

# SIGAR

**Special Inspector General for  
Afghanistan Reconstruction**

**SIGAR 25-17 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 from this report certain information because it is proprietary, could impact public safety, privacy, or security, or is otherwise sensitive.**



**MARCH  
2025**



# SIGAR

## Special Inspector General for Afghanistan Reconstruction

### WHAT THE AUDIT REVIEWED

On March 13, 2019, the U.S. Agency for International Development's Mission to Afghanistan (USAID) awarded a \$39,848,003 cost-plus-fixed-fee contract to Management Systems International Inc. (MSI) in support of its Afghanistan Monitoring, Evaluation, and Learning Activity (AMELA) program. The contract's purpose was to ensure that USAID's development programs in Afghanistan achieve their intended results in an efficient and cost-effective manner. The contract's period of performance was from March 13, 2019, through March 12, 2021. USAID modified the contract 28 times, extending the period of performance through March 12, 2024, and increasing the total award amount to \$44,848,003.

SIGAR's financial audit, performed by Conrad LLP (Conrad), reviewed \$[REDACTED] in costs charged to the contract from April 2, 2022, through March 12, 2024. 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 award; (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 Conrad'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. Our review disclosed no instances wherein Conrad did not comply, in all material respects, with generally accepted government auditing standards issued by the Comptroller General of the United States.

March 2025

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

SIGAR 25-17-FA

### WHAT SIGAR FOUND

Conrad identified one significant deficiency in MSI's internal controls and one instance of noncompliance with the terms of the contract. Conrad found that MSI could not adequately support employee timesheets. Specifically, the auditors identified 21 instances where employee timesheets were prepared, submitted, and approved prior to the end of the pay period. As a result, the auditors were unable to verify that the estimated hours submitted were recorded correctly to reflect the actual work performed. SIGAR notified MSI of the deficiency and compliance issue prior to publication of this report.

Because of the deficiencies in internal control and the instance of noncompliance, Conrad identified \$22,762 in total questioned costs, consisting entirely of unsupported costs—costs not supported with adequate documentation or that do not have required prior approval. Conrad did not identify any ineligible costs—costs prohibited by the contract or applicable laws and regulations.

Category	Ineligible	Unsupported	Total Questioned Costs
Direct Costs	\$0	\$14,563	\$14,563
Indirect Costs	\$0	\$8,199	\$8,199
<b>Total Costs</b>	<b>\$0</b>	<b>\$22,762</b>	<b>\$22,762</b>

Conrad identified three prior audit reports containing six findings that could have a material effect on the SPFS or other financial data significant to the audit objectives. Conrad conducted follow-up procedures and concluded that MSI had taken adequate corrective action on all six prior findings.

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

### WHAT SIGAR RECOMMENDS

Based on the results of the audit, SIGAR recommends that the responsible contracting officer at USAID:

1. Determine the allowability of and recover, as appropriate, \$22,762 in questioned costs identified in the report.
2. Advise MSI to address the report's one internal control finding.
3. Advise MSI to address the report's one noncompliance finding.





**SIGAR**

Office of the Special Inspector General  
for Afghanistan Reconstruction

March 12, 2025

The Honorable Marco A. Rubio  
Secretary of State  
Acting Administrator, U.S. Agency for International Development

We contracted with Conrad LLP (Conrad) to audit the costs incurred by Management Systems International Inc. (MSI) under a contract awarded by the U.S. Agency for International Development's Mission to Afghanistan (USAID) in support of the Afghanistan Monitoring, Evaluation, and Learning Activity (AMELA) program.<sup>1</sup> The contract's purpose was to ensure that USAID's development programs in Afghanistan achieved their intended results in an efficient and cost-effective manner. Conrad reviewed \$[REDACTED] in revenues received and costs incurred under the contract from April 2, 2022, through March 12, 2024. Our contract with Conrad 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, SIGAR recommends that the contracting officer at USAID:

1. **Determine the allowability of and recover, as appropriate, \$22,762 in questioned costs identified in the report.**
2. **Advise MSI to address the report's one internal control finding.**
3. **Advise MSI to address the report's one noncompliance finding.**

Conrad discusses the results of the audit in detail in the attached report. In connection with the contract, we reviewed Conrad's report and related documentation and inquired of its representatives. We also inquired about Conrad's conclusions in the report and the firm's compliance with applicable standards. 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. Conrad is responsible for the attached auditor's report, dated March 3, 2025, and the conclusions expressed therein. However, our review disclosed no instances in which Conrad did not comply, in all material respects, with U.S. generally accepted government auditing standards issued by the Comptroller General of the United States.

Please provide documentation related to corrective actions taken and/or target dates for planned completion for the recommendations to [sigar.pentagon.audits.mbx.recommendation-followup@mail.mil](mailto:sigar.pentagon.audits.mbx.recommendation-followup@mail.mil), within 60 days from the issue date of this report.

Gene Aloise  
Acting Special Inspector General  
for Afghanistan Reconstruction

(F-307)

<sup>1</sup> The contract no. is 72030619C00004.

**Management Systems International, Inc.**

Financial Audit of the Special Purpose Financial Statement for

Contract No. 72030619C00004

Awarded by the United States Agency for International Development's Mission to  
Afghanistan, for the Afghanistan Monitoring, Evaluation, and Learning Activity Program

For the Period of April 2, 2022, through March 12, 2024



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March 3, 2025

Board of Directors  
Management Systems International, Inc.  
Arlington, VA

Special Inspector General for Afghanistan Reconstruction (SIGAR)  
2530 Crystal Drive  
Arlington, VA 22202

Conrad LLP (Conrad or we) hereby provides to you our final report, which reflects results from the procedures we completed during our audit of Management Systems International, Inc.'s Special Purpose Financial Statement under Contract No. 72030619C00004 awarded by the United States Agency for International Development's Mission to Afghanistan for the period of April 2, 2022, through March 12, 2024, in support of the Afghanistan Monitoring, Evaluation, and Learning Activity Program.

On January 22, 2025, we provided SIGAR with a draft report reflecting our audit procedures and results. Management Systems International, Inc. (MSI) received a copy of the report on February 14, 2025, and provided written responses subsequent thereto. These responses have been considered in the formation of the final report, along with the written and oral feedback provided by SIGAR and MSI. Additionally, MSI's responses and Conrad's corresponding rebuttals are incorporated into this report following our audit reports.

Thank you for providing us the opportunity to work with you, and to conduct the audit of this contract.

Sincerely,

A handwritten signature in blue ink, appearing to read "S Perera". The signature is fluid and cursive, with a horizontal line underlining the name.

Sam Perera, CPA, CFE, CITP, CGMA  
Partner

## **Management Systems International, Inc.**

Financial Audit of the Special Purpose Financial Statements for  
Contract No. 72030619C00004

Awarded by the United States Agency for International Development/Afghanistan  
for the Afghanistan Monitoring, Evaluation, and Learning Activity Program

For the Period of April 2, 2022, through March 12, 2024

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### **Background**

On March 13, 2019, the United States Agency for International Development's Office of United States' (USAID/Afghanistan) Mission to Afghanistan awarded a 5-year \$ [REDACTED] cost-plus-fixed-fee completion type Contract No. 72030619C00004 (Contract) to Management Systems International, Inc. (MSI) in support of the Afghanistan Monitoring, Evaluation, and Learning Activity (AMELA) program.

The purpose of the contract was to ensure that USAID's development programs in Afghanistan achieve their intended results through strong performance management service provision, in an efficient and cost-effective manner, with a focus on evaluation technical support services, monitoring technical support services, learning and adaptive management services, and program support services. The four (4) key objectives of this contract are as follows:

- Evaluation Technical Support Services: Provide analytical services which include mid-term and final evaluations, performance and impact evaluations, geographic and sectoral assessments, activity-specific assessments and verifications, sectoral surveys, and baseline analyses.
- Monitoring Technical Support Services: Provide monitoring and verification technical support services to strengthen decision-making for design and implementation of development programming through third-party monitoring (TPM), a component of the Mission's Multi-Tiered Monitoring approach, including, but not limited to, design and implementation of TPM tools and approaches, field-based data collection and verification, and data quality assessments.
- Learning and Adaptive Management Support Services: Support operationalization of collaboration, learning, adaption (CLA) and knowledge management within USAID/Afghanistan throughout the Program Cycle. This component will additionally focus on capacity building activities that bolster USAID staff and stakeholders' M&E, learning, overall management capabilities, and skills.
- Program Support Services: Provide USAID/Afghanistan with performance-related, short-term advisory assistance to support mission-wide strategic and performance planning, including analytical work to support mission Program Cycle processes, development and implementation of a mission-wide Performance Management Plan, and assistance with project- and activity-level M&E and learning-related tasks, such as DQAs, indicator development, and the organization of partner and stakeholder meetings to discuss progress and results.

The initial award amount was \$ [REDACTED], for period of performance from March 13, 2019, through March 13, 2024. USAID modified the contract twenty-eight (28) times which extended the period of performance from March 13, 2024 through March 12, 2025, and increased the total funding to \$44,848,003.

See the *Summary of Contract* below.



## Management Systems International, Inc.

Financial Audit of the Special Purpose Financial Statements for  
Contract No. 72030619C00004

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For the Period of April 2, 2022, through March 12, 2024

### Summary of Contract

Contract Number	Original Budget and Period of Performance			Modified Budget and Period of Performance		
	Original Approved Budget (\$)	Start Date	End Date	No. of Modifications	Final Approved Budget (\$)	End Date
72030619C00004	\$39,848,003	03/13/19	03/12/24	28	\$44,848,003	03/12/25

MSI is a for-profit international development consulting firm founded in 1981. MSI provides services such as strategy, evaluation, analysis, and support for democracy and governance programs. Tetra Tech acquired MSI on March 25, 2016, but the firm still does business as MSI.

### **Work Performed**

Conrad LLP (Conrad) was engaged by the Office of the Special Inspector General for Afghanistan Reconstruction (SIGAR) to conduct a financial audit of the contract, as mentioned above, of MSI's Special Purpose Financial Statement (SPFS) for revenue received, costs incurred, and fixed fee under the Program totaling \$ [REDACTED] for the period April 2, 2022, through March 12, 2024.

### **Objectives, Scope, and Methodology**

#### Audit Objectives

The objectives of the audit of the aforementioned contract include the following:

- *Special Purpose Financial Statement (SPFS)* – Express an opinion on whether MSI's SPFS for the contract presents fairly, in all material respects, the revenues received, costs incurred, items directly procured by the U.S. Government, and the balance for the period audited in conformity with the terms of the contract and generally accepted accounting principles or other comprehensive basis of accounting.
- *Internal Controls* – Evaluate and obtain sufficient understanding of MSI's internal controls related to the contract, assess control risk, and identify and report on significant deficiencies including material internal control weaknesses.
- *Compliance* – Perform tests to determine whether MSI complied, in all material respects, with the contract requirements and applicable laws and regulations; and identify and report on instances

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## **Management Systems International, Inc.**

Financial Audit of the Special Purpose Financial Statements for  
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For the Period of April 2, 2022, through March 12, 2024

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of material noncompliance with terms of the contract and applicable laws and regulations, including potential fraud or abuse that may have occurred.

- *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 SPFS or other financial data significant to the audit objectives.

### **Scope**

The scope of this audit included all revenue received, costs incurred plus fixed fee totaling \$ [REDACTED] during the period of April 2, 2022, through March 12, 2024. Our testing of the indirect cost charged to the contract was limited to determining that the indirect cost was calculated using the correct revised negotiated indirect cost rates or provisional indirect cost rates, as applicable for the given fiscal year, as approved in the Negotiated Indirect Cost Rate Agreement (NICRA) and subsequent applicable amendments.

### **Audit Methodology**

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

#### **Entrance Conference**

An entrance conference was held on July 2, 2024, with representatives of MSI, Conrad, SIGAR, and USAID/Afghanistan participating via conference call. The purpose of the entrance conference was to discuss the nature, timing, and extent of audit work to be performed, establish key contacts 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:

- Obtained an understanding of MSI. The scope of our audit includes MSI's management and employees, internal and external factors that affected operations, accounting policies and procedures. We gained an understanding of MSI through interviews, observations, and reading policies and procedure manuals. We interviewed top management and employees responsible for significant functions and/or programs. In addition, we reviewed the following:
  - Contract and modifications;
  - Any regulations that were specific to the contract's requirements, such as USAID Acquisition Regulation (AIDAR), Federal Acquisition Regulation, Part 31 (FAR 31), Federal Acquisition Regulation, Part 52 (FAR 52);

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## **Management Systems International, Inc.**

Financial Audit of the Special Purpose Financial Statements for  
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For the Period of April 2, 2022, through March 12, 2024

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- Audited financial statements; and
- Previous SIGAR and USAID financial audit reports.
- Financial reconciliation – obtained and reviewed all financial reports submitted during the audit period and reconciled these reports to the accounting records to ensure all costs were properly recorded.

### Special Purpose Financial Statement

In reviewing the SPFS, we performed the following:

- Reconciled the costs on the SPFS to the contract, and the applicable general ledgers;
- Documented procedures associated with controlling funds, including bank accounts and bank reconciliations;
- Traced receipt of funds to the accounting records;
- Sampled and tested the costs incurred to ensure the costs were allowable, reasonable, and allocable to the contract;
- Reviewed personnel costs to ensure they were supported, authorized, reasonable, and allowable; and
- Recalculated the indirect cost using the approved provisional negotiated indirect cost rates to ensure that the rate was accurately applied.

### Internal Controls Related to the Contract

We reviewed MSI's internal controls related to the contract to gain an understanding of the implemented system of internal control to obtain reasonable assurance of MSI's financial reporting function and compliance with applicable laws and regulations. This review was accomplished through interviews with management and key personnel, reviewing policies and procedures, and identifying key controls within significant transaction cycles and testing those key controls.

### Compliance with the Contract Requirements and Applicable Laws and Regulations

We performed tests to determine whether MSI complied, in all material respects, with the contract requirements, AIDAR, FAR 52, FAR 31, and any other applicable laws and regulations. We also identified and reported on instances of material noncompliance with terms of the contract and applicable laws and regulations, including potential fraud or abuse that may have occurred.

(Continued)



## **Management Systems International, Inc.**

Financial Audit of the Special Purpose Financial Statements for  
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### Corrective Action on Prior Findings and Recommendations

We requested prior audit reports from MSI and reviewed these reports to determine if there were any findings and recommendations that could have a material effect on MSI's SPFS. In addition, we also conducted a search online of various governmental websites including SIGAR ([www.sigar.mil](http://www.sigar.mil)), USAID ([www.usaid.gov](http://www.usaid.gov)), and other applicable Federal agencies, to identify previous engagements that could have a material effect on MSI's SPFS. For those engagements, Conrad evaluated the adequacy of corrective actions taken on findings and recommendations that could have a material effect on the SPFS. See the *Status of Prior Audit Findings* section on page 21.

### Exit Conference

An exit conference was held on January 15, 2025, via conference call. Participants included representatives from Conrad, MSI, SIGAR, and USAID/Afghanistan. During the exit conference, we discussed the preliminary results of the audit and reporting process.

## **Summary of Results**

We have summarized the details of these results in the Findings and Questioned Costs subsection below. Our summary is intended to present an overview of the audit results and is not intended to be a representation of the audit results in their entirety.

### Auditor's Opinion on the SPFS

Conrad issued an unmodified opinion on the fairness of the presentation of the SPFS.

We identified \$22,762 in total questioned costs, comprised entirely of unsupported costs. Unsupported costs are not supported with adequate documentation or did not have required prior approvals or authorizations. Ineligible costs are explicitly questioned because they are unreasonable, prohibited by the contract's provisions or applicable laws and regulations, or not related to the contract.

Internal control findings were classified as a deficiency, a significant deficiency, or a material weakness based on their impact on MSI's SPFS. 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*. In situations in which control and compliance findings pertained to the same matter, the findings were consolidated within a single finding.

### Internal Controls

Our audit identified one (1) internal control finding. The internal control finding is considered to be a significant deficiency. See *Independent Auditor's Report on Internal Control* on page 15.

### Compliance

(Continued)

## Management Systems International, Inc.

Financial Audit of the Special Purpose Financial Statements for  
Contract No. 72030619C00004

Awarded by the United States Agency for International Development/Afghanistan  
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For the Period of April 2, 2022, through March 12, 2024

The results of our testing identified one instance of noncompliance. See the *Independent Auditor's Report on Compliance* on page 17.

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*. MSI self-disclosed one (1) instance of alleged fraud that could have a potential impact on the Program and the SPFS. Based on further discussions with MSI and review of the alleged incidents of fraud, an internal investigation into these allegations was conducted and the results found that there was no monetary or material effect to the Program or the SPFS during the period under review. As such, there are no further communications warranting additional consideration.

Finding Number	Nature of Finding	Matter	Ineligible Costs	Unsupported Costs	Cumulative Questioned Cost
2024-01	Non-compliance and Internal Control – Significant Deficiency	Signed timesheets were approved prior to the end of the pay period	\$ -	\$ 22,762	\$ 22,762
Total Questioned Costs			\$ -	\$ 22,762	\$ 22,762

### Review of Prior Findings and Recommendations

We requested copies of prior audit reports and engagements from MSI, SIGAR, and USAID/Afghanistan pertinent to MSI's activities under the contract. We identified three (3) prior audit reports that contained six (6) findings and associated recommendations that could have a material effect on the SPFS or other financial data significant to the audit objectives. We conducted follow-up procedures which included a discussion with management, reviewing evidence of revised policies and procedures or other applicable recommended actions, and performing tests of the similar areas surrounding these issues during our audit. We concluded that MSI had taken adequate corrective action on all of the six (6) prior audit findings and associated recommendations. See *Status of Prior Audit Findings* on page 21 for a detailed description of the prior findings and recommendations.

### Summary of MSI's Responses to Findings

The following represents a summary of the responses provided by MSI to the findings identified in this report (the complete responses received can be found in *Appendix A* to this report):

(Continued)

**Management Systems International, Inc.**

Financial Audit of the Special Purpose Financial Statements for  
Contract No. 72030619C00004

Awarded by the United States Agency for International Development/Afghanistan  
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For the Period of April 2, 2022, through March 12, 2024

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**Finding 2024-01** – MSI disagreed with the finding stating that MSI has submitted supervisor reviews of the timesheets indicating the estimated hours were recorded correctly to reflect the actual work performed.

(Continued)





## **INDEPENDENT AUDITOR'S REPORT ON THE SPECIAL PURPOSE FINANCIAL STATEMENT**

Board of Directors  
Management Systems International, Inc.  
Arlington, VA

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

### **Report on the Special Purpose Financial Statement**

We have audited the accompanying Special Purpose Financial Statement of Management Systems International, Inc. (MSI) and the related notes to the Special Purpose Financial Statement, with respect to the Contract No. 72030619C00004 (Contract) awarded by the U.S. Agency for International Development's Mission to Afghanistan (USAID/Afghanistan) in support of the Afghanistan Monitoring, Evaluation, and Learning Activity Program, for the period of April, 2, 2022, through March 12, 2024.

In our opinion, the Special Purpose Financial Statement referred to above presents fairly, in all material respects, the respective revenue received, costs incurred, and balances for the indicated period of April 2, 2022, through March 12, 2024, in accordance with the terms of the contract and requirements provided by the Office of Special Inspector General for Afghanistan Reconstruction (SIGAR).

### **Basis for Opinion**

We conducted our audit in accordance with 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Special Purpose Financial Statement section of our report. We are required to be independent of Management Systems International, Inc., and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Basis of Presentation and Accounting**

We draw attention to Note 3 (a) and (b) to the Special Purpose Financial Statement, which describes the basis of presentation and the basis of accounting. As described in Note 3 (b) to the Special Purpose Financial Statement, the statement is prepared by MSI on the basis of the requirements provided by SIGAR, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

## **Responsibilities of Management for the Special Purpose Financial Statement**

Management is responsible for the preparation and fair presentation of the Special Purpose Financial Statement in accordance with the requirements provided by the Office of the Special Inspector General of Afghanistan Reconstruction. Management is also responsible for the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of the Special Purpose Financial Statement that it is free from material misstatement, whether due to fraud or error.

## **Auditor's Responsibilities for the Audit of the Special Purpose Financial Statement**

Our objectives are to obtain reasonable assurance about whether the Special Purpose Financial Statement as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance, and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the Special Purpose Financial Statement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Management Systems International, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our reports dated March 3, 2025, on our consideration of Management System International, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations,

terms of the contract, and other matters. The purpose of these 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 Management Systems International, Inc.'s internal control over financial reporting and compliance.

### **Restriction on Use**

This report is intended for the information of Management Systems International, Inc., the United States Agency for International Development's Mission to Afghanistan, and the Special Inspector General for Afghanistan Reconstruction, and is not intended to be and should not be used by anyone other than these specified parties. The 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. However, subject to applicable laws, this report may be released to the United States Congress and the public by SIGAR in order to provide information about programs and operations funded with amounts appropriated or otherwise made available for the reconstruction of Afghanistan.

*Conrad LLP*

Lake Forest, California  
March 3, 2025



# Management Systems International, Inc.

Financial Audit of the Special Purpose Financial Statements for  
Contract No. 72030619C00004

Awarded by the United States Agency for International Development/Afghanistan  
for the Afghanistan Monitoring, Evaluation, and Learning Activity Program

For the Period of April 2, 2022, through March 12, 2024

## Special Purpose Financial Statement

	<u>Budget</u>	<u>Actual</u>	<u>Questioned Costs</u>			<u>Notes</u>
			<u>Ineligible</u>	<u>Unsupported</u>	<u>Total</u>	
Revenues:						
Contract No.						
72030619C00004	\$ 44,800,254	\$ [REDACTED]	\$ -	\$ -	\$ -	(4)
Total revenues	<u>44,800,254</u>	<u>[REDACTED]</u>	<u>-</u>	<u>-</u>	<u>-</u>	
Costs incurred and Fixed Fee:						
CLIN 1 – Direct Costs	[REDACTED]	[REDACTED]	-	14,563	14,563	(A)
CLIN 2 – BHA Costs	[REDACTED]	[REDACTED]	-	-	-	
CLIN 3 – Indirect Costs	[REDACTED]	[REDACTED]	-	8,199	8,199	(B)
CLIN 4 – BHA Indirect Costs	[REDACTED]	[REDACTED]	-	-	-	
Fixed Fee	[REDACTED]	[REDACTED]	-	-	-	
Total Costs incurred and fixed fee	<u>\$ 44,800,254</u>	<u>\$ [REDACTED]</u>	<u>\$ -</u>	<u>\$ 22,762</u>	<u>\$ 22,762</u>	
Outstanding fund balance	<u>\$ 0</u>	<u>\$ 0</u>				

See Notes to the Special Purpose Financial Statement and Notes to Questioned Costs Presented on the Special Purpose Financial Statement

## **Management Systems International, Inc.**

Financial Audit of the Special Purpose Financial Statements for  
Contract No. 72030619C00004

Awarded by the United States Agency for International Development/Afghanistan  
for the Afghanistan Monitoring, Evaluation, and Learning Activity Program

For the Period of April 2, 2022, through March 12, 2024

### **Notes to Special Purpose Financial Statement<sup>1</sup>**

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#### **(1) Status and Operation**

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 U.S. Agency of International Development (USAID) at locations throughout the world, based on customer requirements. The Company is headquartered in Arlington, Virginia.

#### **(2) Program Purpose**

The purpose of this contract is to procure the service of a Contractor for the implementation of the Afghanistan Monitoring, Evaluation, and Learning Activity (AMELA).

#### **(3) Summary of Significant Accounting Policies**

##### **a. 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 FAR 31, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

##### **b. Basis of Presentation**

The accompanying Special Purpose Financial Statement (Statement) includes costs incurred under the United States Agency for International Development/Afghanistan Contract Number 72030619C00004 – Afghanistan Monitoring, Evaluation, and Learning Activity (AMELA) project during the period April 2, 2022, through March 12, 2024. Because the Statement presents only a selected portion of the operations of Management Systems International, Inc. (MSI) 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 the aforementioned Federal contract.

##### **c. Foreign Currency Conversion Method**

The SPFS is presented in U.S. dollars. MSI's practice with regards to show 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

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<sup>1</sup> The Notes to the Special Purpose Financial Statement are the responsibility of MSI.

## **Management Systems International, Inc.**

Financial Audit of the Special Purpose Financial Statements for  
Contract No. 72030619C00004

Awarded by the United States Agency for International Development/Afghanistan  
for the Afghanistan Monitoring, Evaluation, and Learning Activity Program

For the Period of April 2, 2022, through March 12, 2024

### **Notes to Special Purpose Financial Statement<sup>1</sup> (Continued)**

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converted from U.S. dollars to local currency for the project in the prior month. For payments made from U.S. in a foreign currency, MSI converts any expenses that were paid in Afghanistan into U.S. dollars by using the current exchange rate in effect on the transaction date.

#### **(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. Revenues on the Statement also include earned Fixed Fees under the contract during the period of performance.

#### **(5) Cost Categories**

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 \$39,848,003 for the performance of 5 years.

#### **(6) Reconciliations**

The 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 or charged to the contract and 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.

#### **(7) Program Status**

The Afghanistan Monitoring, Evaluation, and Learning Activity (AMELA) project remains active. The period of performance for the contract is scheduled to conclude on March 13, 2025.

#### **(8) Subsequent Events**

MSI management has performed an analysis of the activities and transactions subsequent to March 12, 2024 as covered by the SPFS and no activities and transactions subsequent to March 12, 2024 had significant impact on the SPFS and the program. This analysis was performed through March 3, 2025.

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<sup>1</sup> The Notes to the Special Purpose Financial Statement are the responsibility of MSI.

## Management Systems International, Inc.

Financial Audit of the Special Purpose Financial Statements for  
Contract No. 72030619C00004

Awarded by the United States Agency for International Development/Afghanistan  
for the Afghanistan Monitoring, Evaluation, and Learning Activity Program

For the Period of April 2, 2022, through March 12, 2024

### Notes to Questioned Costs Presented on the Special Purpose Financial Statement<sup>2</sup>

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#### (A) CLIN 1 – Direct Costs

MSI reported a total of [REDACTED] for CLIN 1 - Direct Costs for the period of April 2, 2022, through March 12, 2024.

During our audit of these costs, we noted 21 instances where MSI employee's timesheets were submitted and approved prior to the end of the pay period, resulting in unsupported costs of \$14,563. See **Finding No. 2024-01** in the *Schedule of Findings and Questioned Costs* section of this report.

The issues identified above resulted in total questioned CLIN 1 – Direct Costs of \$14,563, consisting of \$14,563 in unsupported costs and no ineligible costs.

#### (B) CLIN 3 – Indirect Costs

MSI reported a total of \$ [REDACTED] for CLIN 3 – Indirect Costs for the period of April 2, 2022, through March 12, 2024.

The indirect costs associated with questioned costs identified in **Note A** above resulted in total unsupported CLIN 3 - Indirect Costs of \$8,199 and no ineligible CLIN 3 - Indirect Costs. This resulted in total questioned indirect costs of \$8,199.

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<sup>2</sup> The Notes to Questioned Costs presented on the Special Purpose Financial Statement were prepared by the auditor for informational purposes only and as such are not part of the audited Special Purpose Financial Statement.





## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL

Board of Directors  
Management Systems International, Inc.  
Arlington, VA

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

We have audited, the Special Purpose Financial Statement (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 Contract No. 72030619C00004 (Contract) in support of the Afghanistan Monitoring, Evaluation, and Learning Activity Program for the period of April 2, 2022, through March 12, 2024. We have issued our report thereon dated March 3, 2025 with an unmodified opinion.

### Internal Control over Financial Reporting

In planning and performing our audit of the Special Purpose Financial Statement for the period of April 2, 2022, through March 12, 2024, we considered Management Systems International, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the Special Purpose Financial Statement, but not for the purpose of expressing an opinion on the effectiveness of Management Systems International, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Management Systems International, Inc.'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 entity's financial statements 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified.

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. We identified one deficiency in internal control as described in the accompanying *Schedule of Findings and Questioned Costs*. **Finding 2024-01** is considered to be a significant deficiency.

### **Management Systems International, Inc.'s Response to Findings**

MSI's response to the findings identified in our audit is included verbatim at the *Appendix A*. Management Systems International, Inc.'s response was not subjected to the auditing procedures applied in the audit of the Special Purpose Financial Statement, and accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control, and the result of that testing, and not to provide an opinion on the effectiveness of Management Systems International, Inc.'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 Management Systems International, Inc., the United States Agency for International Development's Mission to Afghanistan, and the Special Inspector General for Afghanistan Reconstruction (SIGAR) and is not intended to be and should not be used by anyone other than these specified parties. The 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. However, subject to applicable laws, this report may be released to Congress and to the public by SIGAR in order to provide information about programs and operations funded with amounts appropriated or otherwise made available for the reconstruction of Afghanistan.

*Conrad LLP*

Lake Forest, California  
March 3, 2025

(Continued)



## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE

Board of Directors  
Management Systems International, Inc.  
Arlington, VA

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

We have audited, the Special Purpose Financial Statement (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 Contract No. 72030619C00004 (Contract) in support of the Afghanistan Monitoring, Evaluation, and Learning Activity Program, for the period of April 2, 2022, through March 12, 2024. We have issued our report thereon dated March 3, 2025 with an unmodified opinion.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Management Systems International, Inc.'s Special Purpose Financial Statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and the aforementioned contract, noncompliance with which could have a direct and material effect on the determination of financial 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 disclosed one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying *Schedule of Findings and Questioned Costs* as **Finding 2024-01**.

### Management Systems International, Inc.'s Response to Findings

MSI's response to the findings identified in our audit is included verbatim at the *Appendix A*. Management Systems International, Inc.'s response was not subjected to the auditing procedures applied in the audit of the Special Purpose Financial Statement, and accordingly, we express no opinion on it.

### 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 Management Systems International, Inc., the United States Agency for International Development's Mission to Afghanistan, and the Special Inspector General for Afghanistan Reconstruction (SIGAR) and is not intended to be and should not be used by anyone other than these specified parties. The 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. However, subject to applicable laws, this report may be released to Congress and to the public by SIGAR in order to provide information about programs and operations funded with amounts appropriated or otherwise made available for the reconstruction of Afghanistan.

*Conrad LLP*

Lake Forest, California  
March 3, 2025

(Continued)

## **Management Systems International, Inc.**

Financial Audit of the Special Purpose Financial Statements for  
Contract No. 72030619C00004

Awarded by the United States Agency for International Development/Afghanistan  
for the Afghanistan Monitoring, Evaluation, and Learning Activity Program

For the Period of April 2, 2022, through March 12, 2024

### **Schedule of Findings and Questioned Costs**

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#### **Finding 2024-01: Inadequate Timekeeping Practice for MSI Employees**

**Nature of Finding:** Non-Compliance and Internal Control – Significant Deficiency

**Condition:** Conrad tested 29 out of 71 employee payroll records for 218 pay periods totaling 409 timesheets to determine if the costs incurred under the Program were adequately supported, accurate, and properly approved. During our testing of payroll, we noted 21 instances where employee timesheets were prepared, submitted, and approved prior to the pay period end.

For each instance of early timesheet submission listed above, there is a lack of control and evidence to demonstrate that the estimated hours submitted, prior to the pay period's end, were hours actually worked. For the day(s) that were approved prior to the end of the pay period, Conrad found supervisor reviews of the timesheets indicating the estimated hours were recorded correctly to reflect the actual work performed, however, these reviews were performed six months after timesheet submission. The inadequate control and evidence demonstrating hours actually worked resulted in total unsupported questioned costs of \$14,563.

**Criteria:**

**MSI's Field Expense Categories Policy**, states in part:

*"Please note that it is MSI policy that timesheets are filled out on a daily basis. Individuals may not project time forward if it has not yet been worked. The only exception to this policy is if the employee will be on approved leave for the remainder of the pay period."*

**MSI's Timekeeping Process Guidance**, states in part:

*"MSI does not bill USAID for estimated hours or hours that have not yet been worked. All labor billed to USAID has occurred and has been through multiple instances of review. The approval of timecards is not the only or final time labor hours and costs are reviewed for accuracy before they are billed to USAID."*

**FAR 31.001, Definitions**, states in part:

*"Actual costs means (except for subpart 31.6) amounts determined on the basis of costs incurred, as distinguished from forecasted costs. Actual costs include standard costs properly adjusted for applicable variances."*

**FAR 31.201-2 Determining allowability**, states in part:

*"...(c) When contractor accounting practices are inconsistent with this subpart 31.2, costs resulting*



## Management Systems International, Inc.

Financial Audit of the Special Purpose Financial Statements for  
Contract No. 72030619C00004

Awarded by the United States Agency for International Development/Afghanistan  
for the Afghanistan Monitoring, Evaluation, and Learning Activity Program

For the Period of April 2, 2022, through March 12, 2024

### Schedule of Findings and Questioned Costs (Continued)

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*from such inconsistent practices in excess of the amount that would have resulted from using practices consistent with this subpart are unallowable.*

*(d) contractor is responsible for accounting for costs appropriately and for maintaining records, including supporting documentation, adequate to demonstrate that costs claimed have been incurred, are allocable to the contract, and comply with applicable cost principles in this subpart and agency supplements. The contracting officer may disallow all or part of a claimed cost that is inadequately supported."*

**FAR 52.203-13(c)(2), Contractor Code of Business Ethics and Conduct**, states in part:

*"An internal control system.*

*(i) The Contractor's internal control system shall—*

*(A) Establish standards and procedures to facilitate timely discovery of improper conduct in connection with Government contracts; and*

*(B) Ensure corrective measures are promptly instituted and carried out.*

*(ii) At a minimum, the Contractor's internal control system shall provide for the following:*

*(A) Assignment of responsibility at a sufficiently high level and adequate resources to ensure effectiveness of the business ethics awareness and compliance program and internal control system..."*

**Cause:** Toward the end of the audit period, MSI implemented a new policy and control for management to review the employee's forecasted hours at the end of each pay period based on our prior finding identified regarding this control issue. However, the policy and control were implemented after the date of the transactions that were questioned in this finding.

**Effect:** Charging costs based on estimated time worked on the project can increase the risk of unallowable costs being charged to the U.S. Government.

**Questioned Costs:** We identified \$14,563 in ineligible costs and \$8,199 in associated indirect costs, which resulted in \$22,762 total questioned costs.

### **Recommendation:**

We recommend that MSI provide additional support evidencing the subsequent verification of early timesheet submissions and approvals to determine the validity of the estimated time entered or return \$22,762 of unsupported costs. No further recommendations are necessary as MSI implemented a new policy and control toward the end of our audit period to correct this control deficiency.

(Continued)

## **Management Systems International, Inc.**

Financial Audit of the Special Purpose Financial Statements for  
Contract No. 72030619C00004

Awarded by the United States Agency for International Development/Afghanistan  
for the Afghanistan Monitoring, Evaluation, and Learning Activity Program

For the Period of April 2, 2022, through March 12, 2024

### **Status of Prior Audit Findings**

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We requested prior audit reports, evaluations, and reviews from MSI, SIGAR, and USAID/Afghanistan pertaining to contract activities under this audit. We identified three (3) prior audit reports which contained six (6) findings and associated recommendations that could have a material effect on the SPFS or other financial data significant to the audit objectives. We conducted follow-up procedures, including discussion with MSI's management, and performed testing of similar activities during our audit. We have summarized the results of our procedures below:

1. **Financial Audit of Costs Incurred Under Contract No. 72030619C00004 Awarded by the United States Agency for International Development/Afghanistan Supporting the Afghanistan Monitoring, Evaluation, and Learning Activity Program for the Period: March 12, 2021, through April 1, 2022**

#### **Finding 2023-01: Inadequate Timekeeping Practice for MSI Employees**

**Issue:** Conrad tested 16 out of 53 employee payroll records for 68 pay periods totaling 112 timesheets to determine if the costs incurred under the Program were adequately supported, accurate, and properly approved. During our testing of payroll, we noted 76 instances where employee's timesheets were prepared, submitted, and approved prior to the pay period end.

For each of the instances of early timesheet submissions listed above, there is a lack of control and evidence to demonstrate that the estimated hours submitted prior to the period end were hours actually worked. Conrad also found no timely evidence of subsequent reviews of the timesheets indicating the estimated hours were recorded correctly to reflect the actual work performed for the day(s) in question that were approved prior to the end of the pay period. These forecasted hours resulted in forecasted labor costs and does not reflect actual cost incurred. The inadequate control and evidence demonstrating the hours were actually worked resulted in total unsupported questioned costs of \$34,474.

**Status:** For the current engagement, MSI had implemented corrective action on this prior finding toward the end of our audit period. Conrad concluded that adequate corrective action was taken with respect to this matter.

2. **Financial Audit of Costs Incurred Under Contract No. AID-306-H-17-00003 Awarded by the United States Agency for International Development in Support of Afghanistan's Measure for Accountability and Transparency for the Period: August 23, 2020, through March 11, 2022**

#### **Finding 2023-01: Inadequate Timekeeping Practice for Employees**

**Issue:** Conrad tested 399 employee transactions out of 2,751 transactions in the direct cost

## Management Systems International, Inc.

Financial Audit of the Special Purpose Financial Statements for  
Contract No. 72030619C00004

Awarded by the United States Agency for International Development/Afghanistan  
for the Afghanistan Monitoring, Evaluation, and Learning Activity Program

For the Period of April 2, 2022, through March 12, 2024

### Status of Prior Audit Findings (Continued)

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category, representing \$302,459 out of a total \$1,567,371, and 24 employee transactions out of 350 transactions in the labor cost category, representing \$53,660 out of a total \$489,823 to determine if costs incurred under the contract were reasonable, adequately supported, and properly approved.

For each of the instances of early timesheet submissions listed above, there is a lack of control and evidence to demonstrate that the estimated hours submitted prior to the period end were hours actually worked. Conrad also found no evidence of subsequent reviews of the timesheets indicating the estimated hours were recorded correctly to reflect the actual work performed for the hours in day(s) in question that were approved prior to the end of the timesheet period. These forecasted hours resulted in forecasted labor costs and does not reflect actual cost incurred. The inadequate control and evidence demonstrating the hours were actually worked resulted in unsupported questioned costs of \$31,038.

**Status:** For the current engagement, MSI had implemented corrective action on this prior finding toward the end of our audit period. Conrad concluded that adequate corrective action was taken with respect to this matter.

3. **SIGAR 22-19 Financial Audit of Costs Incurred Under Contract No. AID-306-H-17-00003 Awarded by the United States Agency for International Development/Afghanistan for the Afghanistan's Measure for Accountability and Transparency for the Period: October 1, 2018 through August 22, 2020**

**Finding 2021-01:** Inadequate Timekeeping Practice for U.S. Expatriate Employees

**Issue:** Auditors noted 59 instances where employees prepared and submitted timesheets prior to the pay period end. Of those 59 instances, 12 were approved by a supervisor after the pay period end. In addition, there were 47 instances where timesheets were submitted by the employees and supervisors approved the timesheets one (1) day prior to the pay period end.

**Status:** For the current engagement, MSI had implemented corrective action on this prior finding toward the end of our audit period. Conrad concluded that adequate corrective action was taken with respect to this matter.

**Finding 2021-02:** Lack of Sufficient Evidence for Continuing Qualification on Separate Maintenance Allowance

**Issue:** Auditors noted five (5) transactions for one employee who received an Involuntary Separate Maintenance Allowance (SMA), but the auditors could not determine if the employee met the qualifications for SMA over the course of his employment. The employee originally signed in his renewal employment agreement, that he will need an SMA for his spouse and four or more

(Continued)

## **Management Systems International, Inc.**

Financial Audit of the Special Purpose Financial Statements for  
Contract No. 72030619C00004

Awarded by the United States Agency for International Development/Afghanistan  
for the Afghanistan Monitoring, Evaluation, and Learning Activity Program

For the Period of April 2, 2022, through March 12, 2024

### **Status of Prior Audit Findings (Continued)**

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children. However, auditors found no further evidence to determine if the employee continued to qualify for Involuntary SMA in support of the five (5) SMA payments made.

**Status:** For the current engagement, there were no instances noted where MSI did not have sufficient evidence for Separate Maintenance Allowances. As such, we concluded that MSI has taken adequate corrective action on this finding.

**Finding 2021-03:** Lack of Sufficient Evidence to Support Subcontractor Costs Incurred and Cost Overcharged by Subcontractor

**Issue:** Auditors noted that MSI was unable to provide an invoice prepared by a subcontractor's consultant as required by the consultant agreement. The subcontractor provided an internally prepared observation form of the work performed by the consultant in lieu of the required invoice as alternate support to demonstrate the work had been performed by the consultant.

**Status:** For the current engagement, there were no instances noted where MSI lacked sufficient evidence to support subcontractor costs. As such, we concluded that MSI has taken adequate corrective action on this finding.

**Finding 2021-04:** Overcharge to USAID Identified

**Issue:** Auditors noted that MSI paid stipends to participants based on the number of participants signed up for the training but did not have additional controls to ensure the participants did actually attend the training. There were five instances where stipends were paid to participants who did not attend the training.

**Status:** For the current engagement, there were no instances noted where MSI paid stipends for training without proof of participant attendance. As such, we concluded that MSI has taken adequate corrective action on this finding.

(Continued)

## Management Systems International, Inc.

Financial Audit of the Special Purpose Financial Statements for  
Contract No. 72030619C00004

Awarded by the United States Agency for International Development/Afghanistan  
for the Afghanistan Monitoring, Evaluation, and Learning Activity Program

For the Period of April 2, 2022, through March 12, 2024

### MSI's Responses to Audit Findings

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#### **Finding 2024-01: Inadequate Timekeeping Practice for MSI Employees**

**MSI Response:** MSI disagrees with this finding.

Auditors condition states:

*"For the day(s) that were approved prior to the end of the pay period, **Conrad found supervisor reviews of the timesheets indicating the estimated hours were recorded correctly to reflect the actual work performed**, however, these reviews were performed six months after timesheet submission"*

Conrad's finding claims a lack of control and evidence to demonstrate that the estimated hours submitted, prior to the pay period's end, were hours actually worked. However, as indicated in quoted statement above, auditors clearly state they received supervisor reviews of the timesheets indicating the estimated hours were recorded correctly to reflect the actual work performed.

Therefore, it appears the basis for claiming inadequate control and evidence demonstrating hours actually worked is centered solely on when the reviews took place. MSI would like it known that in all instances the subsequent reviews took place well within the audit period and prior to the commencement of the audit itself.

Auditors recommendation then states:

*"We recommend that MSI provide additional support evidencing the subsequent verification of early timesheet submissions and approvals to determine the validity of the estimated time entered.."*

Again, MSI would point out that as indicated in quoted statement above from Auditors condition, Conrad clearly state they received supervisor reviews of the timesheets indicating the estimated hours were recorded correctly to reflect the actual work performed.

**Conclusion:** MSI respectfully requests reconsideration as to the questioned costs. Conrad clearly states they did in fact receive supervisor reviews of the timesheets indicating the estimated hours were recorded correctly to reflect the actual work performed. However they provided no basis for questioning the costs solely on the when the reviews took place.



**Management Systems International, Inc.**

Financial Audit of the Special Purpose Financial Statements for  
Contract No. 72030619C00004

Awarded by the United States Agency for International Development/Afghanistan  
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For the Period of April 2, 2022, through March 12, 2024

**Auditor's Rebuttal to MSI's Responses to Audit Findings**

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MSI disagreed with finding **2024-01** stating that MSI has submitted supervisor reviews of the timesheets indicating the estimated hours were recorded correctly to reflect the actual work performed.

**Auditor's Rebuttal**

MSI did not have actual evidence to demonstrate the projected hours were reviewed after the fact. The retro-recertifications signed by the Chief of Party were dated six months after the pay period end date rather than within a reasonable timeframe after each pay period. As such, our findings and recommendations remain unchanged.

## SIGAR's Mission

The mission of the Special Inspector General for Afghanistan Reconstruction (SIGAR) is to enhance oversight of programs for the reconstruction of Afghanistan by conducting independent and objective audits, inspections, and investigations on the use of taxpayer dollars and related funds. SIGAR works to provide accurate and balanced information, evaluations, analysis, and recommendations to help the U.S. Congress, U.S. agencies, and other decision-makers to make informed oversight, policy, and funding decisions to:

- improve effectiveness of the overall reconstruction strategy and its component programs;
- improve management and accountability over funds administered by U.S. and Afghan agencies and their contractors;
- improve contracting and contract management processes;
- prevent fraud, waste, and abuse; and
- advance U.S. interests in reconstructing Afghanistan.

## Obtaining Copies of SIGAR Reports and Testimonies

To obtain copies of SIGAR documents at no cost, go to SIGAR's Web site ([www.sigar.mil](http://www.sigar.mil)). SIGAR posts all publicly released reports, testimonies, and correspondence on its Web site.

## To Report Fraud, Waste, and Abuse in Afghanistan Reconstruction Programs

To help prevent fraud, waste, and abuse by reporting allegations of fraud, waste, abuse, mismanagement, and reprisal, contact SIGAR's hotline:

- Web: [www.sigar.mil/fraud](http://www.sigar.mil/fraud)
- Email: [sigar.pentagon.inv.mbx.hotline@mail.mil](mailto:sigar.pentagon.inv.mbx.hotline@mail.mil)
- Phone International: +1-866-329-8893
- Phone DSN International: 312-664-0378
- U.S. fax: +1-703-601-4065

## SIGAR's Mission

### Public Affairs Officer

- Phone: 703-545-5974
- Email: [sigar.pentagon.ccr.mbx.public-affairs@mail.mil](mailto:sigar.pentagon.ccr.mbx.public-affairs@mail.mil)
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2530 Crystal Drive  
Arlington, VA 22202