



MEMORANDUM

DATE: May 21, 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 Audits Division (IG/A/EFA), David A. McNeil /s/

SUBJECT: Independent Audit of AMEX International, Inc.'s Proposed Amounts on Unsettled Flexibly Priced Contracts for Fiscal Years 2015, 2016 and 2017 (3-000-20-011-D)

This memorandum transmits the final audit report on AMEX International, Inc.'s (AMEX) certified indirect cost rate proposal and related books and records for the reimbursement of incurred costs for fiscal years (FY) 2015, 2016, and 2017. The U.S. Agency for International Development (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 it performed its audit in accordance with generally accepted government auditing standards. DCAA did not perform real-time testing of proposed labor costs for FYs 2015, 2016, and 2017, because the contractor could not provide timesheets for the pay periods selected. DCAA is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on whether AMEX'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 AMEX's proposed costs comply, in all material respects, with contract terms pertaining to accumulating and billing incurred amounts. To answer this objective DCAA performed procedures to obtain evidence on whether AMEX's proposed amounts materially comply with contract terms. USAID's audited direct costs were \$11,623,152 in total for all fiscal years 2015 through 2017.

DCAA expressed a qualified opinion because their audit (I) disclosed proposed amounts that did not materially comply with contract terms and the Federal Acquisition Regulation (FAR)

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.

31.201-2(d) pertaining to accumulating and billing incurred amounts, and (2) encountered a scope limitation due to their inability to perform real-time testing on proposed direct labor costs, a procedure DCAA considered necessary but could not perform under the circumstances. DCAA stated that except for the effects of the noncompliances described above, and the effects of the additional noncompliances, if any, that they might have identified had DCAA not been constrained by the scope limitation, AMEX's proposed amounts on unsettled USAID flexibly priced contracts for FYs 2015, 2016, and 2017 comply, in all material respects, with contract terms pertaining to accumulating and billing incurred amounts. The audit report disclosed two instances of material noncompliance, specifically concluding that AMEX did not comply with FAR 31.201-2(d), Determining Allowability, based on inadequate supporting documentation for (1) bonuses claimed, and (2) taxes claimed. As a result, DCAA questioned \$202,599 of proposed indirect costs in total, for all fiscal years examined composed of \$111,790 in fringe pool costs and \$90,809 in G&A pool costs.

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

Recommendation 1. Verify that AMEX International, Inc. corrects the two instances 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 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").