



# OFFICE OF INSPECTOR GENERAL

## U.S. Agency for International Development

### MEMORANDUM

**DATE:** May 26, 2022

**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 Report of Incurred Costs Claimed on Flexibly Priced Contracts by International Business & Technical Consultants, Inc. for the Fiscal Year Ended December 31, 2018 (3-000-22-025-1)

This memorandum transmits the final examination report of incurred costs claimed on flexibly priced contracts by International Business & Technical Consultants, Inc. (IBTCI) for the fiscal year (FY) ended December 31, 2018. 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 (BMC) 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 costs claimed by IBTCI on in-scope contracts and subcontracts for the fiscal year ended December 31, 2018 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.<sup>1</sup>

The examination's objective was to express an opinion on whether the costs claimed by IBTCI on in-scope contracts and subcontracts for the fiscal year ended December 31, 2018, 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's objective, BMC designed its testing procedures to evaluate the internal control environment surrounding

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<sup>1</sup> 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 examination 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 examination performed.

IBTCI's subcontract management process and to verify that IBTCI had adequate controls in place for monitoring subcontractor costs. Its examination included the reconciliation of the adjusted total costs booked to date and the cumulative amount billed, by contract or subcontract and reporting any over/under-billings. The audit firm examined USAID incurred costs of \$24,080,279 for the fiscal year ended December 31, 2018.

BMC's examination disclosed submitted amounts that did not materially comply with contract terms pertaining to accumulating and billing incurred amounts. As a result, the audit firm expressed a qualified opinion and stated that, except for the instances of non-compliance described below, costs claimed by IBTCI on in-scope contracts and subcontracts for FY 2018 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. The audit firm questioned direct costs of \$109,164 (\$108,476 ineligible and \$688 unsupported); questioned indirect costs of \$62,723, composed of \$57,680 in fringe, and \$5,043 in G&A pool costs; and three findings (two material weaknesses and one significant deficiency in internal control) related to inadequate controls over travel processes, errors in transaction processing, and failure to follow payment policies. All three of the findings are required to be reported under *Government Auditing Standards*. Although we are not making a recommendation for the significant deficiency noted in the report, we suggest that USAID/Management/Office of Acquisition and Assistance/Cost Audit and Support Division determine if the recipient addressed the issues noted. To address the other issues noted above, we recommend that USAID/Management/Office of Acquisition and Assistance/Cost Audit and Support Division:

**Recommendation 1.** Determine the allowability of \$109,164 (\$108,476 ineligible and \$688 unsupported) on pages 29 through 32 of the audit report and recover any amount that is unallowable.

**Recommendation 2.** Verify that International Business & Technical Consultants, Inc. corrects the two material weaknesses in internal control detailed on pages 2, 11 and 12 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 addresses 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").