



OFFICE OF INSPECTOR GENERAL

U.S. Agency for International Development

MEMORANDUM

DATE: February 16, 2022

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/EFA), David A. McNeil /s/

SUBJECT: Examination of Incurred Costs Claimed on Flexibly Priced Contracts by Management Systems International for the Fiscal Year Ended September 30, 2018 (3-000-22-014-1)

This memorandum transmits the final audit report on Management Systems International's (MSI) costs claimed on in-scope contracts and subcontracts for the fiscal year ended September 30, 2018. 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 Booth Management Consulting, LLC (BMC) to conduct the audit. The audit firm stated that it performed its audit 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 the costs claimed by MSI on in-scope contracts and subcontracts for fiscal year 2018 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, and Audit Requirements for Federal Awards*, as applicable.¹

The examination's objective was to express an opinion on whether the costs claimed by MSI on in-scope contracts and subcontracts for fiscal year 2018 are allowable, allocable, and reasonable in accordance with contract 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, the audit firm designed its testing procedures to evaluate the internal control environment surrounding MSI's subcontract management process and to determine whether MSI had adequate controls in place for monitoring

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.

subcontract costs. Its examination included performing a reconciliation between the adjusted total costs booked to date and the cumulative amount billed, by contract, for fiscal year 2018, and reporting any over/under-billings. The audit firm examined USAID incurred costs of \$120,675,001 for the fiscal year ended September 30, 2018.

The audit firm expressed a qualified opinion stating that, except for the instances of non-compliance described below, costs claimed by MSI on in-scope contracts and subcontracts for FY 2018 are allowable, allocable, and reasonable in accordance with contract 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. BMC's examination disclosed submitted amounts that do not materially comply with contract terms pertaining to accumulating and billing incurred amounts in that in 2016 MSI merged with another company and claimed as indirect costs in the General and Administrative costs pool, in FY 2018, incurred legal fees of \$19,248 for reorganization costs, which are expressly unallowable. The audit firm did not identify any findings that are required to be reported under generally accepted government auditing standards. The audit firm did not question any direct costs.

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").