



## MEMORANDUM

**DATE:** December 11, 2018

**TO:** USAID/M/OAA/CAS/CAM, Branch Chief, David McNeil

**FROM:** USAID OIG Africa Regional Office, Audit Director, Robert Mason /s/

**SUBJECT:** Financial Audit of USAID Resources Managed by Nonviolent Peaceforce in South Sudan Under Grant Agreement AID-OFDA-G-16-00041, May 11, 2016, to December 31, 2016 (Report No. 4-000-19-024-R)

This memorandum transmits the final audit report on USAID resources managed by Nonviolent Peaceforce. Nonviolent Peaceforce contracted with the independent certified public accounting firm BDO East Africa, Kampala, Uganda to conduct the audit. The contract required the audit firm to perform the audit in accordance with generally accepted government auditing standards (GAGAS).

The audit firm states that it performed its audit in accordance with GAGAS, except that the audit firm did not have continuing professional education and external quality control review programs that fully satisfied the requirements set forth in GAGAS. The audit firm is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on Nonviolent Peaceforce's fund accountability statement; the effectiveness of its internal control; or its compliance with the award, laws, and regulations.<sup>1</sup>

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 the Nonviolent Peaceforce's internal controls; and (3) determine whether Nonviolent Peaceforce complied with award terms and applicable laws and regulations.

To answer the audit objectives, BDO East Africa (1) audited the fund accountability statement for the award including the budgeted amounts by category and major items and

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<sup>1</sup> 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.

the revenues received from USAID for the period covered by the audit and the costs reported by Nonviolent Peaceforce as incurred from May 11, 2016, to December 31, 2016; (2) evaluated the control environment, the adequacy of the accounting systems, and control procedures that pertain to Nonviolent Peaceforce's ability to report financial data consistent with the assertions embodied in each account of the fund accountability statement; and (3) identified the award terms and pertinent laws and regulations and determined which of those, if not observed, could have a direct and material effect on the fund accountability statement. Nonviolent Peaceforce reported expenditures of \$861,300 in USAID funds during the audited period.

The audit firm concluded the fund accountability statement presented fairly, in all material respects, program revenues and costs incurred under the award for the period audited except for \$18,155 in total questioned costs (\$12,871 ineligible and \$5,284 unsupported). The audit firm also reported three instances of material noncompliance. The audit firm also issued a management letter.

The fund accountability statement includes a charge for indirect costs based on the 10% de minimis rate. However, the indirect costs are computed based on total direct costs, not modified total direct cost as required by 2 CFR 200.414(f). Specifically, equipment and rental costs were included in modified total direct cost, contrary to 2 CFR 200.68. Accordingly, we are questioning an additional \$11,144.<sup>2</sup>

During our desk review, we noted several minor issues which the audit firm will need to address in future audit reports. We presented these issues in a memo to the controller, dated December 11, 2018.

To address the issues identified in the report, we recommend that USAID/M/OAA/CAS/CAM:

**Recommendation 1.** Determine the allowability of \$18,155 in questioned costs (\$12,871 ineligible, \$5,284 unsupported) on pages 10 and 12 of the audit report and recover any amount that is unallowable.

**Recommendation 2.** Verify that Nonviolent Peaceforce corrects the three instances of material noncompliance detailed on pages 23 to 25 of the audit report.

**Recommendation 3.** Determine the allowability of \$11,144 in ineligible questioned costs pertaining to indirect costs and recover any amount that is unallowable.

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

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<sup>2</sup> The questioned costs are 10% of the following: Equipment, \$41,600 (p.12); Juba office rent, \$26,480 (p.17); Juba staff accommodation rent, \$19,500 (p.17); Bentiu staff accommodation rent, \$23,857 (p.18).

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”).