



MEMORANDUM

DATE: March 13, 2019

TO: USAID/Nigeria, Mission Director, Steven M. Haykin

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

SUBJECT: Financial Audit of USAID Resources Managed by Widows and Orphans Empowerment Organization in Nigeria Under Agreement AID-620-A-14-00005, January 1 to December 31, 2017 (Report No. 4-620-19-054-R)

This memorandum transmits the final audit report on USAID resources managed by the the Widows and Orphans Empowerment Organization (WEWE) under the Local Partners for Orphan and Vulnerable Children Initiative for Nigeria project. WEWE contracted with the independent certified public accounting firm PricewaterhouseCoopers (PwC), Lagos, Nigeria 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 an external peer review program because no such program is offered by professional organizations in Nigeria. The audit firm is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on WEWE's fund accountability statement; the effectiveness of its internal control; or its compliance with the award, laws, and regulations.¹

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 WEWE's internal controls; (3) determine whether WEWE complied with award terms and applicable laws and regulations; (4) determine whether the review of the indirect cost rate is applicable; and (5) review the implementation status of prior period recommendations.

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.

To answer the audit objectives, PwC (1) audited the fund accountability statement for the award including the budgeted amounts by category and major items and the revenues received from USAID for the period covered by the audit and the costs reported by WEWE as incurred from January 1 to December 31, 2017; (2) evaluated the control environment, the adequacy of the accounting systems, and control procedures that pertain to WEWE's ability to report financial data consistent with the assertions embodied in each account of the fund accountability statement; (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; (4) determined that the review of the indirect cost rate was not applicable; and (5) reviewed the implementation status of the prior period recommendations. WEWE reported expenditures of \$2,025,000 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. The audit firm identified \$57,603 in ineligible questioned costs. The audit firm also reported five significant deficiencies in internal control and three instances of material noncompliance. The internal control finding on page 19 details several inadequacies in the procurement system; however, we deem conditions iii and iv, pertaining to noncompliance with Mandatory Standard Provisions M12 and M14, to be an instance of material noncompliance. Conditions i and ii on page 19 remain classified as significant deficiencies.

Moreover, one of the instances of material noncompliance relating to late remittance of statutory deductions was repeated from the prior period. Final action was taken on this recommendation subsequent to the current period; accordingly, we are not including it in Recommendation 3. Consequently, we will make recommendations on the questioned costs, five significant deficiencies in internal control, and three instances of material noncompliance.

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 March 13, 2019.

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

Recommendation 1. Determine the allowability of \$57,603 in ineligible questioned costs on pages 23 to 25 of the audit report and recover any amount that is unallowable.

Recommendation 2. Verify that Widows and Orphans Empowerment Organization corrects the five significant deficiencies in internal control detailed on pages 15 to 21 of the audit report.

Recommendation 3. Verify that Widows and Orphans Empowerment Organization corrects the three instances of material noncompliance detailed on pages 19 to 20, 23 to 25, and 28 of the audit report.

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.

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”).