



MEMORANDUM

DATE: May 20, 2019

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

FROM: Acting Director for External Financial Audit Division, Steve Shea /s/

SUBJECT: Audit of Clovek V Tisni, O.P.S / People In Need Under Multiple USAID Awards for the Fiscal Year Ended December 31, 2014 (3-000-19-007-R)

This memorandum transmits the final audit report on the audit of costs incurred by Clovek V Tisni, O.P.S / People In Need (PIN) for the fiscal year (FY) ended December 31, 2014. PIN contracted with PriceWaterhouseCoopers to conduct the recipient contracted audit. The contract required the audit firm to perform the audit in accordance with generally accepted government auditing standards and the U.S. Agency for International Development (USAID), Office of Inspector General's (OIG) *Guidelines for Financial Audits Contracted by Foreign Recipients*¹.

The audit firm states that it performed its audit in accordance with generally accepted government auditing standards except that the audit firm did not fully satisfy continuing professional education requirements and did not have an external peer review program because no such program is offered in Jordan. The audit firm is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on the fund accountability statement; the effectiveness of its internal control, or its compliance with the award, laws, and regulations².

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 PIN's internal controls; (3) determine whether PIN complied with awards' terms and applicable laws and regulations; and (4) report on the cost sharing schedule and determine if the cost sharing schedule was presented fairly. To answer the audit objectives, PriceWaterhouseCoopers: (a) performed audit procedures to evaluate the effectiveness of internal controls related to the USAID funded programs, assess control risks, and identify significant deficiencies including

¹ On June 30, 2017, USAID OIG rescinded its "Guidelines for Financial Audits Contracted by Foreign Recipients," recognizing the Agency's role to impose requirements on its implementing partners and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 audit, however, was initiated before that date and follows the Guidelines.

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 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.

material weaknesses; and (b) perform tests to determine whether PIN complied, in all material respect, with agreement terms, and applicable laws and regulations related to the USAID funded programs. The report on the fund accountability statement disclosed that PIN's audited expenditures for the FY ended December 31, 2014 were \$ 1,034,352 composed solely of USAID awards.

The audit firm concluded the fund accountability statement presented fairly, in all material respects, program revenues, costs incurred and reimbursed, by USAID for the year ended December 31, 2014, in accordance with the terms of the agreement and in conformity with a modified cash basis of accounting, except for: \$9,604 in total questioned costs (\$693 in ineligible questioned costs and \$8,911 in unsupported questioned costs); two material weaknesses in internal control for not having adequate controls over cash grants and personnel costs; and four instances of material noncompliance. Since the questioned costs did not meet the OIG's established threshold of \$25,000 for making a recommendation, we are not making a recommendation. Nevertheless, we suggest that USAID's Office of Acquisition and Assistance Cost, Audit and Support Division determine the allowability of the \$ 9,604 in questioned costs and recover any amount determined to be unallowable. In addition, although we are not making a recommendation for the significant deficiency noted in the report, we suggest that USAID'S Office of Acquisition and Assistance Cost, Audit and Support Division determine if the recipient addressed the issue noted.

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

Recommendation 1. Verify that Clovek V Tisni, O.P.S / People In Need corrects the two material weaknesses in internal control detailed on pages 17 and 21 through 25 of the audit report.

Recommendation 2. Verify that Clovek V Tisni, O.P.S / People In Need corrects the four instances of material noncompliance detailed on pages 19 and 27 through 33 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 to audit staff during the engagement.

OIG does not routinely distribute independent public accounting reports beyond the immediate addresses 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").