



MEMORANDUM

DATE: June 25, 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 for Steven Shea/s/

SUBJECT: Examination of Costs Claimed by Futures Group International, LLC for the Three Fiscal Years Ended June 30, 2015 (3-000-20-049-I)

This memorandum transmits the final report on Futures Group International, LLC (Futures) on in-scope contracts and subcontracts for each of the fiscal years ended June 30, 2013 (18 Months), 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 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 the costs claimed by Futures on in-scope contracts and subcontracts for the fiscal years ended June 30, 2013 (18 Months), 2014, and 2015 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, in all material respects.¹

The examination objective was to express an opinion on whether the costs claimed by Futures on in-scope contracts and subcontracts for the fiscal years ended June 30, 2013 (18 Months),

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.

2014, and 2015 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 objective, the audit firm designed its testing procedures to evaluate the internal control environment surrounding Futures' subcontract management process and to determine whether Future had adequate controls in place for monitoring subcontract costs. Its examination included performing a reconciliation of the adjusted total costs booked to date and the cumulative amount billed, by contract, for the fiscal years ended June 30, 2013 (18 Months), 2014, and 2015, and reporting any over/under-billings. The audit firm examined USAID incurred costs of \$428,227,922 for the fiscal years ended June 30, 2013 (18 Months), 2014, and 2015.

The audit firm expressed a qualified opinion because it identified a scope limitation related to Futures' claimed direct and indirect costs on the incurred cost proposal for fiscal years 2013, 2014, and 2015. The audit firm did not receive adequate supporting documentation for direct and indirect transactions selected for testing and determined that the effect on Futures' claimed costs resulting from the lack of supporting documentation is material. Therefore, the audit firm concluded costs claimed by Futures on in-scope contracts and subcontracts for the fiscal years ended June 30, 2013 (18 Months), 2014 and 2015 are not acceptable as proposed, in accordance with contract terms; Part 31 of the FAR; AIDAR; DSSR; and 2 CFR 200, *Uniform Administrative Requirements, Cost Principles, and Examination Requirements for Federal Awards*, as applicable, in all material respects. The audit firm questioned \$11,114,685 of USAID direct costs (\$11,114,685 unsupported). In addition, the audit firm questioned \$10,837,684 in total indirect costs composed of \$2,157,281 in fringe benefits, \$483,272 in overhead home, \$209,945 in overhead client, \$3,160,405 in General and Administrative, \$127,883 in subcontract material & handling, \$4,341,006 in facilities, and \$357,892 in information and technology pool costs. The audit firm did not note any instances of material noncompliance or material weaknesses that are required to be reported under generally accepted government auditing standards.

During our desk review, we noted a minor issue which the audit firm will need to address in future audit reports. We presented this issue in a memo to the Cost Audit and Support Division Director, dated June 25, 2020.

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

Recommendation 1. Determine the allowability of \$11,114,685 in questioned direct costs (\$11,114,685 unsupported) on pages 27 through 34 of the audit report and recover any amount that is unallowable.

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").