

SIGAR

**Special Inspector General for
Afghanistan Reconstruction**

SIGAR 22-33 Financial Audit

USAID's Afghanistan Monitoring, Evaluation, and Learning Activity: Audit of Costs Incurred by Management Systems International Inc.

**In accordance with legal requirements, SIGAR has redacted certain information deemed
proprietary or otherwise sensitive from this report**



JULY
2022

SIGAR

Special Inspector General for Afghanistan Reconstruction

WHAT THE AUDIT REVIEWED

On March 13, 2019, the U.S. Agency for International Development (USAID) Mission to Afghanistan awarded a 5-year, \$39,848,003 cost-plus-fixed-fee contract to Management Systems International Inc. (MSI) to implement the Afghanistan Monitoring, Evaluation, and Learning Activity. The contract consisted of a 2-year base period and three 1-year option periods. The activity's purpose is to strengthen the implementation of the Mission's development programs in Afghanistan through third party monitoring, oversight, and external evaluation of activity performance. USAID modified the contract 20 times; the total award amount and period of performance, ending March 12, 2024, did not change.

SIGAR's financial audit, performed by Castro & Company LLC (Castro), reviewed ██████████ in costs charged to the contract from July 1, 2020, through March 12, 2021. The objectives of the audit were to (1) identify and report on material weaknesses or significant deficiencies in MSI's internal controls related to the agreement; (2) identify and report on instances of material noncompliance with the terms of the contract and applicable laws and regulations, including any potential fraud or abuse; (3) determine and report on whether MSI has taken corrective action on prior findings and recommendations; and (4) express an opinion on the fair presentation of MSI's Special Purpose Financial Statement (SPFS). See Castro's report for the precise audit objectives.

In contracting with an independent audit firm and drawing from the results of the audit, auditing standards require SIGAR to review the work performed. Accordingly, SIGAR oversaw the audit and reviewed its results. SIGAR's review disclosed no instances wherein Castro did not comply, in all material respects, with generally accepted government auditing standards issued by the Comptroller General of the United States.

July 2022

USAID's Afghanistan Monitoring, Evaluation, and Learning Activity:
Audit of Costs Incurred by Management Systems International Inc.

SIGAR 22-33-FA

WHAT SIGAR FOUND

Castro did not find any material weaknesses or significant deficiencies in MSI's internal controls, or any instances of noncompliance with the terms and conditions of the contract. Accordingly, the auditors did not identify any questioned costs.

Castro identified two prior audit reports that were relevant to MSI's contract. The reports had two findings that could have a material effect on the SPFS. Castro performed follow-up procedures and concluded MSI took adequate correction action on both of the findings.

Castro issued an unmodified opinion on MSI's SPFS, noting that it presents fairly, in all material respects, revenues earned, and costs incurred for the period audited.

WHAT SIGAR RECOMMENDS

Based on the results of the audit, Castro did not report any findings. Therefore, SIGAR is not making any recommendations.



SIGAR

Office of the Special Inspector General
for Afghanistan Reconstruction

July 8, 2022

The Honorable Samantha Power
Administrator, U.S. Agency for International Development

Mr. Peter Duffy
Mission Director, U.S. Agency for International Development

We contracted with Castro & Company LLC (Castro) to audit the costs incurred by Management Systems International Inc. (MSI) under a U.S. Agency for International Development (USAID) contract to implement the Afghanistan Monitoring, Evaluation, and Learning Activity.¹ The purpose of the activity is to strengthen the implementation of the Mission's development programs in Afghanistan through third party monitoring, oversight, and external evaluation of activity performance. Castro reviewed [REDACTED] in costs charged to the contract from July 1, 2020, through March 12, 2021. Our contract with Castro required that the audit be performed in accordance with generally accepted government auditing standards issued by the Comptroller General of the United States.

Based on the results of the audit, Castro did not report any findings. Therefore, SIGAR is not making any recommendations.

Castro discusses the results of the audit in detail in the attached report. We reviewed Castro's report and related documentation, and inquired of its representatives. Our review, as differentiated from an audit of the financial statements in accordance with U.S. generally accepted government auditing standards, was not intended to enable us to express, and we do not express, an opinion on MSI's Special Purpose Financial Statements, or conclusions about the effectiveness of internal control over financial reporting or on compliance with laws and other matters. Castro is responsible for the attached auditor's report, dated May 9, 2022, and the conclusions expressed therein. However, our review disclosed no instances in which Castro did not comply, in all material respects, with U.S. generally accepted government auditing standards issued by the Comptroller General of the United States.

A handwritten signature in black ink, appearing to read "John F. Sopko".

John F. Sopko
Special Inspector General
for Afghanistan Reconstruction

(F-222)

¹ The contract number is 72030619C00004.



**Management Systems International, Inc.
Financial Audit of Costs Incurred
For Contract No. 72030619C0004
For the period of July 1, 2020 through March 12, 2021
(With Independent Auditor's Report Theron)**

May 9, 2022

Management Systems International, Inc.
Financial Audit of Costs Incurred
Contract No. 72030619C00004
For the Period of July 1, 2020 through March 12, 2021

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Transmittal Letter

May 9, 2022

To the Board of Directors and Management of Management Systems International, Inc.
200 12th Street South, Suite 1200
Arlington, VA 22202

To the Office of the Special Inspector General for Afghanistan Reconstruction
2530 Crystal Drive
Arlington, Virginia 22202

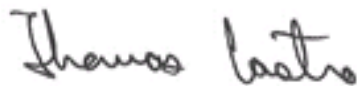
We appreciate the opportunity to provide to you our report regarding the procedures that we have completed during our audit of the Special Purpose Financial Statement (the Statement) applicable to Management Systems International, Inc.'s (MSI) Contract No. 72030619C00004 with the United States Agency for International Development (USAID) to support the implementation of the Afghanistan Monitoring, Evaluation, and Learning Activity (herein referred to as "AMELA" or "activity") for the period July 1, 2020 through March 12, 2021.

Within the pages that follow we have provided a brief summary of the work performed. Following the summary, we have incorporated our report on the Statement, our report on internal control, and our report on compliance. We do not express an opinion on the summary or any information preceding our reports.

When preparing our report, we considered comments, feedback, and interpretations of MSI, USAID, and the Office of the Special Inspector General for Afghanistan Reconstruction (SIGAR), provided both in writing and orally throughout the audit planning and fieldwork phases. There were no findings or questioned costs identified as a result of our audit.

Thank you for providing us the opportunity to work with you and to conduct the financial audit of MSI's contract.

Sincerely,



Thomas Castro, CPA, Partner
Castro & Company, LLC

Management Systems International, Inc.
Financial Audit of Costs Incurred
Contract No. 72030619C00004
For the Period of July 1, 2020 through March 12, 2021

Summary

Background

On March 13, 2019, the United States Agency for International Development (USAID) Mission to Afghanistan awarded Cost-Plus-Fixed-Fee (CPFF) completion type contract (Contract No. 72030619C00004) to Management Systems International, Inc. (MSI), a wholly owned subsidiary of Tetra Tech, Inc. based in the United States, to support the implementation of the Afghanistan Monitoring, Evaluation, and Learning Activity (herein referred to as “AMELA” or “activity”). The purpose of AMELA is to strengthen the implementation of USAID development programs in Afghanistan, and to build the USAID/Afghanistan Mission’s technical management and evaluation knowledge and skills. The period of performance of this contract is a two-year base period with three (3) one (1) year option periods which extend through March 12, 2024, and a ceiling amount of \$39,848,003. This contract has been modified 20 times with no impact to the amount of the award or period of performance. The program is ongoing and has not been cancelled or modified to reflect the current situation in Afghanistan.

The audit’s scope included activity within the period of July 1, 2020 through March 12, 2021. Within the period under audit, MSI reported ██████████ in total revenue, which consisted of ██████████ in reimbursable costs and ██████████ in fixed fee earned under the contract.

Work Performed

Castro & Company, LLC (Castro) was engaged by the Office of the Special Inspector General for Afghanistan Reconstruction (SIGAR) to conduct a financial audit of MSI’s Special Purpose Financial Statement (the Statement) for costs incurred under Contract No. 72030619C00004 for the period of July 1, 2020 through March 12, 2021.

Objectives Defined by SIGAR

The following audit objectives were defined by SIGAR within the Statement of Work (SOW) for Financial Audits of Costs Incurred by Organizations Contracted by the U.S. Government for Reconstruction Activities in Afghanistan:

Audit Objective 1 – Internal Controls

Evaluate and obtain a sufficient understanding of MSI’s internal control related to the award; assess control risk; and identify and report on significant deficiencies including material internal control weaknesses.

Audit Objective 2 – Special Purpose Financial Statement

Express an opinion on whether the Statement for the award presents fairly, in all material respects, revenues received, costs incurred, items directly procured by the U.S. Government, and balance for the period audited in conformity with the terms of the award and generally accepted accounting principles or other comprehensive basis of accounting.

Management Systems International, Inc.
Financial Audit of Costs Incurred
Contract No. 72030619C00004
For the Period of July 1, 2020 through March 12, 2021

Audit Objective 3 – Compliance

Perform tests to determine whether MSI complied, in all material respects, with the award requirements and applicable laws and regulations; and identify and report on instances of material noncompliance with terms of the award and applicable laws and regulations, including potential fraud or abuse that may have occurred.

Audit Objective 4 – Corrective Action on Prior Findings and Recommendations

Determine and report on whether MSI has taken adequate corrective action to address findings and recommendations from previous engagements that could have a material effect on the Statement or other financial data significant to the audit objectives.

Scope

The scope of our work included performing a financial audit of costs incurred of MSI's Contract No. 72030619C00004 for the period of July 1, 2020 through March 12, 2021. The audit was limited to those matters and procedures pertinent to the contract that have a direct and material effect on the Statement. The audit also included an evaluation of the presentation, content, and underlying records of the Statement. Further, the audit included reviewing the financial records that support the Statement to determine if there were material misstatements and if the Statement was presented in the format required by SIGAR. In addition, the following areas were determined to be direct and material and, as a result, were included within the audit program for detailed evaluation:

- Allowable Activities;
- Allowable Costs;
- Cash Management;
- Equipment and Real Property;
- Procurement; and
- Reporting.

Finally, we expressed an opinion on the Statement and will report any findings and questioned costs, either ineligible and/or unsupported, regardless of any amount. Our audit was performed in accordance with United States Generally Accepted Government Auditing Standards (GAGAS or the "Yellow Book") issued by the Comptroller General of the U.S. Government Accountability Office (GAO) (2018 Revision).

Methodology

In order to accomplish the objectives of this audit, we designed our audit procedures to include the following:

Entrance Conference

An entrance conference was held via conference call on October 18, 2021. Participants included representatives from Castro, MSI, SIGAR, and USAID. The purpose of the entrance conference was to discuss the nature, timing, and extent of audit work to be performed, establish key contacts

Management Systems International, Inc.
Financial Audit of Costs Incurred
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For the Period of July 1, 2020 through March 12, 2021

throughout the engagement, and schedule status briefings. We also discussed the timeframe for the completion of the audit.

Planning

During our planning phase, we performed the following:

1. Obtained an understanding of MSI;
2. Reviewed the contract and modifications;
3. Reviewed specific USAID regulations that are applicable to the contract;
4. Performed a financial reconciliation; and
5. Selected samples based on our sampling techniques as outlined in our approved Audit Plan.

Audit Objective 1 – Internal Controls

Castro obtained and reviewed MSI's policies and procedures to gain an understanding of the system of internal control established by MSI during the period of performance. Additionally, Castro conducted interviews with management to obtain an understanding of the processes that were in place during the period of performance. The system of internal control is intended to provide reasonable assurance of achieving reliable financial reporting and compliance with applicable laws and regulations. Castro confirmed internal controls identified by MSI and performed testing over certain key controls to understand if they were implemented as designed.

Audit Objective 2 – Special Purpose Financial Statement

Transactions were selected from the general ledger detail supporting the Statement and were tested to determine if the transactions were recorded accurately and consistent with the terms and conditions of the contract; were incurred within the period covered by the Statement; were appropriately allocated to the contract; and were adequately supported.

Audit Objective 3 – Compliance

Castro reviewed the contract issued by USAID to identify criteria against which to test the Statement. Using various sampling techniques, Castro selected transactions, vouchers for payment submitted to USAID, procurements, government property, and reports for testing. Supporting documentation was provided by MSI and evaluated to assess MSI's compliance. Testing of indirect costs was limited to determining whether indirect costs were calculated and charged to the U.S. Government in accordance with the Negotiated Indirect Cost Rate Agreement issued by USAID.

Audit Objective 4 – Corrective Action on Prior Findings and Recommendations

Castro inquired of MSI, SIGAR, and USAID representatives regarding prior audits, reviews, or assessments that were pertinent to the audit scope. Castro also conducted an independent search of publicly available information to identify audit and review reports. As a result, we identified

Management Systems International, Inc.
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For the Period of July 1, 2020 through March 12, 2021

two prior reports. In each instance, Castro reviewed prior audit reports to ascertain whether findings may be direct and material to the audit objectives. In instances where findings could be direct and material to the audit objectives, Castro reviewed the prior audit reports to determine whether corrective action from any of the prior findings and recommendations was denoted as unresolved, inadequate, or otherwise incomplete such that additional follow-up is necessary. See **Schedule I: Summary Schedule of Prior Audit, Review, and Assessment of Findings**.

Exit Conference

An exit conference was held on March 30, 2022 via a conference call. Participants included representatives from Castro, MSI, SIGAR, and USAID. During the exit conference, we discussed the preliminary results of the audit and reporting process.

Summary of Results

Castro issued an unmodified opinion on the Statement, noting the Statement presents fairly, in all material respects, revenues earned, costs incurred, and balance for the period audited. There were no findings or questioned costs identified as a result of the audit.

As part of obtaining reasonable assurance about whether the Statement is free from material misstatement, we considered MSI's internal control over financial reporting and performed tests of those controls. The results of our tests disclosed no internal control weaknesses required to be reported under *Government Auditing Standards*. See Independent Auditor's Report on Internal Control on page 11.

As part of obtaining reasonable assurance about whether the Statement is free from material misstatement, we performed tests of its compliance with certain provisions of the contract and other laws and regulations, noncompliance with which could have a direct and material effect on the determination of the Statement amounts. The results of our tests disclosed no instances of noncompliance related to this audit. See Independent Auditor's Report on Compliance on page 13.

In performing our testing, we considered whether the information obtained during our testing resulted in either detected or suspected material fraud, waste, or abuse, which would be subject to reporting under *Government Auditing Standards*. Evidence of such items was not identified by our testing.

Castro also requested copies of prior audits, reviews, and evaluations pertinent to MSI's financial performance under this contract. One of the two prior audits contained audit findings that were direct and material to the award. From that report, Castro identified two findings that were subject to review. Castro conducted procedures to determine whether adequate corrective action had been taken on the two findings. Castro concluded that MSI had taken adequate corrective action on both prior year findings. See **Schedule I: Summary Schedule of Prior Audit, Review, and Assessment of Findings**.

Management Systems International, Inc.
Financial Audit of Costs Incurred
Contract No. 72030619C00004
For the Period of July 1, 2020 through March 12, 2021

Summary of Management Comments

Written management responses were not obtained because no reportable findings were identified during the course of the audit.

Independent Auditor's Report on the Special Purpose Financial Statement

To the Board of Directors and Management of Management Systems International, Inc.
200 12th Street South, Suite 1200
Arlington, VA 22202

To the Office of the Special Inspector General for Afghanistan Reconstruction
2530 Crystal Drive
Arlington, Virginia 22202

Report on the Special Purpose Financial Statement

We have audited the Special Purpose Financial Statement (the Statement) of Management Systems International, Inc. (MSI), and the related notes to the Statement, with respect to the Afghanistan Monitoring Evaluation and Learning Activity (AMELA) funded by the United States Agency for International Development (USAID) Contract No. 72030619C00004 for the period of July 1, 2020 through March 12, 2021.

Management's Responsibility for the Schedule

Management is responsible for the preparation and fair presentation of the Statement in accordance with the requirements specified by the Office of the Special Inspector General for Afghanistan Reconstruction (SIGAR) and terms and conditions of Contract No. 72030619C00004. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the Statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the Statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the Statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit

also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the Statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the Statement referred to above pertaining to Contract No. 72030619C00004 presents fairly, in all material respects, the revenues earned, costs incurred, and balance for the indicated period in accordance with the basis of presentation and accounting described in Notes 2, 4, 5, and 6.

Basis of Presentation and Accounting

We draw attention to Notes 2, 4, 5, and 6 to the Statement, which describe the basis of presentation and accounting. The Statement is prepared in the format required by SIGAR and presents those amounts as permitted under the terms of USAID Contract No. 72030619C00004, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to comply with the financial reporting provisions of the contract referred to above. Our opinion is not modified with respect to this matter.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our reports dated April 5, 2022, on our consideration of MSI's internal controls over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of those reports is to describe the scope of our testing of internal control over financial reporting and compliance, and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering MSI's internal control over financial reporting and compliance.

Restriction on Use

This report is intended for the information of MSI, USAID, and SIGAR. Financial information in this report may be privileged. The restrictions of 18 U.S.C. 1905 should be considered before any information is released to the public.

Castro & Company, LLC

Alexandria, VA
April 5, 2022

Management Systems International, Inc.
Financial Audit of Costs Incurred
Contract No. 72030619C00004
For the Period of July 1, 2020 through March 12, 2021

Special Purpose Financial Statement¹

	<u>Budget</u>	<u>Actual</u>	<u>Questioned Costs</u>		<u>Total</u>	<u>Notes</u>
			<u>Ineligible</u>	<u>Unsupported</u>		
<i>Revenues</i>						
Contract No. 72030619C00004	39,848,003	[REDACTED]	-	-	-	
Total Revenue	\$ 39,848,003	\$ [REDACTED]	\$ -	\$ -	\$ -	2, 4
<i>Costs Incurred</i>						5
CLIN 1 – Technical Support Services	[REDACTED]	[REDACTED]	-	-	-	
CLIN 2 – OHA	[REDACTED]	[REDACTED]	-	-	-	
CLIN 3 – Security	[REDACTED]	[REDACTED]	-	-	-	
CLIN 4 – Support	[REDACTED]	[REDACTED]	-	-	-	
CLIN 5 – AMELA Indirects	[REDACTED]	[REDACTED]	-	-	-	
CLIN 6 – OHA Indirects	[REDACTED]	[REDACTED]	-	-	-	
Total Costs Incurred	\$ [REDACTED]	\$ [REDACTED]	\$ -	\$ -	\$ -	
Fixed Fee	[REDACTED]	[REDACTED]	-	-	-	
Total Costs-Plus-Fixed-Fee	\$ 39,848,003	\$ [REDACTED]	\$ -	\$ -	\$ -	
Outstanding Balance	\$ -	\$ -				6

¹ The accompanying notes to the Special Purpose Financial Statement are an integral part of this Statement.

Management Systems International, Inc.
Financial Audit of Costs Incurred
Contract No. 72030619C00004
For the Period of July 1, 2020 through March 12, 2021

Notes to the Special Purpose Financial Statement

Note 1. Status of Operations

Management Systems International, Inc. (MSI) was incorporated in the District of Columbia in 1981. MSI is a wholly owned subsidiary of Tetra Tech, Inc. MSI's range of technical expertise includes a global network of experts in their fields including governance; monitoring, evaluation and learning; anti-corruption; education; public sector management; and organizational development. MSI provides services to the U.S. government, primarily to the United States Agency for International Development (USAID) at locations throughout the world, based on customer requirements. MSI is headquartered in Arlington, Virginia.

Note 2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying Special Purpose Financial Statement (the Statement) includes costs incurred under Contract No. 72030619C00004 for the Afghanistan Monitoring, Evaluation, and Learning Activity (AMELA) for the period of July 1, 2020 through March 12, 2021. Because the Statement presents only a selected portion of the operations of the company, it is not intended to and does not present the financial position, changes in net assets, or cash flows of MSI. The information in this Statement is presented in accordance with the requirements specified by the Office of the Special Inspector General for Afghanistan Reconstruction ("SIGAR") and is specific to Contract No. 72030619C00004. Therefore, some amounts presented in this Statement may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Basis of Accounting

Expenditures reported on the Statement are reported on an accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the clauses of the aforementioned contract and MSI disclosed cost accounting standard practices, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Notes 3. Foreign Currency Conversion Method

MSI's practice with regards to how it determines the exchange rate used in recording and billing expenses paid abroad in foreign currencies is as follows:

The exchange rate used in a given month for recording and billing expenses incurred in a foreign currency in the field is equal to the weighted average exchange rate of the funds converted from U.S. dollars to local currency for the project in the prior month.

Management Systems International, Inc.
Financial Audit of Costs Incurred
Contract No. 72030619C00004
For the Period of July 1, 2020 through March 12, 2021

Note 4. Revenues

Revenues on the Statement represent the amount of funds to which MSI is entitled to receive from USAID for allowable, eligible costs incurred under the contract during the period of performance.

Note 5. Costs Incurred by Budget Category

The budget categories presented, and associated amounts reflect the budget line items presented within the approved contract budget. The total budget for the program is \$37,458,636 for the performance of 5 years.

Note 6. Fund Balance

The fund balance presented on the Statement represents the difference between revenues earned and costs incurred such that an amount greater than \$0 would reflect that revenues have been earned that exceed the costs incurred or charged to the contract and an amount less than \$0 would indicate that costs have been incurred, but are pending additional evaluation before a final determination of allowability and amount of revenue earned may be made.

Note 7. Currency

All amounts presented are shown in U.S. dollars.

Note 8: Activity Status

The AMELA contract remains active and is currently in the second base period of the contract.

Note 9. Subsequent Events

Management has performed an analysis of the activities and transactions subsequent to the July 1, 2020 through March 12, 2021 period covered by the Statement. Management has performed their analysis through April 5, 2022 the date through which the Statement was available to be issued. MSI concluded that no subsequent events have occurred that would require recognition or disclosure in the Statement.

Independent Auditor's Report on Internal Control

To the Board of Directors and Management of Management Systems International, Inc.
200 12th Street South, Suite 1200
Arlington, VA 22202

To the Office of the Special Inspector General for Afghanistan Reconstruction
2530 Crystal Drive
Arlington, Virginia 22202

We have audited, the Special Purpose Financial Statement (the Statement) and related notes to the Statement, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, by Management Systems International, Inc. (MSI) under United States Agency for International Development (USAID) Contract No. 72030619C00004, Afghanistan Monitoring Evaluation and Learning Activity (AMELA), for the period of July 1, 2020 through March 12, 2021. We have issued our report thereon dated April 5, 2022 with an unmodified opinion.

Internal Control over Financial Reporting

MSI's management is responsible for establishing and maintaining effective internal control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control policies and procedures. The objectives of internal control are to provide management with reasonable, but not absolute, assurance that the assets are safeguarded against loss from unauthorized use or disposition; transactions are executed in accordance with management's authorization and in accordance with the terms of the contract; and transactions are recorded properly to permit the preparation of the Statement in conformity with the basis of presentation described in Notes 2, 4, 5, and 6 to the Statement. Because of inherent limitations in internal control, errors or fraud may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the Statement, we considered MSI's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the Statement, but not for the purpose of expressing an opinion on the effectiveness of MSI's internal control. Accordingly, we do not express an opinion on the effectiveness of MSI's internal control.

A *deficiency* in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent,

or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the MSI Statement will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control. Accordingly, this communication is not suitable for any other purpose.

Restriction on Use

This report is intended for the information of MSI, USAID, and the Office of the Special Inspector General for Afghanistan Reconstruction. Financial information in this report may be privileged. The restrictions of 18 U.S.C. 1905 should be considered before any information is released to the public.

Castro & Company, LLC

Alexandria, VA
April 5, 2022

Independent Auditor's Report on Compliance

To the Board of Directors and Management of Management Systems International, Inc.
200 12th Street South, Suite 1200
Arlington, VA 22202

To the Office of the Special Inspector General for Afghanistan Reconstruction
2530 Crystal Drive
Arlington, Virginia 22202

We have audited, the Special Purpose Financial Statement (the Statement) and related notes to the Statement, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, by Management Systems International, Inc. (MSI) under United States Agency for International Development (USAID) Contract No. 72030619C00004, Afghanistan Monitoring Evaluation and Learning Activity (AMELA), for the period of July 1, 2020 through March 12, 2021. We have issued our report thereon dated April 5, 2022 with an unmodified opinion.

Management's Responsibility for Compliance

Compliance with Federal rules, laws, regulations, and the terms and conditions applicable to the contract is the responsibility of the management of MSI.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether MSI's Statement is free of material misstatement, we performed tests of compliance with certain provisions of laws, regulations, and the contract, noncompliance with which could have a direct and material effect on the determination of the Statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests did not disclose any instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's compliance. Accordingly, this communication is not suitable for any other purpose.

Restriction on Use

This report is intended for the information of MSI, USAID, and the Office of the Special Inspector General for Afghanistan Reconstruction. Financial information in this report may be privileged. The restrictions of 18 U.S.C. 1905 should be considered before any information is released to the public.

Castro & Company, LLC

Alexandria, VA

April 5, 2022

Management Systems International, Inc.
Financial Audit of Costs Incurred
Contract No. 72030619C00004
For the Period of July 1, 2020 through March 12, 2021

Schedule I – Summary Schedule of Prior Audit, Review, and Assessment of Findings

Castro reviewed two prior audits, reviews, or assessment reports. One of the reports contained findings and recommendations. We assessed the findings to ascertain whether the matters reported in the findings were direct and material to the Special Purpose Financial Statement (the Statement) or other financial information significant to the audit objectives. In addition, we reviewed the auditors' comments regarding the status of prior audit findings.

The reports reviewed by Castro are listed below:

1. SIGAR Audit No. 15-53 USAID's Measuring Impact of Stabilization Initiative: Audit of Costs Incurred by Management Systems International.
2. Financial Audit of Costs Incurred in Afghanistan of the USAID Resources, Afghanistan Monitoring Evaluation and Learning Activity (AMELA) Managed by Management Systems International, Inc. under Contract No. 306-72030619C00004 for the Period from March 13, 2019 to June 30, 2020.

Per our review of the reports, Castro identified two prior findings that required follow-up on corrective action.

Report: SIGAR Financial Audit No. 15-53 dated April 6, 2015 of costs incurred under Task Order Number AID-306-TO-12-00004 of Contract Number AID-OAA-I-10-00002 for the period of March 14, 2012 through September 13, 2013

Finding 2013-01: Two out of 15 expenses tested were not paid within 30 days of invoicing USAID. Specifically, security service payments to subcontractors totaling \$71,035 were invoiced to USAID on May 22, 2012 and November 15, 2012. However, these amounts were not paid to the vendor until June 28, 2012 and December 27, 2012 or 37 and 42 days, respectively after being invoiced to USAID. The calculated amount of interest that would have been earned by MSI for drawdowns tied to these expenses was \$46.

Status: Castro obtained evidence from MSI to support that the \$46 was remitted back to USAID on June 9, 2015. Additionally, Castro inquired of MSI on the status of this prior year finding. As a result of our inquiries, MSI confirmed that they continue to track subcontractor payments to confirm that all payments are made within 30 days of receipt of payment from USAID. Additionally, Castro performed procedures over expenses to subcontractors. Based on our testing for this engagement, this issue was not repeated.

Finding 2013-02: Two quarterly financial reports selected for testing (December 2012 and September 2013) were not submitted by the deadline specified in the task order. Specifically, the report for the quarter ended December 31, 2012 was submitted on January 30, 2013 and the report for the quarter ended September 30, 2013 was submitted on October 30, 2013. In addition, documentation was not provided to support the review and approval of three out of the five reports

Management Systems International, Inc.
Financial Audit of Costs Incurred
Contract No. 72030619C00004
For the Period of July 1, 2020 through March 12, 2021

tested. Among the five reported tested, these was no documentation of review and approval for the two quarterly financial reports noted above and the 2012 annual work plan.

Status: Castro inquired of MSI on the status of this prior year finding. As a result of our inquiries, MSI confirmed that MSI tracks reporting deadlines and can confirm all deadlines were met following this audit. In this situation, MSI and USAID had a verbal agreement to delay the reporting in two quarters during the audit period. MSI has committed to get any further agreements in writing. Additionally, Castro performed procedures over reporting compliance. Based on our testing for this engagement, this issue was not repeated.

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SIGAR's Mission

Public Affairs Officer

- Phone: 703-545-5974
- Email: sigar.pentagon.ccr.mbx.public-affairs@mail.mil
- Mail: SIGAR Public Affairs
2530 Crystal Drive
Arlington, VA 22202