



MEMORANDUM

DATE: July 28, 2020

TO: USAID/Management/Office of Acquisition and Assistance/Cost Audit and Support Division, Acting Supervisory Auditor, Eleanor C. Jefferson

FROM: Director of External Financial Audit Division (IG/A/EFA), David A. McNeil /s/

SUBJECT: Examination of Arcadia Bioscience, Inc. Indirect Cost Rate Proposals and Related Books and Records for the Fiscal Years Ended December 31, 2016 and 2017 (3-000-20-061-I)

This memorandum transmits the final report on Arcadia Bioscience, Inc. (Arcadia) on in-scope contracts and subcontracts for the fiscal years ended December 31, 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 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 Arcadia on in-scope contracts and subcontracts for fiscal years ended December 31, 2016 and 2017 are allowable, allocable and reasonable in accordance with contract 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.¹

The examination's objective was to express an opinion on whether the costs claimed by Arcadia on in-scope contracts and subcontracts for fiscal years ended December 31, 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, Booth Management Consulting, LLC designed its testing procedures to evaluate the internal control environment surrounding Arcadia's subcontract management process and to verify that Arcadia

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.

had adequate controls in place for monitoring subcontractor costs. Its examination included the reconciliation of the adjusted total costs booked to date and the cumulative amount billed, by contract and reporting any over/under-billings. The audit firm examined USAID incurred costs of \$3,174,249 for the fiscal years ended December 31, 2016 and 2017.

Booth Management Consulting, LLC expressed a qualified opinion because the examination disclosed submitted amounts that did not materially comply with contract terms pertaining to accumulating and billing incurred amounts. The audit firm stated that in their opinion, except for the instances of non-compliance described below, Arcadia's FYs 2016 and 2017 submitted amounts on unsettled flexibly-priced contracts comply, in all material respects, with contract terms pertaining to accumulating and billing incurred amounts. The audit firm questioned USAID direct questioned costs of \$3,345 (\$3,345 unsupported). Booth Management Consulting, LLC also questioned indirect costs of \$99,499, in overhead pool costs. Since the direct 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's Office of Acquisition and Assistance Cost, Audit and Support Division determine the allowability of the \$3,345 in direct questioned costs and recover any amount determined to be unallowable. Booth Management Consulting, LLC's examination did not disclose any findings that are required to be reported under government auditing standards.

We appreciate the assistance extended during the engagement.

OIG does not routinely distribute independent public accounting reports beyond the immediate addresses 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").