



MEMORANDUM

DATE: July 8, 2019

TO: USAID/Management/Office of Acquisition and Assistance/Cost, Audit, and Support Division, Branch Chief, David A. McNeil

FROM: Acting Director of External Financial Audits Division, Steve Shea/s/

SUBJECT: Audit of Christian Aid Under Multiple USAID Agreements for the Fiscal Year Ended March 31, 2017 (3-000-19-012-R)

This memorandum transmits the final audit report on the recipient contracted audit of Christian Aid (CA) for the fiscal year (FY) ended March 31, 2017. CA contracted with Crowe Clark Whitehill LLP to conduct the recipient contracted audit. The contract required Crowe Clark Whitehill LLP to perform the audit in accordance with generally accepted auditing standards and the U.S. Agency for International Development's (USAID), *Guidelines for Financial Audits Contracted by Foreign Recipients*¹.

The audit firm states that it performed its audit in accordance with generally accepted government auditing standards and USAID's *Guidelines for Financial Audits Contracted by Foreign Recipients* except that the audit firm did not fully satisfy the continuing professional education requirement set forth in government auditing standards and did not have an external peer review since no such program is offered in the United Kingdom. Crowe Clark Whitehill LLP is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on CA's fund accountability statement; the effectiveness of its internal control; or its compliance with the award, laws, and regulations².

¹ On June 30, 2017, USAID OIG rescinded its *Guidelines for Financial Audits Contracted by Foreign Recipients*, recognizing the Agency's role to impose requirements on its implementing partners and contractors as a management function. In the interim, USAID referred to OIG's *Guidelines* until the formal issuance of its *Guidelines* in March 2019.

² We reviewed the audit firm's report for conformity with professional reporting standards. Our desk reviews are typically performed to identify any items needing clarification or issues requiring management attention. Desk reviews are limited to review of the audit report itself and excludes review of the auditor's supporting working papers; they are not designed to enable us to directly evaluate the quality of the audit performed.

The audit objectives were to (1) express an opinion on whether the fund accountability statement for the period audited was presented fairly, in all material respects; (2) evaluate CA's internal controls; (3) determine whether CA complied with award terms and applicable laws and regulations; and (4) perform an audit of the indirect cost rate. To answer the audit objectives, Crowe Clark Whitehill LLP: (a) performed audit procedures to evaluate the effectiveness of internal controls related to U.S. government awards; (b) performed tests to examine the underlying documentation which supported the financial transactions recorded as expenditures against U.S. government awards; and (c) computed indirect cost on USAID funded grants. The report on the fund accountability statement disclosed that CA's audited expenditures for the FY ended March 31, 2017 were \$962,164 composed solely of USAID awards.

Crowe Clark Whitehill LLP concluded that: (1) the fund accountability statement presented fairly, in all material respects, program revenues, costs incurred and commodities and technical assistance directly procured by USAID or pass through entities for the year ended March 31, 2017, in accordance with the terms of the agreement and in conformity with the modified accrual basis of accounting except for capital expenditure which are expensed as incurred and except for \$6,414 in total direct questioned costs (\$1,467 in ineligible, \$4,947 in unsupported), related questioned indirect costs of \$716 unsupported and \$212 ineligible and \$28,257 in negative indirect questioned costs. In addition, there were three material instances of noncompliance. Since the questioned costs did not meet the OIG's established threshold of \$25,000 for making a recommendation, we are not making a recommendation. Nevertheless, we suggest that USAID's Office of Acquisition and Assistance Cost, Audit and Support Division determine the allowability of the \$6,414 in questioned direct costs and recover any amount determined to be unallowable. Crowe Clark Whitehill LLP issued a management letter dated December 18, 2017.

During our desk review, we noted a minor issue which the audit firm will need to address in future audit reports. We presented this issue in a memo to you dated July 8, 2019.

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

Recommendation I. Verify that Christian Aid corrects the three material instances of noncompliance detailed on pages 23 through 27 of the audit report.

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

OIG does not routinely distribute independent public accounting reports beyond the immediate addressees because a high percentage of these reports contain information restricted from release under the Trade Secrets Act, 18 U.S.C. 1905 and Freedom of Information Act Exemption Four, 5 U.S.C. 552(b)(4) ("commercial or financial information obtained from a person that is privileged or confidential").