



## MEMORANDUM

**DATE:** June 30, 2021

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

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

**SUBJECT:** Examination of Insight Systems Corporation's Costs Claimed for the Two Years Ended December 31, 2016 and 2017 (3-000-21-043-1)

This memorandum transmits the final examination report on Insight Systems Corporation's (Insight) costs claimed for reimbursement in its incurred cost proposals for the two years ended December 31, 2016 and 2017. The U.S. Agency for International Development (USAID) Office of Acquisition and Assistance, Cost, Audit, and Support Division contracted with the independent public accounting firm Brown & Company CPAs and Management Consultants, PLLC (Brown & Company) to conduct the audit. Brown & Company stated that it conducted 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. Brown & Company is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on whether costs claimed by Insight on in-scope awards and subawards for the years ended December 31, 2016 and 2017 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, *Uniform Administrative Requirements, Cost Principles, 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 Insight on in-scope awards and subawards for the years ended December 31, 2016 and 2017 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, Brown &

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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 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 review performed.

Company designed its testing procedures to evaluate the internal control environment surrounding Insight's contract and subcontract management process and to verify that Insight had adequate controls in place for monitoring subcontractor costs. Its examination included the 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 \$24,380,114 for the two years ended December 31, 2016 and 2017.

Brown & Company noted two significant deficiencies that were also instances of noncompliance with FAR 31 and Insight's established benchmark criteria for Accounting System Administration, in that Insight (1) did not have effective controls in place to separately identify and exclude unallowable costs for Executive Salary Costs-Voluntary Deletions; and (2) was not able to provide supporting documentation that adjusting journal entries were properly approved. Brown & Company expressed a qualified opinion noting that, except for these two significant deficiencies that are also instances of noncompliance, costs claimed by Insight on in-scope awards and subawards for the years ended December 31, 2016 and 2017 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, in all material respects. Brown & Company did not identify any questioned direct costs. Brown & Company questioned \$560,642 in indirect costs, \$457,643 from the Fringe pool and \$102,999 from the Overhead, and General & Administrative pools. Although we are not making a recommendation for significant internal control deficiencies, which are also instances of noncompliance, noted in the report, we suggest that the USAID's Office of Acquisition and Assistance Cost, Audit and Support Division determine if the recipient addressed the issues noted.

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").