



MEMORANDUM

DATE: March 26, 2021

TO: USAID/Management/Office of Acquisition and Assistance/Cost, Audit and Support Division, Supervisory Auditor, Eleanor C. Jefferson

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

SUBJECT: Examination of Costs Claimed by Global Business Solutions, Inc. for Fiscal Years 2012, 2013, and 2014 (3-000-21-031-I)

This memorandum transmits the final report on the examination of costs claimed by Global Business Solutions, Inc. (GBSI) on in-scope contracts and subcontracts for the fiscal years ended December 31, 2012, 2013, and 2014. 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 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 GBSI on in-scope contracts and subcontracts for the fiscal years ended December 31, 2012, 2013, and 2014 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.¹

The examination's objective was to express an opinion on whether the costs claimed by GBSI on in-scope contracts and subcontracts for the fiscal years ended December 31, 2012, 2013, and 2014 are allowable, allocable, and reasonable in accordance with contract terms; Part 31 of

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.

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's objective, the audit firm designed its testing procedures to evaluate the internal control environment surrounding GBSI's subcontract management process and to verify that GBSI had adequate controls in place for monitoring subcontract costs. Its examination included performing a reconciliation between the adjusted total costs booked to date and the cumulative amount billed, by contract, for the fiscal years ended December 31, 2012, 2013, and 2014, and reporting any over/under-billings. The audit firm examined USAID incurred costs of \$2,750,341 for the fiscal years ended December 31, 2012, 2013, and 2014.

The audit firm expressed a qualified opinion because its examination disclosed submitted amounts that did not materially comply with contract terms pertaining to accumulating and billing incurred amounts. The audit firm concluded that, except for the instances of noncompliance described in Exhibit E and Exhibit F, costs claimed by GBSI on in-scope unsettled flexibly-priced contracts and subcontracts for the fiscal years ended December 31, 2012, 2013, and 2014 comply, in all material respects, with contract terms pertaining to accumulating and billing incurred amounts. The audit firm identified a material weakness and three significant deficiencies in internal control. The audit firm found no instances of material noncompliance that are required to be reported under generally accepted government auditing standards. The audit firm questioned \$4,456 of USAID direct costs (\$4,456 ineligible). In addition, the audit firm questioned indirect costs of \$(1,700) in Overhead pool costs. Since the questioned costs did not meet the OIG's established threshold of \$25,000 for making a recommendation, we are not making a recommendation. Nevertheless, we suggest that USAID Office of Acquisition and Assistance, Cost, Audit and Support Division determine the allowability of the \$4,456 in questioned direct costs and recover any amount determined to be unallowable. In addition, although we are not making a recommendation for significant deficiencies noted in the report, we suggest that USAID Office of Acquisition and Assistance, Cost, Audit and Support Division determine if the contractor addressed the issues noted.

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

Recommendation I. Verify that Global Business Solutions, Inc. corrects the material weakness in internal control detailed on pages 13 through 15 of the audit report.

We ask that you provide your written notification of actions planned or taken to reach management decision.

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").