



MEMORANDUM

DATE: February 12, 2019

TO: USAID/Liberia, Mission Director, Anthony Chan

FROM: USAID OIG Africa Regional Office, Audit Director, Robert Mason /s/

SUBJECT: Financial Audit of Locally Incurred Costs of USAID Resources Managed by Management Sciences For Health, Inc. in Liberia Under Contract AID-669-C-15-00001, February 27, 2015, to February 28, 2018 (Report No. 4-669-19-010-N)

This memorandum transmits the final audit report on locally incurred costs of USAID resources managed by Management Sciences for Health (MSH), Inc. in Liberia under Contract AID-669-C-15-00001. USAID/Liberia contracted with the independent certified public accounting firm Samson TA & Associates PLLC, Washington, D.C. to conduct the audit. The contract required the audit firm to perform the audit in accordance with generally accepted government auditing standards.

The audit firm states that it performed its 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 express an opinion on MSH's fund accountability statement (FAS); the effectiveness of its internal control; or its compliance with the award, laws, and regulations.¹

The audit objectives were to (1) express an opinion on whether the FAS for the period audited was presented fairly, in all material respects; (2) evaluate MSH's internal controls; (3) determine whether MSH complied with award terms and applicable laws and regulations; and (4) review the implementation status of prior period recommendations.

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 answer the audit objectives, Samson TA & Associates PLLC (1) audited the FAS for the award including the budgeted amounts by category and major items and the revenues received from USAID for the period covered by the audit and the costs reported by MSH as incurred from February 27, 2015, to February 28, 2018; (2) evaluated the control environment, the adequacy of the accounting systems, and control procedures that pertain to MSH's ability to report financial data consistent with the assertions embodied in each account of the FAS; (3) identified the award terms and pertinent laws and regulations and determined which of those, if not observed, could have a direct and material effect on the FAS; and (4) reviewed the implementation status of prior period recommendations. MSH reported expenditures of \$6,080,992 in USAID funds during the audited period.

The audit firm concluded that it could not express an opinion on the FAS because MSH did not provide information to the audit firm to obtain sufficient appropriate audit evidence and provide a basis for an audit opinion. In addition, the audit firm identified total questioned costs of \$1,788,608 (\$13,263 ineligible and \$1,775,345 unsupported). Moreover, the audit firm reported six material weaknesses and one significant deficiency in internal control. The audit firm also considers these six material weaknesses and one significant deficiency in internal control as instances of material noncompliance. However, we will not make a recommendation to address the instances on material noncompliance as they are identified as internal control deficiencies.

To address the issues identified in the report, we recommend that USAID/Liberia:

Recommendation 1. Determine the allowability of \$1,788,608 in questioned costs (\$13,263 ineligible and \$1,775,345 unsupported) on pages 9, 11, and 16 of the audit report and recover any amount that is unallowable.

Recommendation 2. Verify that Management Sciences for Health corrects the six material weaknesses and one significant deficiency in internal control detailed on pages 34 to 45 of the audit report.

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