



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

### MEMORANDUM

**DATE:** February 24, 2023

**TO:** USAID/Management/Office of Acquisition and Assistance/Cost, Audit and Support Division/Contract Audit Management Branch, Sheree F. Marshall

**FROM:** Director of External Financial Audits Division (IG/A/EFA), David A. McNeil /s/

**SUBJECT:** Financial Audit of Marie Stopes International's Fund Accountability Statement and Cost Sharing Schedule for Fiscal Year Ended December 31, 2017 (3-000-23-009-R)

This memorandum transmits the final report on the financial audit of the U.S. Agency for International Development (USAID) awards managed by Marie Stopes International (MSI), for the year ended December 31, 2017. MSI contracted with the independent certified public accounting firm Crowe U.K. LLP (Crowe) to conduct the audit. The audit firm stated that it performed its audit in accordance with generally accepted government auditing standards (GAGAS) and USAID Financial Audit Guide for Foreign Organizations. However, Crowe did not have an external quality control review that fully satisfies the standards requirements. Crowe is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on MSI's schedule of expenditures of USAID awards (SEFA); the effectiveness of its internal control; or its compliance with the award, laws, and regulations.<sup>1</sup>

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 MSI's internal controls; (3) determine whether MSI complied with the awards' terms and applicable laws and regulations; (4) perform analysis on the computation of the indirect cost rate; and (5) determine if the recipient has taken adequate corrective action on prior audit report recommendations. To answer the audit objectives, Crowe: (a) evaluated the effectiveness of the design and operation of the internal controls; and (b) examined the underlying documentation which supported financial transactions recorded as expenditures against U.S. government awards. The audit firm examined USAID audited expenditures of \$30,132,399 for the audited period.

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<sup>1</sup> We reviewed the audit 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 audit firm's supporting working papers; they are not designed to enable us to directly evaluate the quality of the audit performed.

Crowe concluded that except for the effect of the direct and indirect questioned costs of \$403,909 (\$39,270 ineligible direct questioned cost and \$364,639 unsupported indirect questioned cost) MSI's schedule of expenditures of USAID awards presented fairly, in all material respects; the projects' revenues, costs incurred and fund balance for the period audited. Crowe identified three instances of material noncompliance associated with the above-questioned costs:

- Unsupported indirect costs - \$364,639
- Incorrect allocation of costs to awards - \$22,297
- Unallowable costs - \$16,973

Additionally, Crowe disclosed questioned costs of \$20,145 (\$18,777 unsupported and \$1,368 ineligible) in the cost-sharing/counterpart contributions schedule. Crowe determined that MSI resolved two of the four prior audit recommendations. Crowe reported that MSI identified a significant deficiency in internal control and an allegation of fraud that was reported to USAID. Also, Crowe reported that the schedule of computation of the indirect cost rate is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Additionally, the audit firm identified other matters involving internal control and immaterial instances of noncompliance and issued a management letter.

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

**Recommendation 1.** Determine the allowability of the \$39,270 ineligible questioned costs on pages 73 to 77 of the audit report and recover any amount that is unallowable.

**Recommendation 2.** Verify that Marie Stopes International corrects the three instances of material noncompliance detailed on pages 73 to 77 of the audit report.

We ask that you provide 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").