



OFFICE OF INSPECTOR GENERAL

U.S. Agency for International Development

MEMORANDUM

DATE: May 17, 2024

TO: USAID/Bureau for Management/Office of Acquisition and Assistance/Cost, Audit and Support Division, Contract Audit Management Branch, Supervisory Auditor, Sheree F. Marshall

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

SUBJECT: Audit of Incurred Costs for Khulisa Management Services, Inc., for Fiscal Years Ended December 30, 2020, and 2019 (3-000-24-039-1)

This memorandum transmits the final audit report on incurred costs submission (ICS) for Khulisa Management Services, Inc. (Khulisa) for Fiscal Years (FY) Ended December 30, 2020, and 2019. The U.S. Agency for International Development (USAID) Office of Acquisition and Assistance, Cost, Audit and Support Division, Contract Audit Management Branch contracted with the independent certified public accounting firm of Brown & Company CPAs and Management Consultants, PLLC (Brown) to conduct the audit. Brown stated that it performed its audit in accordance with government auditing standards issued by the Comptroller General of United States. Brown is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on whether costs claimed by Khulisa in its FYs ended 2020 and 2019 ICS are accurate, allowable, allocable, and reasonable in accordance with contract terms and applicable Government acquisition regulations.¹

The audit objectives were to determine whether: (1) Khulisa's costs claimed in in-scope contracts and subcontracts for FYs ended 2020 and 2019 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, and (2) whether Khulisa's proposed direct and indirect amounts for contract reimbursement on USAID unsettled flexibly priced contract contained in its FY 2020 Incurred Cost Proposal (ICP) submitted on September 29, 2021, and FY 2019 ICP submitted on September 9, 2020, comply with (1) and with contract terms. To answer the audit's objectives, Brown (1) identified closed Government cost-type, flexibly priced, time and material contracts and subcontracts for FYs ended 2020 and 2019; (2) reconciled adjusted total costs booked and the cumulative amount billed by contract,

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.

for FYs ended 2020 and 2019 and reported over- or under-billings; (3) determined whether contract limitations as reported on the Khulisa's ICP Schedule I were appropriate based on costs claimed; (4) determined whether the cumulative amount billed for each contract, as of the end of the fiscal year under review, exceeded the total funded value on the contract at that point in time; (5) evaluated the internal control environment surrounding Khulisa's subcontract management process and verified that Khulisa had adequate controls in place for monitoring subcontractor costs; (6) performed a risk and materiality assessment of Khulisa using procedures from newly enacted guidance developed by a Department of Defense Procurement Panel; (7) reviewed the claimed costs reported in the ICP for compliance with the applicable requirements; (8) reviewed Khulisa's claimed costs reported in the ICP for compliance with the applicable requirements contained in the FAR, AIDAR, DSSR, and other specific contract provisions; and (9) evaluated and determined whether Khulisa's claimed executive compensation was allowable and reasonable. Brown examined total claimed and allowable costs of \$3,839,325 for FYs ended 2020 and 2019.

Brown concluded that Khulisa's costs claimed for in-scope contracts and subcontracts for FYs ended 2020 and 2019 are allowable, allocable, and reasonable in accordance with contract terms, Part 31 of the FAR, AIDAR, DSSR, and 2 CFR 200. Further, Brown did not identify any direct or indirect questioned costs or rates. Finally, Brown did not note any instances of material non-compliance with laws, regulations, or contract terms required to be reported under Government Auditing Standards during the FYs ended 2020 and 2019 audit.

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"). In addition, USAID OIG has determined that this transmittal memo and the enclosed report are not subject to notification and reporting requirements under Section 5274 of the National Defense Authorization Act.²

² The James M. Inhofe National Defense Authorization Act for Fiscal Year 2023 Pub. L. No. 117-263, § 5274. Please direct related inquiries to oignotice_ndaa5274@usaid.gov.