



MEMORANDUM

DATE: November 27, 2018

TO: USAID/Ukraine and Belarus Regional Mission Director, Susan K. Fritz

FROM: Audit Director/Frankfurt, James C. Charlifue /s/

SUBJECT: Assurance Engagement on the Fund Accountability Statement of Costas and Rita Severis Foundation, Sharing History, Art, Research, and Education in Cyprus, Cooperative Agreement AID-233-A-13-00001, for the Year Ended December 31, 2014 (8-233-19-003-O)

This memorandum transmits the final report on the assurance engagement on the fund accountability statement of Costas and Rita Severis Foundation, Sharing History, Art, Research, and Education in Cyprus, cooperative agreement AID-233-A-13-00001, for the year ended December 31, 2014. The recipient contracted with the independent certified public accounting firm PricewaterhouseCoopers to conduct the engagement. The contract required the audit firm to perform the engagement in accordance with the International Standard on Assurance Engagements issued by the International Auditing and Assurance Standards Board and USAID OIG Guidelines for Financial Audits Contracted by Foreign Recipients¹.

The audit firm states it performed its audit in accordance with the International Standard on Assurance Engagements issued by the International Auditing and Assurance Standards Board. As a result we cannot attest to the audit being in full compliance with the Government Accountability Office's generally accepted government audit standards. The audit firm is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on Costas and Rita Severis Foundation's fund accountability

¹ On June 30, 2017, USAID OIG rescinded its Guidelines for Financial Audits Contracted by Foreign Recipients, recognizing the Agency's role to impose requirements on its implementing partners and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 engagement, however, was initiated before that date and follows the Guidelines. Paragraph 1.12 of the guidelines allows the use of conditionally approved audit firms that have not developed the capability to fully comply with U.S. Government Auditing Standards, provided that the auditors use other acceptable auditing standards. PricewaterhouseCoopers was a conditionally approved audit firm that conducted this engagement for USAID/Cyprus. USAID/Cyprus closed in 2015.

statement; the effectiveness of its internal control; or its compliance with the award, laws, and regulations²

The engagement objectives were mainly to: (1) express an opinion on whether the fund accountability statement for the year ended December 31, 2014, was presented fairly, in all material respects; (2) evaluate the recipient's internal controls; and (3) determine whether the recipient complied with the award terms and applicable laws and regulations. To answer the engagement objectives, the auditors performed the subject engagement that covered \$606,513 for the year ended December 31, 2014.

The audit firm concluded that the fund accountability statement complies in all material respects with the set accounting policies except for \$34,112 of ineligible questioned costs. The audit firm reported one internal control deficiency related to inadequate segregation of duties and indicated an exception in compliance with cooperative agreement AID-233-A-13-00001 eligibility rules. The audit firm said that the internal control deficiency was subsequently corrected. Since award AID-233-A-13-00001 ended, and USAID/Cyprus closed in 2015, RIG/Frankfurt is not including any procedural recommendations regarding the compliance exception disclosed in appendix C of PricewaterhouseCoopers's report. Further, the audit firm issued a management letter.

During our desk review, we noted several minor issues which the audit firm will need to address in future reports. We presented these issues in a letter to the controller dated November 27, 2018.

To address the issues identified in the report, we recommend that USAID/Cyprus:

Recommendation I. Determine the allowability and collect as appropriate, \$34,112 in ineligible questioned costs as detailed in appendix A of PricewaterhouseCoopers report.

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

The 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").

Enclosed: a/s

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 engagement 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 engagement performed.