



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

MEMORANDUM

DATE: March 25, 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: Follow-Up Performance Audit on Mendez England & Associates Accounting System Administration (3-000-22-020-I)

This memorandum transmits the final audit report on the Follow-Up Performance Audit of Mendez England & Associates' (ME&A) Accounting System Administration. 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 ME&A has corrected prior accounting system audit findings or corrected accounting system inadequacies noted in the performance audit report completed by Kearney & Company, dated March 29, 2019.¹

The objectives of the follow-up performance audit were to (a) conclude on whether ME&A has followed up on findings in the performance audit report completed by Kearney & Company, dated March 29, 2019 and (b) conclude on whether M&A had established an adequate accounting system and whether ME&A's accounting system:

- Adequately accumulates, segregates, and identifies costs under U.S. Government awards, and
- Allows for the proper differentiation between direct costs, indirect costs, and unallowable costs in compliance with applicable Government regulations.

To answer the audit objectives, BMC designed its methodology to obtain reasonable assurance that the evidence obtained during the audit was sufficient and appropriate to support its conclusion in relationship to the follow-up audit objectives and to reduce audit risk to an

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.

acceptable level. BMC conducted this follow-up performance audit between August 2021 and November 2021 in Columbia, Maryland. ME&A's accounting system functions and reviews occur in Bethesda, Maryland. BMC structured its audit of the adequacy of ME&A accounting system using the 18 criteria listed in 48 Code of Federal Regulations (CFR) 252.242.7006. BMC performed steps to assess the adequacy of internal controls related to the follow-up performance audit objectives. BMC next assessed the design of controls related to the business process and systems relevant to the accounting system and then tested the implementation of properly designed controls. BMC conducted this performance follow-up audit in the following phases:

1. Planning-Assessed the design of ME&A's policies and key internal controls relating to the accounting system criteria.
2. Internal Controls and Testing-Tested the implementation of ME&A's policies and key internal controls.
3. Wrap-up and Reporting-Concluded on the adequacy of the accounting system as a result of audit procedures performed and within the context of the audit objectives.

BMC concluded that ME&A's accounting system administration does not adequately accumulate, segregate, and identify costs under U.S. Government awards, and does not allow for the proper differentiation between direct costs, indirect costs, and unallowable costs in compliance with applicable Government regulations. BMC based their conclusion on the evidence obtained and their evaluation of that evidence against the criteria, along with the audit results and their evaluation of those results against audit risk and significance within the context of the audit objectives. The audit firm noted two findings that warranted the attention of ME&A's management and those charged with governance.

BMC's follow-up performance audit results and conclusions determined that ME&A does not have adequate policies and procedures and management reviews or internal audits of its system to ensure compliance with the contractor's established policies, procedures, and accounting practices, therefore determining that *Finding No. 1-Lack of Supporting Documentation and Documented Reviews and Approvals (Material Weakness)* remains unresolved. Also, BMC observed that although procedures were implemented to address *Finding No. 2- Information Systems (IS) Safeguarding Deficiencies (Significant Control Deficiency)*, the documented policies and procedures were not updated. Thereby concluding that none of the two deficiencies identified in the prior performance audit reported were fully resolved. Although we are not making a recommendation for the significant deficiency noted in the report, we suggest that USAID's Office of Acquisition and Assistance Cost, Audit and Support Division determine if the recipient addressed the issue noted.

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

Recommendation 1. Verify that Mendez England & Associates corrects the material weakness (Finding No. 1-Lack of Supporting Documentation and Documented Reviews and Approvals) detailed on pages 2 through 6 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”).