



MEMORANDUM

DATE: January 22, 2020

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, Steven Shea/s/

SUBJECT: Audit of Terre des hommes Under Multiple USAID Agreements for the Fiscal Year Ended December 31, 2015 (3-000-20-005-R)

This memorandum transmits the final audit report on the recipient contracted audit of Terre des hommes (Tdh) for the fiscal year (FY) ended December 31, 2015. Tdh contracted with Sayer Vincent LLP (Sayer Vincent) of London, United Kingdom (UK) to conduct the audit. The audit firm stated that it performed the audit in accordance with generally accepted government auditing standards and the U.S. Agency for International Development's (USAID) Office of Inspector General's (OIG) *Guidelines for Financial Audits Contracted by Foreign Recipients* issued in February 2009¹. However, the audit firm did not fully satisfy the continuing professional education requirements set forth in generally accepted government auditing standards and did not have an external quality control review by an unaffiliated audit organization since no such program is offered by professional organizations in the UK. The audit firm is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on Tdh's fund accountability statement; the effectiveness of its internal control; or its compliance with the award, laws, and regulations.²

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 Tdh's internal controls; and (3) determine whether Tdh complied with award terms and applicable laws and regulations. To answer the audit objectives, the audit firm: reviewed applicable documents relevant to USAID programs, examined underlying documentation

¹ On June 30, 2017, USAID OIG rescinded its *Guidelines for Financial Audits Contracted by Foreign Recipients*, recognizing the Agency's role to impose requirements on its implementing partners and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. This contracted audit, however, was initiated before that date and follows the Guidelines.

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.

supporting financial transactions, evaluated compliance procedures, evaluated the design of internal controls; and determined if asset disposition is in accordance with USAID agreements. The report on the fund accountability statement disclosed that Tdh's audited expenditures were \$1,648,428, composed solely of USAID awards for the FY ended December 31, 2015.

Sayer Vincent concluded that: (1) the fund accountability statement referred to above presents fairly, in all material respects, program revenues, costs incurred and reimbursed, and commodities and technical assistance directly procured by USAID for the year then ended in accordance with the terms of the agreements and in conformity with the modified accrual basis of accounting except for \$1,398 in total questioned costs (\$1,398 ineligible); (2) the auditor did not identify any deficiencies that were considered material weaknesses in internal control; and (3) the auditor disclosed no 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 determine the allowability of the \$1,398 in questioned ineligible direct costs and recover any amount determined to be unallowable.

We appreciate the assistance extended 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").