative costs. The audit firm's examination disclosed one finding that is required to be reported under government auditing standards. Finding #1 is a material weakness for insufficient supporting documentation for journal entries.

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 \$389,803 in total direct questioned costs (\$389,803 unsupported) on pages 5, through 7, and 53 through 61 of the report and recover any amount that is unallowable.

**Recommendation 2.** Verify that Palladium International, LLC corrects the material weakness in internal control detailed on pages 2 and 16 of the audit report.

We ask that you provide your written notification of actions planned or taken to reach a management decision.

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