

TITLE: CIB 97-8Organizational Conflict of Interest - Barents Group, LLC

March 18, 1997

MEMORANDUM FOR ALL CONTRACTING OFFICERS AND NEGOTIATORS

FROM: M/OP/OD, Marcus L. Stevenson, Procurement Executive

SUBJECT: Organizational Conflict of Interest - Barents Group, LLC

CONTRACT INFORMATION BULLETIN 97 - 8

Barents Group, LLC, has become successor in interest to KPMG Peat Marwick, Policy Economics Group (PEG) and a subsidiary of KPMG. Although a novation agreement has been processed to recognize Barents as a separate entity, the two firms share office space and staff, depending on the task involved. Both are located at 2001 M St. NW, Washington, DC 20036.

Based on a review conducted by OP/PS/OCC while processing the novation agreement, we believe that close organizational relationships still exist between Barents, the parent, and other US-based KPMG partnerships. Although Barents engages in consulting and technical assistance services, its association with the rest of KPMG could create the audit/consult conflict of interest situation described in CIB 94-2. Therefore, Barents Group, LLC and KPMG are to be considered as one firm for OCI determination purposes.

OP/PS/OCC has discussed these concerns with KPMG and Barents, and subsequently KPMG has elected not to pursue future USAID auditing contracts.

Many KPMG offices outside the United States are affiliated with the KPMG U.S. partnerships in name only. If you determine that a KPMG firm located overseas is not owned or controlled by KPMG in the U.S., the overseas organization would not be restricted by OCI limitations which would apply to Barents or KPMG in the U.S.