



## MEMORANDUM

**DATE:** June 12, 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, Steven Shea /s/

**SUBJECT:** Audit of Agency for Technical Co-operation and Development Under Multiple USAID Agreements for the Fiscal Year Ended December 31, 2017 Report No. 3-000-19-008-R

This memorandum transmits the final audit report on the recipient contracted audit of Agency for Technical Co-operation and Development (ACTED) for fiscal year (FY) ended December 31, 2017. ACTED contracted with Emargence Experts to conduct the audit. The audit firm stated that 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's (USAID) Guidelines for Financial Audits Contracted by Foreign Recipients<sup>1</sup>.

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 France. The audit firm is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on ACTED's fund accountability statement; the effectiveness of its internal control; or its compliance with the award, laws, and regulations<sup>2</sup>.

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<sup>1</sup> On June 30, 2017, USAID OIG rescinded its "Guidelines for Financial Audits Contracted by Foreign Recipients," recognizing the Agency's role to impose requirements on its implementing partners and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.

<sup>2</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 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, program revenues, costs incurred and reimbursed and commodities and technical assistance directly procured by USAID; (2) evaluate ACTED's internal controls; (3) determine whether ACTED complied with award terms and applicable laws and regulations; and (4) express an opinion on the schedule of computation of indirect cost rate. To answer the audit objectives, the audit firm: (a) performed audit procedures to determine compliance with Guidelines for Financial Audits Contracted by Foreign Recipients issued by USAID; (b) evaluated internal controls related to USAID funded programs to assess control risk, and identify significant deficiencies including material weaknesses; (c) performed tests to determine whether ACTED complied, in all material respects, with agreement terms and applicable laws and regulations related to USAID funded programs; and (d) performed an audit of the indirect cost rate. The report on the fund accountability statement disclosed that ACTED's audited expenditures for the FY ended December 31, 2017 were \$69,861,560 of which USAID awards totaled \$65,415,490.

The audit firm concluded that: (1) the fund accountability statement presented fairly, in all material respects, costs incurred and reimbursed and commodities and technical assistance directly procured by USAID and the U.S. Department of State for the year ended December 31, 2017, in accordance with the terms of the agreement and in conformity with the accrual basis of accounting except for plant and equipment that is expensed when purchased. (2) the audit firm did not identify any deficiencies in internal control that were considered material weaknesses; (3) the results of the auditors testing disclosed no instances of noncompliance that are required to be reported under generally accepted government auditing standards; and (4) the schedule of computation of indirect cost rate was prepared from financial statements audited by other auditors who expressed an unmodified opinion. In Emergence Expert's opinion, the schedule of computation of indirect cost rate is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. Emergence Experts did not identify any findings or questioned costs related to USAID awards.

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").