



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

MEMORANDUM

DATE: September 1, 2023

TO: USAID/Management/Office of Acquisition and Assistance/Cost, Audit and Support Division/Contract Audit Management Branch, Acting Supervisory Auditor, Maya Cole

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

SUBJECT: Financial Audit of Vétérinaires Sans Frontières Germany Under Multiple Awards for the year ended December 31, 2020 (3-000-23-046-R)

This memorandum transmits the final audit report on the U.S. Agency for International Development (USAID) resources managed by Vétérinaires Sans Frontières Germany (VSF Germany) Under Multiple Awards for the year ended December 31, 2020. VSF Germany contracted with the independent certified public accounting firm of PricewaterhouseCoopers LLP (PwC) to conduct the audit. PwC stated that it performed its audit in accordance with generally accepted government auditing standards (GAGAS) and USAID's Financial Audit Guide for Foreign Organizations. However, it did not fully satisfy the continuing professional education requirement in GAGAS. In addition, PwC reported it did not have an external peer review because no such program is offered by professional organizations in Kenya. PwC is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on VSF Germany's fund accountability statement; 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 FAS for the USAID-funded projects prepared by VSF Germany presented fairly, in all material respects, revenues received and costs incurred for the period audited in conformity with the terms of the agreement and generally accepted accounting principles; (2) evaluate and obtain a sufficient understanding of the VSF Germany's internal control structure related to the projects, assess control risk, and identify significant deficiencies, including material internal control structure weaknesses; (3) perform tests to determine whether VSF Germany complied, in all material respects, with agreement terms and applicable laws and regulations related with USAID-funded projects; and (4) determine whether VSF Germany has taken adequate action on prior audit report

¹ 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.

recommendations. To answer the audit objectives, PwC (1) examined the FAS for the USAID funding programs, including the budgeted amounts by category and major items, the revenues from USAID and the costs reported by VSF Germany as incurred during the period audited. (2) reviewed direct and indirect costs billed to and reimbursed by USAID; (3) obtained an understanding of the design of the internal control related to USAID programs and determined whether they have been placed in operation; (4) identified the agreement 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; and (5) reviewed the status of actions taken on findings and recommendations reported in prior audits of USAID-funded programs for the year ended December 31, 2019. PwC reported total USAID audited expenditures of \$ 2,897,825 for the FY ended December 31, 2020.

PwC concluded that the fund accountability statement presented fairly, in all material respects, program revenues and costs incurred under the awards for the period audited. PwC identified ineligible questioned costs for \$6,618 (\$4,043 ineligible and \$2,575 unsupported), one material weakness in internal controls, and one significant deficiency in internal control. PwC reported no 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. Nevertheless, we suggest that USAID's Office of Acquisition and Assistance Cost, Audit and Support Division/Contract Audit Management Branch determine the allowability of the \$6,618 in questioned costs and recover any amount determined to be unallowable. In addition, although we are not making a recommendation for the significant deficiency noted in the report, we suggest that USAID's Office of Acquisition and Assistance Cost, Audit and Support Division/Contract Audit Management Branch determine if VSF Germany addressed the significant deficiency on page 28 of the audit report. PwC reported that the two prior report's recommendations were implemented.

To address the problem 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: Verify that Vétérinaires Sans Frontières Germany corrects the instance of material weakness in internal controls detailed on page 26 of the audit report.

We ask that you provide your written notification of actions planned or taken to reach a 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"). In addition, USAID OIG has determined that this transmittal memo and the enclosed report are not subject to notification and reporting requirements under Section 5274 of the National Defense Authorization Act.²

² The James M. Inhofe National Defense Authorization Act for Fiscal Year 2023 Pub. L. No. 117-263, § 5274. Please direct related inquiries to oignotice_ndaa5274@usaid.gov.