



## MEMORANDUM

**DATE:** June 15, 2020

**TO:** USAID/Management/Office of Acquisition and Assistance/Cost Audit and Support Division, Acting Supervisory Auditor, Eleanor C. Jefferson

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

**SUBJECT:** Examination of Cost Claimed for Management Systems International, Inc. for the Two Fiscal Years Ended June 30, 2015 (3-000-20-041-I)

This memorandum transmits the final report on Management Systems International, Inc. (MSI) on in-scope awards and subawards for each of the fiscal years ended June 30, 2014 and 2015. 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 Kearney & Company, P.C. 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 MSI on in-scope awards and subawards for each of the fiscal years ended June 30, 2014 and 2015 is allowable, allocable and reasonable in accordance with award 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 MSI on in-scope awards and subawards for each of the fiscal years ended June 30, 2014 and 2015 are allowable, allocable, and reasonable in accordance with award 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, Kearney & Company, P.C. designed its testing procedures to evaluate the internal control environment surrounding MSI's subcontract management process and to verify that MSI had adequate controls in place for monitoring subcontractor costs. Its examination included the

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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 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.

reconciliation of the adjusted total costs booked to date and the cumulative amount billed, by award or subaward and reporting any over/under-billings. The audit firm examined USAID incurred costs of \$138,603,699 for the two fiscal years ended June 30, 2014 and 2015.

Kearney & Company, P.C. expressed a qualified opinion due to the potential impact of unexamined costs. The auditor stated that costs claimed by MSI on in-scope awards and subawards for the two fiscal years ended June 30, 2014 and 2015 are allowable, allocable, and reasonable in accordance with award 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 except for \$3,340 in total direct questioned costs (\$111 Ineligible and \$3,229 Unsupported) for over claimed amounts and inadequate documentation. The audit firm also questioned indirect costs of \$194,546, composed of \$13 in overhead and \$194,533 in general & administrative costs. Since the questioned costs did not meet the OIG's established threshold of \$25,000 for making a recommendation, we are not making a recommendation. Nevertheless, we suggest that USAID's Office of Acquisition and Assistance Cost, Audit and Support Division determine the allowability of the \$3,340 in direct questioned costs and recover any amount determined to be unallowable. Kearney & Company, P.C.'s examination did not disclose any findings that are required to be reported under government auditing standards.

We appreciate the assistance extended during the engagement.

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