



MEMORANDUM

DATE: April 16, 2021

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/FA), David A McNeil /s/

SUBJECT: Performance Audit Report for Management Science for Health Over the Adequacy and Cost Accounting Standards Compliance of the Disclosure Statements (3-000-21-034-I)

This memorandum transmits the final audit report for Management Science for Health (MSH) over the adequacy and Cost Accounting Standards compliance of the Disclosure Statements. 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 Booth Management Consulting LLC (BMC) to conduct the audit. BMC stated that the audit was conducted 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 whether MSH's Disclosure Statement, is current, accurate, complete, and adequately describes the contractor's cost accounting practices and that the Disclosure Statement discloses cost accounting practices that materially comply with Cost Accounting Standards (CAS), including the design, implementation, and maintenance of internal controls to prevent or detect and correct noncompliance due to fraud or error. ¹

The objectives of this performance audit were to conclude on whether MSH's Disclosure Statements, Revision 4 dated July 1, 2019 and Revision 4A dated October 23, 2020, are adequate and compliant with Cost Accounting Standards and, more specifically, whether the Disclosure Statements and revisions:

- Are current, accurate, complete, and adequately describe the contractor's cost accounting practices, as noted in Federal Acquisition Regulation (FAR) Part 30.202-7a, *Adequacy Determination*.

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.

- Disclose cost accounting practices that materially comply with CAS, including the design, implementation, and maintenance of internal controls to prevent or detect and correct noncompliance due to fraud or error in accordance with FAR Part 52.230-1, *Cost Accounting Standards Notices and Certification*.

To answer the audit objectives, BMC reviewed the updated Disclosure Statement for potential areas of outdated, inaccurate, and/or incomplete disclosed practices to determine if the Disclosure Statement were acceptable for audit; performed other planning procedures to assess audit risk and determine the nature and extent of fieldwork. Additionally, BMC determined the design effectiveness of the internal controls over the maintenance of the updated Disclosure Statement, conducted walkthroughs over the contractor's cost accounting practices to determine the adequacy of the Disclosure Statement, and determined if the disclosed cost accounting practices are compliant with CAS.

BMC concluded that MSH's Disclosure Statement, Revisions 4 was not current, accurate, complete, and did not adequately describe the contractor's cost accounting practices. Due to the inadequacies identified in Disclosure Statement, Revision 4, BMC did not perform CAS compliance testing on Revision 4. Therefore, the auditor was unable to conclude whether the Disclosure Statement, Revision 4, disclosed cost accounting practices that materially comply with CAS, including the design, implementation, and maintenance of internal controls to prevent or detect and correct noncompliance due to fraud or error. As a result of the above and the audit firm's inability to conclude whether Disclosure Statement, Revision 4, disclosed cost accounting practices that materially comply with CAS, BMC disclosed one finding (Finding #1) with 13 deficiencies that was required to be reported under GAGAS.

Following a discussion with MSH management and prior to the end of audit fieldwork, MSH submitted Revision 4A correcting the deficiencies noted in Revision 4. BMC concluded that MSH's Disclosure Statement, Revision 4A was current, accurate, complete, and adequately described the contractor's cost accounting practices, as well as disclosed cost accounting practices that materially comply with CAS, including the design, implementation, and maintenance of internal controls to prevent or detect and correct noncompliance due to fraud or error.

Since Finding #1, Inadequacy of Disclosure Statement, Revision 4, is a noncompliance finding, and not an instance of material noncompliance, we will not make a recommendation. However, we suggest that USAID/Management/Office of Acquisition and Assistance/Cost, Audit and Support Division verify that Management Science for Health has corrected the deficiencies noted in Finding #1 on pages 2 and 3 of the audit report.

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").