



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

MEMORANDUM

DATE: January 20, 2023

TO: USAID/Nigeria, Mission Director, Anne Patterson

FROM: USAID OIG Africa Regional Office, Audit Director, Robert Mason /s/

SUBJECT: Financial Closeout Audit of USAID Resources Managed by American University of Nigeria Under Cooperative Agreement 72062019CA00002, August 1, 2021, to September 26, 2022 (Report No. 4-620-23-049-R)

This memorandum transmits the final audit report on USAID resources managed by American University of Nigeria for the Strengthening Education in North East Nigeria (SENSE) Project. American University of Nigeria contracted with the independent audit firm Parker Randall, Lagos, Nigeria to conduct the audit. The audit firm stated that it performed its audit in accordance with generally accepted government auditing standards. However, it did not have an external peer review or a continuing professional education program that fully satisfy the standards' requirements. We do not express an opinion on American University of Nigeria's schedule of expenditures of USAID awards; the effectiveness of its internal control; or its compliance with the award, laws, and regulations.¹

The audit objectives were to (1) express an opinion on whether the schedule of expenditures of USAID awards for the period audited, was presented fairly, in all material respects; (2) evaluate American University of Nigeria's internal controls; (3) determine whether American University of Nigeria complied with award terms and applicable laws and regulations; (4) review the indirect cost rate; and (5) review the implementation status of the prior period recommendations.

To answer the audit objectives, Parker Randall (1) audited the schedule of expenditures of USAID awards including the budgeted amounts by category and major items and the revenues received from USAID for the period covered by the audit and the costs reported by American University of Nigeria as incurred from August 1, 2021, to September 26, 2022; (2) evaluated the control environment, the adequacy of the accounting systems, and control procedures that pertain to American University of Nigeria's ability to report financial data consistent with the assertions embodied in each account of the schedule of expenditures of USAID awards; (3)

¹ We reviewed the audit firm's report for conformity with professional reporting standards. Our desk reviews are typically performed to identify any items needing clarification or issues requiring management attention. Desk reviews are limited to review of the audit report itself and excludes review of the auditor's supporting working papers; they are not designed to enable us to directly evaluate the quality of the audit performed.

identified the award terms and pertinent laws and regulations and determined which of those, if not observed, could have a direct and material effect on the schedule of expenditures of USAID awards; (4) determined that the review of the indirect cost rate was not applicable; and (5) reviewed the implementation status of the prior period recommendations. American University of Nigeria reported expenditures of \$2,219,066 in USAID funds during the audited period.

The audit firm concluded the schedule of expenditures of USAID awards presented fairly, in all material respects, program revenues and costs incurred under the award for the period audited. The audit firm identified \$2,074 in ineligible questioned costs; no material weaknesses in internal control; and three instances of material 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 for the questioned costs and the specifically related noncompliance instance. Nevertheless, we suggest that USAID/Nigeria determine the allowability of the \$2,074 in questioned costs and recover any amount determined to be unallowable.

To address the issues identified in the report, we recommend that USAID/Nigeria:

Recommendation 1. Verify that American University of Nigeria corrects the two instances of material noncompliance detailed on pages 23 and 24 of the audit report.

We ask that you provide your written notification of actions planned or taken to reach management decision.

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