



MEMORANDUM

DATE: February 7, 2019

TO: USAID/Iraq Mission Director, Brook Isham

FROM: Middle East/Eastern Europe Regional Office (Frankfurt), Assistant Audit Director, David Thomanek /s/

SUBJECT: DCAA Independent Audit Report on Verification of Direct Cost Billed by Management Systems International, Inc. under USAID Contract AID-267-C-11-00005, for the period July 1, 2015 to December 4, 2016 (8-267-19-001-D)

This memorandum transmits the DCAA final audit report on verification of direct cost billed by Management Systems International, Inc. under the USAID contract AID 267-C-11-00005, for the period July 1, 2015 to December 4, 2016. The audit was performed in response to a request from U.S. Agency for International Development/Iraq (USAID/Iraq), dated September 16, 2016.

USAID/Iraq Mission contracted with the Defense Contract Audit Agency (DCAA) to conduct the audit. The contract required the DCAA to perform the audit in accordance with generally accepted government auditing standards.

The DCAA states that it performed its audit in accordance with generally accepted government auditing standards and is responsible for the enclosed auditor's report and the conclusions expressed in it. We do not express an opinion on the auditee's costs billed to

USAID; the effectiveness of its internal control; or its compliance with the award, laws, and regulations.¹

The DCAA audit objective was to: express an opinion on MSI's compliance based on their examination for the period July 1, 2015 to December 4, 2016. To answer the audit objective, DCAA performed the subject verification that covered \$7,723,056 in direct costs billed to USAID for the period from July 1, 2015 to December 4, 2016.

DCAA expressed a qualified opinion due to the scope limitations, as they were unable to complete procedures considered necessary under these circumstances. DCAA's examination included the testing of labor; however, DCAA was unable to complete these necessary audit procedures for; 1) Real-time labor testing; 2) Verifying cash payments made to CCNs in Iraq; and 3) Verifying the contractor's billings for the CCNs' fringe benefit costs using the established predetermined rate.

The DCAA did not identify any questioned cost.

The DCAA report does not contain any recommendations for your action.

We appreciate the assistance extended to the audit staff during the engagement.

The 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").

Enclosed: a/s

¹ We reviewed the DCAA 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 DCAA audit report itself and excludes review of the DCAA auditor's supporting working papers; they are not designed to enable us to directly evaluate the quality of the audit performed.