



INSPECTOR GENERAL

U.S. Department of Defense

JULY 3, 2025



Quality Control Review of the PricewaterhouseCoopers LLP FY 2023 Single Audit of Massachusetts Institute of Technology



INDEPENDENCE ★ INTEGRITY ★ EXCELLENCE ★ TRANSPARENCY





Results in Brief

Quality Control Review of the PricewaterhouseCoopers LLP FY 2023 Single Audit of Massachusetts Institute of Technology

July 3, 2025

Objective

The objective of this quality control review was to assess whether PricewaterhouseCoopers LLP (PwC) performed the FY 2023 single audit of Massachusetts Institute of Technology (MIT) in accordance with generally accepted government auditing standards and Federal requirements for single audits. Appendix A contains our scope and methodology.

Background

Non-Federal entities that expend Federal funds of \$750,000 or more in a fiscal year are subject to the Single Audit Act Amendments of 1996 (Single Audit Act), Pub. L. No. 104-156, and 2 C.F.R. Part 200, "Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards" (Uniform Guidance). The Single Audit Act was enacted to promote sound financial management of Federal awards administered by non-Federal entities and to establish uniform requirements for audits of Federal awards. The Uniform Guidance establishes the standards for consistency and uniformity among Federal agencies for the audit of non-Federal entities expending Federal awards.

Background (cont'd)

MIT is a not-for-profit, educational and research institution located in Cambridge, Massachusetts. According to MIT, its mission is to advance knowledge and educate students in science, technology, and other areas of scholarship. In addition, MIT operates the Lincoln Laboratory, a federally funded research and development center sponsored by the DoD. In FY 2023, MIT spent \$1.8 billion on Federal awards, including approximately \$1.7 billion on one major program—the Research and Development Cluster. Of the \$1.7 billion, MIT spent \$1.2 billion on DoD awards. PwC performed MIT's FY 2023 single audit.

Review Results

PwC complied with generally accepted government auditing standards and Uniform Guidance requirements when it performed the FY 2023 single audit of MIT.





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DEPARTMENT OF DEFENSE
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July 3, 2025

Partner
PricewaterhouseCoopers LLP

SUBJECT: Quality Control Review of the PricewaterhouseCoopers LLP FY 2023
Single Audit of Massachusetts Institute of Technology (Report No. DODIG-2025-123)

This final report provides the results of the DoD Office of Inspector General's quality control review. We are providing this report for information and use. This report does not contain recommendations. We coordinated a discussion draft of this report with the PricewaterhouseCoopers LLP representatives. They concurred with our report and provided no additional comments. Therefore, we are publishing this report in final form.

We appreciate the cooperation and assistance received during this review. If you have any questions, please contact [REDACTED]

A handwritten signature in black ink, appearing to read "Randolph R. Stone", is positioned above the printed name.

Randolph R. Stone
Assistant Inspector General for Evaluations
Space, Intelligence, Engineering, and Oversight

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Introduction

Objective

The objective of this quality control review was to assess whether PricewaterhouseCoopers LLP (PwC) performed the FY 2023 single audit of Massachusetts Institute Technology (MIT) in accordance with generally accepted government auditing standards (GAGAS) and Federal requirements for single audits.¹ Appendix A contains our scope and methodology. Appendix B lists the compliance requirements that the PwC auditors identified as direct and material to MIT's major program for the fiscal year that ended on June 30, 2023.

Background

Non-Federal entities that expend Federal funds of \$750,000 or more in a fiscal year are subject to the Single Audit Act Amendments of 1996 (Single Audit Act), Pub. L. No. 104-156, and 2 C.F.R. Part 200, "Uniform Administration Requirements, Cost Principles, and Audit Requirements for Federal Awards" (Uniform Guidance).² The Single Audit Act was enacted to promote sound financial management of Federal awards administered by non-Federal entities and to establish uniform requirements for audits of Federal awards. The Uniform Guidance establishes the standards for consistency and uniformity among Federal agencies for the audit of non-Federal entities expending Federal awards.

The Uniform Guidance, effective January 1, 2023, states that non-Federal entities that expend Federal funds of \$750,000 or more in a fiscal year must have an annual single or program-specific audit performed in accordance with GAGAS. Non-Federal entities must also submit a complete single audit reporting package to the Federal Audit Clearinghouse.³ A single audit includes an audit of the non-Federal entity's financial statements and Federal awards. Auditors performing a single audit determine whether the financial statements are fairly presented in all material respects in accordance with generally accepted accounting principles.

¹ Government Accountability Office Report No. GAO-21-368G, "Government Auditing Standards," July 2018 (Updated April 2021). GAGAS incorporates by reference the American Institute for Certified Public Accountants' "Codification of Statements on Auditing Standards." Subpart F of 2 C.F.R. Part 200 identifies the Federal requirements for single audits.

² On April 22, 2024, the Office of Management and Budget revised the Uniform Guidance and increased the threshold for the single audit requirement from \$750,000 to \$1,000,000. The effective date for the Office of Management and Budget's final guidance was October 1, 2024, and applies to fiscal periods starting on or after this date.

³ The reporting package includes the non-Federal entity's audit reports, financial statements, schedule of expenditures of Federal awards, summary schedule of prior audit findings, and a corrective action plan, as 2 C.F.R. 200.512(c) requires. The Office of Management and Budget designated the Federal Audit Clearinghouse as the repository of record for single audit reports. As 2 C.F.R. 200.512(g) requires, the Federal Audit Clearinghouse maintains a database of completed audits, provides appropriate information to Federal agencies, and performs follow-up with auditees that have not submitted the required information.

In addition, the auditors determine whether the non-Federal entity complied with Federal laws and regulations and the terms and conditions of Federal awards that may have a direct and material effect on its major programs. The Single Audit Act and Uniform Guidance require Federal agencies to assess the quality of single audits. Our quality control review of the MIT FY 2023 single audit satisfies this requirement.

Massachusetts Institute of Technology Is a Not-for-Profit Educational and Research Institution

MIT is a not-for-profit educational and research institution located in Cambridge, Massachusetts. According to MIT, its mission is to advance knowledge and educate students in science, technology, and other areas of scholarship. In addition, MIT operates the Lincoln Laboratory, a federally funded research and development center sponsored by the DoD that uses advanced technology to address national security problems.⁴ In FY 2023, MIT spent \$1.8 billion in Federal awards, including \$1.7 billion on one major program—the Research and Development (R&D) Cluster.⁵ Of the \$1.7 billion, MIT spent \$1.2 billion on DoD awards. MIT engaged PwC to perform the FY 2023 single audit.

PricewaterhouseCoopers LLP Performed the Single Audit

PwC is a member firm of PricewaterhouseCoopers International Limited and provides audit and assurance, advisory, and tax services to a wide range of publicly traded and privately held companies. As GAGAS requires, PwC is responsible for establishing and maintaining a system of quality control. The system of quality control must provide reasonable assurance that the audit organization and its personnel comply with professional standards and applicable legal and regulatory requirements.⁶ PwC must also obtain an external peer review of its system of quality control conducted by reviewers independent of the audit organization.⁷ The most recently published external peer review report concluded that PwC suitably designed and complied with its system of quality control for its accounting and auditing practice.⁸ Auditors in the PwC office in Boston, Massachusetts, performed the FY 2023 single audit of MIT.

⁴ According to Federal Acquisition Regulation 2.101, “Definitions,” federally funded research and development centers are “activities that are sponsored under a broad charter by a Government Agency (or agencies) for the purpose of performing, analyzing, integrating, supporting, and/or managing basic or applied research and/or development, and that receive 70 percent or more of their financial support from the Government...”

⁵ The Research and Development Cluster consists of a variety of research and development activities performed under different types of funding agreements, such as grants, cooperative agreements, and contracts, that have similar requirements.

⁶ Government Auditing Standard 5.02, “Quality Control and Assurance,” July 2018 (Updated April 2021).

⁷ Government Auditing Standard 5.60, “External Peer Review,” July 2018 (Updated April 2021).

⁸ Grant Thornton LLP, “Report on the Firm’s System of Quality Control,” November 22, 2021.

Review Results

We determined that PwC complied with GAGAS and Uniform Guidance requirements when it performed the FY 2023 single audit of MIT. We used the Council of the Inspectors General on Integrity and Efficiency's 2021 edition of the "Guide for Quality Control Reviews of Single Audit Reports" to perform our review. This guide identifies audit procedures that auditors must perform and document during the single audit to meet GAGAS and Uniform Guidance requirements. We reviewed PwC's audit documentation, analyzed the nature and extent of PwC's audit procedures, and verified whether PwC obtained sufficient evidence to support its conclusions and audit report opinion. Specifically, we verified whether PwC complied with the requirements for each of the following aspects of the FY 2023 single audit of MIT.

- Qualification of auditors
- Auditor independence
- Due professional care
- Planning and supervision
- Audit follow-up
- Determination of direct and material compliance requirements
- Internal control and compliance testing
- Schedule of expenditures of Federal awards
- Reporting

Appendix A

Scope and Methodology

We conducted this quality control review from December 2024 through June 2025 in accordance with the “Quality Standards for Inspection and Evaluation,” published in December 2020 by the Council of the Inspectors General on Integrity and Efficiency. Those standards require that we adequately plan the quality control review to ensure that objectives are met and that we perform the review to obtain sufficient, competent, and relevant evidence to support the findings, conclusions, and recommendations. We believe that the evidence we obtained was sufficient, competent, and relevant to lead a reasonable person to sustain the conclusions.

The Office of Management and Budget designated the Federal Audit Clearinghouse as the repository of record for single audit reports. The Federal Audit Clearinghouse received MIT’s FY 2023 single audit report on March 28, 2024. The single audit report identified three major programs at MIT—the R&D Cluster, Student Financial Assistance Cluster, and COVID-19: Higher Education Emergency Relief Funds program. We limited our review to the R&D Cluster because DoD funds were not spent on the Student Financial Assistance Cluster or the COVID-19: Higher Education Emergency Relief Funds program. We reviewed the FY 2023 single audit of MIT using the Council of the Inspectors General on Integrity and Efficiency’s “Guide for Quality Control Reviews of Single Audit Reports” and focused our review on the following aspects of the single audit.

- Qualification of auditors
- Auditor independence
- Due professional care
- Planning and supervision
- Audit follow-up
- Determination of direct and material compliance requirements
- Internal control and compliance testing
- Schedule of expenditures of Federal awards
- Reporting

We reviewed PwC’s audit files for the FY 2023 single audit to assess whether the auditors conducted the single audit in accordance with GAGAS and Uniform Guidance requirements. GAGAS incorporates the American Institute for Certified Public Accountants’ “Codification of Statements on Auditing Standards” by reference. Title 2 C.F.R. Part 200 identifies the Uniform Guidance requirements for single audits.

Our review included:

- evaluating evidence of PwC's independence, auditor qualifications, and latest external peer review;
- reviewing the audit documentation that the PwC auditors prepared to support the audit opinions on whether MIT's financial statements and its schedule of expenditures of Federal awards were fairly presented in all material respects;
- verifying that the PwC auditors supported their determination on the compliance requirements they identified as direct and material to the major program; and
- reviewing all audit documentation that the PwC auditors prepared to support the audit opinion on whether MIT complied with the compliance requirements that could have a direct and material effect on the R&D Cluster.

In addition, our review of PwC's audit documentation on direct and material compliance requirements included analyzing the audit procedures the PwC auditors performed to: (1) understand MIT's internal controls, (2) select samples for testing, and (3) test the internal controls and compliance with Federal requirements.

We visited the PwC office located in Boston, Massachusetts, and reviewed the audit files that the PwC auditors prepared for the FY 2023 single audit of MIT. In addition, we interviewed the PwC auditors to understand and verify the audit work they performed. Appendix B lists the compliance requirements that the PwC auditors identified as direct and material to MIT's R&D Cluster for the fiscal year that ended on June 30, 2023.

Use of Computer-Processed Data

We did not use computer-processed data to perform this quality control review.

Prior Coverage

During the last 5 years, the DoD Office of Inspector General (DoD OIG) issued three reports discussing PwC single audits. No prior coverage was conducted on MIT during the last 5 years.

Unrestricted DoD OIG reports can be accessed at <http://www.dodig.mil/reports.html/>.

DoD OIG

Report No. DODIG-2024-039, “Quality Control Review of the PricewaterhouseCoopers LLP and Defense Contract Audit Agency FY 2022 Single Audit of the Charles Stark Draper Laboratory, Inc.,” December 18, 2023

PwC generally complied with auditing standards and Uniform Guidance requirements when it performed the FY 2022 single audit of the Charles Stark Draper Laboratory, Inc.

Report No. DODIG-2021-087, “Quality Control Review of the PricewaterhouseCoopers LLP FY 2019 Single Audit of the Institute for Defense Analyses,” May 21, 2021

PwC generally complied with auditing standards and Uniform Guidance requirements when it performed the FY 2019 single audit of the Institute for Defense Analyses.

Report No. DODIG-2019-067, “Quality Control Review of the PricewaterhouseCoopers LLP FY 2017 Single Audit of the CNA Corporation,” March 22, 2019

PwC generally complied with auditing standards and Uniform Guidance requirements when it performed the FY 2017 single audit of the CNA Corporation.

Appendix B

Compliance Requirements

The Compliance Supplement provides guidance to assist auditors in determining compliance requirements applicable to Federal programs.⁹ The Compliance Supplement summarizes Federal requirements into 12 compliance requirements. For the R&D Cluster, the Compliance Supplement states that all compliance requirements are applicable except for the Eligibility; Matching, Level of Effort, Earmarking; Program Income; and Reporting compliance requirements. Auditors who perform a single audit are required to test the compliance requirements that are direct and material to the major program. The following table identifies the compliance requirements that the PwC auditors determined were direct and material to the R&D Cluster.

Table. Uniform Guidance Compliance Requirements That the PwC Auditors Identified as Direct and Material to the Research and Development Cluster

Uniform Guidance Compliance Requirements	Direct and Material
Activities Allowed or Unallowed	X
Allowable Costs/Cost Principles	X
Cash Management	X
Eligibility	
Equipment and Real Property Management	X
Matching, Level of Effort, Earmarking	
Period of Performance	X
Procurement and Suspension and Debarment	X
Program Income	
Reporting	
Subrecipient Monitoring	X
Special Tests and Provisions	X

Source: The DoD OIG, based on PwC's audit documentation.

⁹ Title 2 C.F.R. Part 200, Appendix XI.

Acronyms and Abbreviations

- GAGAS** Generally Accepted Government Auditing Standards
- MIT** Massachusetts Institute of Technology
- PwC** PricewaterhouseCoopers LLP
- R&D** Research and Development

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