



MEMORANDUM

Date: December 6, 2018

TO: USAID/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 Innovations for Poverty Action for the Fiscal Year Ended December 31, 2015 (3-000-19-002-T)

This memorandum transmits the final audit report on Innovations for Poverty Action (IPFA) under Title 2 United States Code of Federal Regulations (CFR) Part 200 for the fiscal year ended December 31, 2015. The audit report was obtained from the Federal Audit Clearinghouse. Blum, Shapiro & Company, P.C. performed the Title 2 CFR Part 200 audit.

Blum, Shapiro & Company, P.C. states it performed its audit in accordance with auditing standards generally accepted in the United States and in accordance with standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. In addition, Blum, Shapiro & Company, P.C. conducted its audit in accordance with Title 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*. Blum, Shapiro & Company, P.C. is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on IPFA'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 December 31, 2015 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 IPFA 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. IPFA's audited expenditures were \$5,763,362 and the U.S. Agency for International Development's (USAID) audited expenditures were \$3,573,098 for the fiscal year ended December 31, 2015.

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.

Blum, Shapiro & Company, P.C. expressed unmodified opinions based on their work, on the financial statements, the schedule of expenditures of federal awards and the report on compliance for one major program the Millennium Challenge Corporation's Domestic Assistance for Overseas Programs. Blum, Shapiro & Company, P.C. also concluded that IPFA, had a qualified opinion based on their work, on USAID's Foreign Assistance for Programs Overseas. The audit report disclosed three findings. Finding 2015-001 is a significant deficiency in internal control over financial reporting and findings 2015-002 and 2015-003 are significant deficiencies in internal control over compliance. Finding 2015-002 is a noncompliance and the basis for the qualified opinion on compliance for USAID's Foreign Assistance for Programs Overseas and finding 2015-003 is an instance of noncompliance on other matters for each major federal program. Blum, Shapiro & Company, P.C. identified unallowable ineligible questioned costs of \$5,700.

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:

Determine the allowability of \$5,700 in ineligible direct questioned costs on page 11 of the audit report and recover any amount that is unallowable.

Recommendation 2:

Verify that Innovations for Poverty Action has corrected the significant deficiency in internal control over financial reporting and the two significant deficiencies in internal control over compliance detailed on pages 3 and 7 and pages 9 through 11 of the audit report.

Recommendation 3:

Verify that Innovations for Poverty Action has corrected the instance of noncompliance that is the basis for the qualified opinion on one major program and the instance of noncompliance on other matters for each major federal program detailed on pages 1, 2, 10 and 11 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

cc: AAudit@usaid.gov
OIGAuditTracking@usaid.gov
M/CFO/APC, T. Frakes
M/OAA/CAS, E. Jefferson
M/OAA/CAS, Y. Moody-Briscoe
M/OAA/CAS, L. Brown