



MEMORANDUM

DATE: February 18, 2021

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: Performance Audit of the Adequacy and Cost Accounting Standards Compliance of the Disclosure Statements of Management Science for Health (3-000-21-018-1)

This memorandum transmits the final report on the Performance Audit of Management Science for Health's (MSH) Cost Accounting Standards for MSH's Disclosure Statement, Revision 4 dated July 1, 2019 and Disclosure Statement, Revision 4A dated October 23, 2020. 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 of Booth Management Consulting LLC (BMC) to conduct the audit. The audit firm stated 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 whether MSH's Disclosure Statements, Revisions 4 dated July 1, 2019 and Revision 4A dated October 23, 2020, are adequate and compliant with Cost Accounting Standards (CAS).¹

The audit objectives were to conclude on whether MSH's Disclosure Statements, Revisions 4 dated July 1, 2019 and Revision 4A dated October 23, 2020, are adequate and compliant with Cost Accounting Standards (CAS), and more specifically, whether the Disclosure Statements and revisions:

- Are current, accurate, complete, and adequately describe the contractor's cost accounting practices, as noted in Federal Acquisition Regulation (FAR) Part 30.202-7a, Adequacy Determination.
- Disclose cost accounting practices that materially comply with CAS, including the design, implementation, and maintenance of internal controls to prevent or detect and correct noncompliance due to fraud or error in accordance with FAR Part 52.230-1, Cost Accounting Standards Notices and Certification.

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.

To answer the audit objectives, BMC conducted its performance audit from August through October 2020, in the following three phases:

1. Planning – Reviewed the updated Disclosure Statement for potential areas of outdated, inaccurate, and/or incomplete disclosed practices in order to determine if the Disclosure Statement was acceptable for audit; performed other planning procedures to assess audit risk and determine the nature and extent of fieldwork.
2. Internal Controls and Testing – Determined the design effectiveness of the internal controls over the maintenance of the updated Disclosure Statement, and conducted walkthroughs over the contractor’s cost accounting practices to determine the adequacy of the Disclosure Statement, and whether the disclosed cost accounting practices are compliant with CAS.
3. Wrap-Up and Reporting – Concluded on the adequacy and CAS compliance of the updated Disclosure Statement, as a result of the audit procedures performed.

BMC concluded that MSH’s Disclosure Statement, Revision 4A, which corrects the deficiencies in Revision 4, is current, accurate, complete, and adequately describes the contractor’s cost accounting practices, as well as discloses cost accounting practices that materially comply with CAS, including the design, implementation, and maintenance of internal controls to prevent or detect and correct noncompliance due to fraud or error. BMC does not recommend MSH submit a corrected Revision 4 to the Government, because MSH submitted Revision 4A, correcting the deficiencies in Revision 4, during fieldwork and BMC performed CAS testing based on Revision 4A. BMC recommends, instead, that the Government use Disclosure Statement, Revision 4A, for its purposes. BMC stated that upon initial review of MSH’s Disclosure Statement Revision 4, it noted certain deficiencies that it discussed with MSH’s management, and that prior to BMC’s completion of fieldwork, MSH submitted Revision 4A correcting the deficiencies in Revision 4. BMC then performed CAS testing of Revision 4A and determined that the finding in Revision 4 was corrected.

OIG does not routinely distribute independent public accounting reports beyond the immediate addresses 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”).