



## MEMORANDUM

**DATE:** April 25, 2019

**TO:** USAID/Afghanistan Mission Director, Peter Natiello

**FROM:** USAID OIG Middle East and Eastern Europe Regional Office, USDH NFA Coordinator, Abdoulaye Gueye /s/

**SUBJECT:** Closeout Audit of Costs Incurred by Management Systems International Inc. in Afghanistan, under Multiple Awards from July 1, 2014, to August 10, 2017 (8-306-19-012-N)

This memorandum transmits the final audit report on closeout audit of costs incurred by Management Systems International Inc. under the following awards:

<b>Award Name (Type)</b>	<b>Award Number</b>	<b>Period</b>	<b>Subimplementer</b>
Measuring Impact of Stabilization Initiative (MISTI)	AID-306-TO-12-00004	July 1, 2014 to October 7, 2015	N/A
Monitoring Support Project – Northern Provinces	AID-306-TO-15-00072	August 9, 2015 to August 10, 2017	N/A

The USAID/Afghanistan contracted with the independent certified public accounting firm CohnReznick LLP to conduct the audit. The contract required CohnReznick LLP audit firm to perform the audit in accordance with generally accepted government auditing standards.

The audit firm states that it performed its audit 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 MSI's schedule of costs incurred;

the effectiveness of its internal control; or its compliance with the award, laws, and regulations.<sup>1</sup>

The audit objectives were to: (1) express an opinion on whether the schedule of costs incurred for the period audited, was presented fairly, in all material respects; (2) evaluate the MSI's internal controls; (3) determine whether MSI complied with award terms and applicable laws and regulations; (4) verify that the correct indirect cost rate have been applied; and (5) determine if MSI has taken corrective action on prior external audit report recommendations. To answer the audit objectives, the audit firm performed the subject closeout audit of schedule of costs incurred that covered \$10,710,913 for the period July 1, 2014, to August 10, 2017.

The auditors expressed an unmodified opinion on the schedule of costs incurred and identified \$6,117 as unsupported questioned costs. The audit firm did not identify any material internal control weaknesses or significant deficiency in internal control. The audit firm identified one material instance of noncompliance related to maintaining supporting documentation.

Since the questioned costs did not meet the OIG's established threshold of \$25,000 for making a recommendation, we are not making a recommendation. Nevertheless, we suggest that USAID/Afghanistan should determine the allowability of the \$6,117 in questioned costs and recover any amount determined to be unallowable.

To address the findings identified in the report, the auditors made recommendations to the auditee. We agree and recommend that USAID/Afghanistan do the following.

**Recommendation 1.** *Verify that the Management Systems International Inc. corrects the one instance of noncompliance (implement policies and procedures to ensuring all supporting documentation is maintained) as detailed on pages 30 & 31 of CohnReznick LLP report.*

We ask that you provide your written notification of actions planned or taken to reach management decision. We appreciate the assistance extended to audit staff during the engagement.

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").

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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.