



OFFICE OF INSPECTOR GENERAL U.S. Agency for International Development

MEMORANDUM

DATE: September 19, 2024

TO: Sheree F. Marshall
Supervisory Auditor
USAID/Bureau for Management/Office of Acquisition and Assistance/Cost, Audit and Support Division, Contract Audit Management Branch

FROM: David A. McNeil /s/
Director
External Financial Audits Division

SUBJECT: Audit of Incurred Costs for Nathan Associates, Inc., for Fiscal Years Ended December 31, 2020, and 2021 (3-000-24-058-I)

This memorandum transmits the final audit report on incurred costs submission (ICS) for Nathan Associates, Inc., for Fiscal Years (FY) ended December 31, 2020, and 2021. The U.S. Agency for International Development (USAID) Office of Acquisition and Assistance, Cost, Audit and Support Division, Contract Audit Management Branch contracted with the independent certified public accounting firm of Tichenor & Associates, LLP, (Tichenor) to conduct the audit. Tichenor stated that it performed its audit in accordance with government auditing standards issued by the Comptroller General of United States. Tichenor is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on whether costs claimed by Nathan Associates, Inc., in its FYs 2020 and 2021 ICSs are accurate, allowable, allocable, and reasonable in accordance with contract terms and applicable Government acquisition regulations.¹

Tichenor's audit objectives were to test Nathan Associates, Inc.'s, FYs 2020 and 2021 ICSs as per the Federal Acquisition Regulation (FAR), USAID Acquisition Regulation (AIDAR), 2 CFR 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, Federal Travel Regulations, the Department of State Standard Travel Regulations (DSSR), Buy-American requirements, and U.S. Government contract/award terms. To answer the audit's objectives, Tichenor (1) reviewed Nathan Associates, Inc.'s FYs 2020 and 2021 ICSs and reconciled them to the general ledger; (2) reviewed applicable rules, regulations, and

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.

guidance; (3) reviewed Nathan Associates, Inc.'s policies and procedures regarding claimed direct and indirect costs; (4) examined, on a test basis, evidence supporting the amounts and disclosures in Nathan Associates, Inc.'s data and records evaluated; (5) assessed the accounting principles used and significant estimates made by Nathan Associates, Inc.; and (6) obtained an understanding of the Nathan Associates, Inc.'s internal controls, assessed control risk, and determined the extent of examination testing needed based on the control risk assessment. Tichenor examined USAID allowable costs of \$27,792,100 for FY 2020 and \$31,700,227 for FY 2021.

Tichenor concluded that Nathan Associates, Inc., prepared its FYs 2020 and FY 2021 ICSs in accordance with applicable Government acquisition regulations of the FAR, the AIDAR, and the DSSR regarding accuracy, allowability, allocability, and reasonableness of incurred costs and is appropriate for the Contracting Officer's use in executing the finalization of allowable costs and indirect rates for the fiscal years under review. Tichenor's procedures resulted in no questioned costs or adjustments to the proposed direct and indirect amounts for contract reimbursement on select unsettled flexibly priced contracts in Nathan Associates, Inc.'s. ICSs for the periods of January 1, 2020, through December 31, 2020, and January 1, 2021, through December 31, 2021. Tichenor did, however, report one material weaknesses in internal control pertaining to Nathan Associates, Inc., inadequately preparing and reviewing its FY 2020 and FY 2021 ICSs, against which no questioned costs were associated.

To address the one reported internal control material weakness in the report, we recommend that USAID/Bureau for Management/Office of Acquisition and Assistance/Cost, Audit and Support Division, Contract Audit Management Branch:

Recommendation 1. Verify that Nathan Associates, Inc., corrects the one reported material weakness in internal control detailed on pages 8 and 9 of the audit report.

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

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"). In addition, USAID OIG has determined that this transmittal memo and the enclosed report are not subject to notification and reporting requirements under Section 5274 of the National Defense Authorization Act.²

² The James M. Inhofe National Defense Authorization Act for Fiscal Year 2023 Pub. L. No. 117-263, § 5274. Please direct related inquiries to oinotice_ndaa5274@usaid.gov.