



MEMORANDUM

DATE: July 15, 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: Audit on International Business Initiatives Corp.'s Proposed Amounts on Unsettled Flexibly Priced Contracts for Fiscal Years 2016 and 2017
Report No. 3-000-20-016-D

This memorandum transmits the final report on the examined certified indirect cost proposal and related books and records for the reimbursement of the fiscal years (FY) 2016 and 2017's incurred costs of International Business Initiatives Corp. (IBI). IBI submitted its revised final indirect rate proposals for FYs 2016 and 2017 on November 2, 2018. The U.S. Agency for International Development's (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 this audit in accordance with generally accepted government auditing standards (GAGAS). DCAA is responsible for the enclosed report and the conclusions expressed in it. DCAA's examination did not provide a legal determination on IBI's compliance with contract terms. We do not express an opinion on whether IBI'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 examination was as to express an opinion on whether IBI's proposed amounts on unsettled flexibly priced contracts comply with contract terms pertaining to accumulating and billing incurred amounts. To answer the objective DCAA examined IBI's certified indirect cost proposal and related books and records for reimbursement of FYs 2016 and 2017 incurred costs submitted on November 2, 2018. DCAA audited \$16,079,061 of USAID's direct expenditures for the fiscal years ended 2016 and 2017.

DCAA expressed a qualified opinion because of the following scope limitations: (1) its inability

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.

to perform real-time testing on proposed direct labor costs, (2) the lack of a subcontractor assist audit preventing the final acceptance of this subcontractor's proposed costs in DCAA's final report; and (3) the lack of physical observation of IBI's accounting system reports and review of original records as supporting documentation due to all IBI's employees working from home because of the COVID-19 national emergency. As a result, DCAA had to rely on electronic copies of supporting documentation for direct and indirect costs sent via e-mail; thus, preventing it from performing all procedures that it originally deemed necessary. DCAA stated that except for the effects of the noncompliance, if any, that they might have identified had they completed the procedures discussed in the scope limitations above, IBI's proposed amounts on unsettled flexibly priced contracts comply, in all material respects, with contract terms pertaining to accumulating and billing incurred amounts for FYs 2016 and 2017.

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").