



MEMORANDUM

DATE: April 16, 2020

TO: Eleanor C. Jefferson, Acting Supervisory Auditor, M/OAA/CAS/CAM

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

SUBJECT: Examination of Costs Claimed for International Business Initiatives Corporation for the Three Fiscal Years Ended December 31, 2015 (3-000-20-021-I)

This memorandum transmits the final examination report on the examination of costs claimed for International Business Initiatives Corporation (IBI) on in-scope awards and sub awards for each of the fiscal years ended December 31, 2013, 2014, and 2015. 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 Kearney & Company P.C. (Kearney & Company) to perform the examination in accordance with generally accepted government auditing standards and to determine whether costs claimed are allowable, allocable, and reasonable in accordance with award 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. The audit firm states that it conducted 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 that costs claimed by IBI on in-scope awards and sub-awards for the years ended December 31, 2013, 2014, and 2015 are allowable, allocable, and reasonable in accordance with award 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, in all material respects.¹

The examination's objective was to express an opinion on whether the cost claimed by IBI on in-scope awards and subawards for each of the years ended December 31, 2013, 2014, and 2015 are allowable, allocable and reasonable in accordance with contract terms; Part 31 of FAR;

¹We 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.

AIDAR; DSSR; and 2 CFR 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, as applicable. To answer the objective, Kearney & Company designed its testing procedures to evaluate the internal control environment surrounding IBI's subcontract management process and to determine whether IBI had adequate controls in place for monitoring subcontract costs. The audit firm also obtained an understanding of internal controls, assessed control risk, and determined the extent of testing needed based on the control risk assessment. The audit firm audited \$35,401,367 of IBI's incurred costs for the three years ended December 31, 2013, 2014, and 2015.

Kearney & Company expressed a qualified opinion because it did not examine one subcontractor's costs for 2013, 2014, and 2015. The audit firm identified a scope limitation due to one subcontractor's costs which it did not examine for 2013, 2014, and 2015. These unexamined costs are claimed as subcontractor costs in IBI's incurred cost proposals; Kearney & Company was unable to quantify the exact effects of these unexamined costs on the subject matter as a whole but determined that the costs are material. Therefore, the audit firm's opinion is qualified because it was unable to quantify the potential impact of the unexamined burdened subcontractor costs on the subject matter as a whole. The audit firm did not question any direct costs or indirect pool costs. There were no findings in the report.

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").