



OFFICE OF INSPECTOR GENERAL

U.S. Agency for International Development

MEMORANDUM

DATE: January 14, 2022

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: Audit of International Business Initiative Corporation's Proposed Amounts on Unsettled Flexibly Priced Contracts for Fiscal Year 2018 (3-000-22-005-D)

This memorandum transmits the final audit report on International Business Initiative Corporation's (IBI) claimed costs for reimbursement on unsettled flexibly priced contracts with the U.S. Agency for International Development (USAID) for fiscal year (FY) 2018. USAID's Office of Acquisition and Assistance, Cost, Audit, and Support Division contracted with the Defense Contract Audit Agency (DCAA) to conduct the audit. The audit agency stated that it performed its audit in accordance with generally accepted government auditing standards. DCAA is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on whether IBI's proposed amounts on unsettled flexibly priced contracts comply, in all material respects, with contract terms pertaining to accumulating and billing incurred amounts.¹

The objective of this audit was to express an opinion on whether IBI's proposed amounts for reimbursement on unsettled flexibly priced USAID contracts, contained in its FY 2018 final indirect rate proposals, submitted April 26, 2019, comply with contract terms pertaining to accumulating and billing incurred amounts. To answer this objective DCAA planned and performed its audit in accordance with generally accepted government auditing standards to obtain reasonable assurance on whether IBI's proposed amounts materially comply with the criteria cited above. USAID's audited direct costs were \$2,895,428 in total for fiscal year 2018.

DCAA expressed a qualified opinion because their audit (1) disclosed proposed amounts that did not materially comply with contract terms pertaining to accumulating and billing incurred amounts, and (2) encountered scope limitations on their ability to complete certain procedures determined necessary to complete the scope of the audit. These procedures include (a) reliance on scanned supporting documents, and (b) real-time labor testing. DCAA stated that except for the effects of noncompliance described below, that they might have identified had

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.

they completed the procedures discussed in the scope limitations, IBI's proposed amounts on unsettled flexibly priced contracts for FY 2018 comply, in all material respects, with contract terms pertaining to accumulating incurred amounts. The audit report disclosed two instances of material noncompliance:

- Unallowable overhead expenses and related fringe benefits,
- Unallowable direct labor costs.

DCAA questioned \$2,188 in direct questioned costs and \$232,182 in indirect costs from the overhead pool, in total for the fiscal year examined.

Since the 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 determine the allowability of the \$2,188 in questioned direct costs and recover any amount determined to be unallowable.

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").