



MEMORANDUM

Date: September 21, 2018

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

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

SUBJECT: Title 2 CFR Part 200 Audit of The Nature Conservancy for the Fiscal Year Ended June 30, 2017 (3-000-18-027-T)

This memorandum transmits the final audit report on The Nature Conservancy (TNC) for the fiscal year ended June 30, 2017. The audit report was obtained from the Federal Audit Clearinghouse. PricewaterhouseCoopers LLP performed the Title 2 U.S. Code of Federal Regulations (CFR) Part 200 audit.

PricewaterhouseCoopers LLP states it performed its audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the U.S. PricewaterhouseCoopers LLP is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on TNC's financial statements; the effectiveness of its internal control; or its compliance with the awards, laws, and regulations.¹

The audit's objectives were to: (1) express an opinion on whether the financial statements as of June 30, 2017 were presented fairly, in all material respects; (2) express an opinion on whether the schedule of expenditures of federal awards as required by 2 CFR Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is fairly stated in all material respects; (3) describe the scope of testing of internal controls and compliance and the results of that testing and not to provide an opinion on its effectiveness; and (4) determine whether TNC complied in all material respects with the types of compliance requirements that could have a direct and material effect on each of its major programs. TNC's audited expenditures were \$72,926,924 and U.S. Agency for International Development's (USAID) audited expenditures were \$16,150,673 for the fiscal year ended June 30, 2017. PricewaterhouseCoopers LLP also issued a management letter.

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.

PricewaterhouseCoopers LLP expressed unmodified opinions based on their work, on the financial statements, the schedule of expenditures of federal awards, and the report on compliance for each major federal program. The audit report disclosed three findings. Finding 2017-001 is a material weakness in the report on internal control over financial reporting and the report on internal control over compliance. Findings 2017-002 and 2017-003 are significant deficiencies in the report on internal control over compliance and are instances of noncompliance in the report on compliance and other matters for each major federal program.

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

Recommendation 1.

Verify that The Nature Conservancy corrects the material weaknesses in internal control over financial reporting and in the report on internal control over compliance and the significant deficiencies in the report on internal control over compliance detailed on pages 49 through 52 and pages 55 through 61 of the audit report.

Recommendation 2.

Verify that The Nature Conservancy corrects the instances of noncompliance in the report on compliance and other matters for each major federal program detailed on pages 52 and 59 through 61 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 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.

Attachment: As stated

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