



## MEMORANDUM

**DATE:** June 12, 2019

**TO:** USAID/Management/Office of Acquisition and Assistance/Cost, Audit and Support Division, Branch Chief, David A. McNeil

**FROM:** Acting Director of External Financial Audit Division, Steve Shea /s/

**SUBJECT:** Independent Audit of Financial Markets International, Inc.'s Proposed Amounts on Unsettled Flexibly Priced Contracts for the Three Fiscal Years Ended December 31, 2016 (3-000-19-004-D)

This memorandum transmits the final report on Financial Markets International, Inc.'s (FMI) proposed amounts on unsettled flexibly priced contracts for the fiscal years (FY) ended December 31, 2014 through 2016.

The Defense Contract Audit Agency (DCAA) stated that it performed this 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 FMI's proposed amounts on unsettled flexibly priced contracts comply, in all material respects with contract terms pertaining to accumulating and billing incurred amounts for FYs 2014 through 2016.<sup>1</sup>

The objective of this audit was to express an opinion on FMI's proposed direct and indirect amounts for contract reimbursement on unsettled flexibly priced contracts contained in its FY's 2014 through 2016 final indirect rate proposal submitted on July 31, 2015, September 8, 2017, and September 13, 2017 respectively to determine if the proposed amounts comply with contract terms pertaining to accumulating and billing incurred amounts. DCAA audited \$4,081,793 of FMI's costs for FYs 2014 through 2016.

DCAA expressed a qualified opinion due to: (a) a material instance of noncompliance due to unreasonable labor compensation identified as questioned costs of \$74,866 in the contractor's claimed overhead pool (indirect costs) for FY 2014 and (b) a scope limitation on DCAA performing real time testing of proposed labor costs. DCAA stated that, in its opinion, except

---

<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.

for the effects of the noncompliances described above and the effects of additional noncompliances, if any, that it might have identified had it completed the procedures discussed in the scope limitation above, FMI's proposed amounts on unsettled flexibly priced contracts comply, in all material respects, with contract terms pertaining to accumulating and billing incurred amounts.

To address the issue related to material noncompliance, we recommend that USAID's Office of Acquisition and Assistance, Cost, Audit and Support Division:

**Recommendation I:** Verify that Financial Markets International, Inc. corrects the material instance of noncompliance detailed on page 2 of the audit report.

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