



MEMORANDUM

DATE: April 23, 2018

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, Abdoulaye Gueye /s/

SUBJECT: Performance Audit Over the Adequacy of the Accounting System for Associates in Rural Development, Inc. (3-000-18-027-1)

This memorandum transmits the final audit report over the adequacy of Associates in Rural Development, Inc.'s (ARD) accounting system. The U.S. Agency for International Development's (USAID) Office of Acquisition and Assistance, Cost, Audit, and Support Division, contracted with Kearney & Company to conduct the audit. The contract required Kearney & Company to perform the audit in accordance with generally accepted government auditing standards (GAGAS).

Kearney & Company states that it performed its audit in accordance with generally accepted government auditing standards. Kearney & Company is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on ARD's accounting system.¹

The objective of this audit was to express an opinion on whether ARD has established an adequate accounting system and, more specifically, whether ARD's accounting system adequately accumulates, segregates, and identifies costs under U.S. Government awards, allows for the proper differentiation between direct costs and indirect costs, and unallowable costs in compliance with applicable Government regulations.

To answer the audit objectives, Kearney & Company's methodology cited three phases of work:

Planning – Assessed the design of ARD's policies and key internal controls relating to the accounting system criteria.

Internal Controls and Testing – Tested the implementation of ARD's policies and key internal controls.

Wrap-Up and Reporting – Concluded on the adequacy of the accounting system as a result of audit procedures performed and within the context of the audit objectives.

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 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 examination performed.

Kearney & Company concluded that ARD's accounting system adequately accumulates segregates and identifies costs under U.S. Government awards, as well as allows, for the proper differentiation between direct costs, indirect costs, and unallowable costs in compliance with applicable Government regulations and benchmarks. Kearney & Company did not disclose any findings that are required to be reported under GAGAS.

OIG does not routinely distribute independent public accounting reports beyond the immediate addresses 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").

If you have any questions related to this report, please contact Steve Shea, Assistant Director, at (202) 712-1386 or sshea@usaid.gov.

Attachment: As stated

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