



MEMORANDUM

DATE: October 16, 2020

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: Follow-Up Audit on the Adequacy of Social Impact, Inc.'s Accounting System (3-000-21-001-I)

This memorandum transmits the final audit report on the follow-up on the adequacy of Social Impact, Inc.'s (SI) accounting system. 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 Brown & Company CPAs and Management Consultants, PLLC (Brown & Company) to perform the audit in accordance with generally accepted government auditing standards. The audit firm is responsible for the enclosed report and the conclusions expressed in it. We do not conclude that SI's accounting system adequately accumulates, segregates, and identifies costs under U.S. Government awards, as well as allows for the proper differentiation between direct costs, indirect costs, and unallowable costs in compliance with applicable Government regulations and benchmarks.¹

The audit objectives of the follow-up performance audit were to:

1. Determine whether SI's accounting system adequately accumulates, segregates, and identifies costs under U.S. Government awards; and
2. Determine whether SI's accounting system allows for the proper differentiation between direct costs, indirect costs, and unallowable costs in compliance with applicable Government regulations.

To answer the audit objectives, Brown & Company requested information from SI on its accounting system, including the confirmation of the scope for the follow-up performance audit. In addition, Brown & Company requested information on SI's methodology for the

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.

development of cost pool, bases, and allocation. Brown & Company also stated that the audit was limited to the state of the accounting system during the period of the auditor's fieldwork, which occurred between January through June of 2020.

Brown & Company concluded that: (a) Finding #1, "Missing Control over Accounting System Compliance Reviews" from Kearney & Company's performance audit report dated November 3, 2016; is resolved; (b) SI's accounting system adequately accumulates, segregates, and identifies costs under U.S. Government awards; and (c) SI's accounting system allows for the proper differentiation between direct costs, indirect costs, and unallowable costs in compliance with applicable Government regulations and benchmarks.

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").