



MEMORANDUM

DATE: June 18, 2019

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

FROM: Acting Director of External Financial Audits Division, Steve Shea /s/

SUBJECT: Audit of TRAFFIC International Under USAID Cooperative Agreement Number AID-EGEE-A-15-00001 for the Fiscal Year Ended June 30, 2017 (3-000-19-009-R)

This memorandum transmits the final audit report on the recipient contracted audit of TRAFFIC International (TI) under the U.S. Agency for International Development (USAID) Cooperative Agreement Number AID-EGEE-A-15-00001 for fiscal year June 30, 2017. TI contracted with KPMG LLP of the United Kingdom (UK) to conduct the audit. The contract required KPMG LLP to perform the audit in accordance with generally accepted government auditing standards and USAID's Office of Inspector General's *Guidelines for Financial Audits Contracted by Foreign Recipients* issued in February 2009¹.

KPMG LLP states that it performed its audit in accordance with generally accepted government auditing standards and the Office of Inspector General's *Guidelines for Financial Audits Contracted by Foreign Recipients* except that the audit firm's external quality control review did not meet U.S. *Government Auditing Standards* since no such program is offered by professional organizations in the UK. KPMG LLP is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on TI's fund accountability statement; the effectiveness of its internal control; or its compliance with the awards, 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 TI's internal controls; and (3) determine whether TI complied with the award's terms and applicable laws and regulations. To answer the audit objectives, the audit firm: (a) examined, on a test basis, evidence supporting the amounts and disclosures in the fund accountability statement; and (b) performed tests of TI's compliance with agreement terms and applicable

¹ On June 30, 2017, USAID OIG rescinded its *Guidelines for Financial Audits Contracted by Foreign Recipients*, recognizing the Agency's role to impose requirements on its implementing partners and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

laws and regulations. The report on the fund accountability statement disclosed that TI's audited expenditures were \$1,212,004, consisting solely of USAID funds for the fiscal year ended June 30, 2017.

KPMG LLP concluded that: (1) the fund accountability statement presented fairly, in all material respects, program revenues and costs incurred under the award for the period audited in conformity with the accrual basis of accounting, except for \$5,791 in total questioned costs (\$5,791 ineligible); and three findings related to the fund accountability statement; (2) the auditor did not identify any deficiencies that were considered material weaknesses or significant deficiencies in internal control; and (3) the auditor disclosed no instances of noncompliance. The questioned costs did not meet the OIG's established threshold of \$25,000 for making a recommendation. Two of the three findings noted above related to the questioned costs and are below the established threshold of \$25,000 noted above. The third finding for criteria, used the *Guidelines for Financial Audits Contracted by Foreign Recipients* issued by the USAID Inspector General which as has been indicated were rescinded on June 30, 2017. Therefore, we concluded that no recommendations for the questioned costs or the fund accountability statement findings were deemed necessary by the OIG. Nevertheless, we suggest that USAID's Office of Acquisition and Assistance Cost, Audit and Support Division determine the allowability of \$5,791 in questioned costs and recover any amount determined to be unallowable. In addition, although we are not making any recommendations for the three findings 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 issues noted.

We appreciate the assistance extended to audit staff 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").