



MEMORANDUM

DATE: May 19, 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: Independent Audit Report on Miyamoto International, Inc. Proposed Amounts on Unsettled Flexibly Priced USAID Agreements for Fiscal Year 2017 (3-000-20-010-D)

This memorandum transmits the final audit report on Miyamoto International, Inc.'s (MII) proposed direct amounts for the U.S. Agency for International Development (USAID) agreement reimbursement on unsettled flexibly priced agreements contained in its incurred cost proposal submitted on December 7, 2018. The USAID Office of Acquisition and Assistance, Cost, Audit, and Support Division contracted with the Defense Contract Audit Agency (DCAA) to conduct the audit. DCAA stated that they conducted their 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 MII's proposed amounts on unsettled flexibly priced agreements comply with agreement terms pertaining to accumulating and billing incurred amounts.¹

The objective of this audit was to express an opinion on whether MII's proposed direct amounts for agreement reimbursement on unsettled flexibly priced agreements contained in its incurred cost proposal submitted on December 7, 2018, comply with agreement terms pertaining to accumulating and billing incurred amounts. To answer this objective, DCAA planned and performed an audit in accordance with generally accepted government auditing standards to obtain reasonable assurance on whether MII's proposed direct amounts for agreement reimbursement materially comply with agreement terms. USAID's audited direct costs were \$1,114,581 for FY 2017.

¹ We reviewed DCAA'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 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 review performed.

DCAA expressed a qualified opinion due to the scope limitations on their ability to perform real time procedures on proposed direct labor costs contained in MII's 2017 incurred cost proposal. As a result, DCAA's examination disclosed proposed amounts that did not materially comply with agreement terms. DCAA was unable to complete procedures considered necessary under the circumstances. DCAA stated that except for the scope limitations, MII's proposed amounts on unsettled flexibly priced agreements comply, in all material respects, with the agreement terms pertaining to accumulating and billing incurred amounts. The audit report disclosed an instance of material noncompliance, specifically concluding that MII did not comply with USAID agreement section 1.10 relating to the allowability of indirect costs. DCAA questioned \$174,328 in other direct questioned costs (\$174,328 ineligible,) applicable to USAID.

To address the issues identified in the report, we recommend that the USAID's Office of Acquisition and Assistance Cost, Audit and Support Division:

Recommendation 1. Determine the allowability of \$174,328 in ineligible other direct questioned costs on pages 3 and 6 through 8 of the report and recover any amount that is unallowable.

Recommendation 2. Verify that Miyamoto International, Inc. corrects the instance of material noncompliance detailed on page 3 of the audit report.

We ask that you provide your written notification of actions planned or taken to reach a management decision. We appreciate the assistance extended during the engagement.

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