



MEMORANDUM

DATE: July 23, 2018

TO: USAID/Management/Office of Acquisition and Assistance/Cost, Audit, and Support Division, Branch Chief, David A. McNeil

FROM: Director of External Financial Audits, Abdoulaye Gueye /s/

SUBJECT: Audit of VSF Germany Under Multiple USAID Agreements for the Fiscal Year Ended December 31, 2016 (3-000-18-018-R)

This memorandum transmits the final audit report on the recipient contracted audit of VSF Germany for fiscal year ended December 31, 2016. VSF Germany contracted with PricewaterhouseCoopers CPA (PWC) of Nairobi, Kenya to conduct the audit. The contract required PWC to perform the audit in accordance with U.S. government auditing standards issued by the Comptroller General of the U.S. and the U.S. Agency for International Development (USAID), Office of Inspector General's *Guidelines for Financial Audits Contracted by Foreign Recipients* issued in February 2009¹.

PWC states that it performed its audit in accordance with U.S. government auditing standards issued by the Comptroller General of the U.S. and the Office of Inspector General's *Guidelines for Financial Audits Contracted by Foreign Recipients* except that the audit firm did not fully satisfy the continuing professional education requirements set forth in *U.S. Government Auditing Standards* and did not have an external quality control review since no such program is offered 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 awards, laws, and regulations².

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 VSF Germany's internal controls; and (3) determine whether VSF Germany complied with awards' terms and applicable laws and regulations. To answer the audit objectives, the audit firm: (a) performed audit procedures to evaluate the effectiveness of internal controls considered relevant to prevent or detect material noncompliance applicable to VSF Germany's U.S. government awards; and (b) determined whether payments,

¹ On June 30, 2017, USAID OIG rescinded its *Guidelines for Financial Audits Contracted by Foreign Recipients*, recognizing the Agency's role to impose requirements on its implementing partners and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.

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Washington, DC 20523

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expenditures, and commodities and technical assistance procured were made in accordance with program agreements, and applicable laws and regulations. The report on the fund accountability statement disclosed that VSF Germany's audited expenditures were \$1,144,603, consisting solely of USAID expenditures for the fiscal year ended December 31, 2016.

PWC concluded that: (1) the fund accountability statement presented fairly, in all material respects, program revenues received, costs incurred and reimbursed by USAID for the year ended December 31, 2016, in accordance with the terms of the agreement in conformity with the accrual basis of accounting except for fixed assets and supplies with an economic life of more than one year and a unit price of more than \$5,000 which are expensed when purchased. (2) PWC identified one significant deficiency in internal control; and (3) PWC's testing disclosed two instances of noncompliance. PWC did not question any costs and the management letter was included in the report.

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

Recommendation 1.

Verify that VSF Germany corrects the significant deficiency in internal control detailed on pages 18 through 20 of the audit report.

Recommendation 2.

Verify that VSF Germany corrects the two instances of noncompliance detailed on pages 21 through 24 of the audit report.

We ask that you provide your written notification of actions planned or taken to reach a management decision. We appreciate the assistance extended to audit staff 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").

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

cc: Bonnie Derby, bderby@ofda.gov
M/OAA/CAS, E. Jefferson
M/CFO/APC, T. Frakes
M/OAA/CAS, Y. Moody-Briscoe
M/OAA/CAS, L. Brown
AAudit@usaid.gov
IG/I Daniel Altman
OIGAuditTracking@usaid.gov