



## OFFICE OF INSPECTOR GENERAL U.S. Agency for International Development

### MEMORANDUM

**DATE:** February 28, 2023

**TO:** USAID/Management/Office of Acquisition and Assistance/Cost, Audit and Support Division, Contract Audit Management Branch, Acting Supervisory Auditor, Sheree F. Marshall

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

**SUBJECT:** Performance Audit of the Adequacy of the Accounting Systems for Social Solutions International, Inc. as of September 30, 2021 (3-000-23-014-I)

This memorandum transmits the final audit report on the Performance Audit of the Adequacy of the Accounting System for Social Solutions International, Inc. (SSI) as of September 30, 2021. The U.S. Agency for International Development (USAID) Office of Acquisition and Assistance, Cost, Audit, and Support Division, Contract Audit Management Branch, contracted with the independent audit firm Tichenor & Associates, LLP, to conduct the audit. The audit firm stated that it performed its audit in accordance with Government Auditing Standards issued by the Comptroller General of United States. The audit firm is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on SSI's accounting systems, the effectiveness of its internal control, or its compliance with the award, laws, and regulations.<sup>1</sup>

The audit objective was to determine whether SSI's Accounting System meets the requirements set forth in 48 *CFR 252.242-7006 Accounting System Administration* which requires an accounting system to:

- Allow for a sound internal control environment, accounting framework, and organizational structure.
- Adequately accumulate, segregate, and identify costs under U.S. Government awards.
- Provide for a reconciliation of subsidiary cost ledgers and cost objectives to the general ledger.

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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.

- Allow the approval and documentation of adjusting entries and
- Allow for the proper segregation between direct, indirect, and unallowable costs in compliance with applicable Government regulations.

To answer the audit objectives, the audit firm used the requirements contained in: (a) the Code of Federal Regulations 48 (CFR), Section 252.242-7006, *Accounting System Administration*, (b) Federal Acquisition Regulation (FAR).

Tichenor & Associates, LLP, conducted this performance audit between December 16, 2022, and June 13, 2022, in the following phases:

- Assessed risk and reviewed SSI's' policies and procedures and key internal controls relating to the accounting system criteria.
- Tested the implementation of policies and compliance with the criteria of SSI.
- Performed analytical and other audit procedures on the Auditee's accounting system, and
- Concluded on the adequacy of the accounting system as a result of audit procedures performed and within the context of the audit objectives.

The audit firm concluded that SSI's accounting system is inadequate to accumulate, segregate, and identify costs under U.S. Government awards because the audit firm in their judgment noted that the material weakness and two significant deficiencies would adversely affect the organization's ability to initiate, authorize, record, process and/or report direct and indirect costs in a manner that is consistent with applicable Government contract laws and regulations; also, the audit firm found that three non-compliances did rise to the level to warrant disapproval of the accounting system by the Contracting Officer. The significant deficiencies' findings reported are (a) Improper Exclusion of Unallowable Other Direct Costs from Contractor's Indirect General and Administrative Allocation Base, (b) Improper Recording of Physician Comparability Allowance Costs to General Ledger Direct Labor Accounts. In addition, although we are not making a recommendation for significant deficiencies noted in the report, we suggest that USAID's Office of Acquisition and Assistance, Cost, Audit and Support Division, Contract Audit Management Branch determine if the recipient addressed the issues noted.

To address the issue identified in the report, we recommend that USAID's Office of Acquisition and Assistance, Cost, Audit and Support Division, Contract Audit Management Branch:

**Recommendation 1.** Verify that SSI corrects the material weakness in internal control detailed on pages 7 and 8 of the audit report.

We ask that you provide your written notification of actions planned or taken to reach management decision.

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").