



## MEMORANDUM

**Date:** July 29, 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, Steven Shea /s/

**SUBJECT:** Title 2 CFR Part 200 Audit of National Democratic Institute for International Affairs for the Fiscal Year Ended September 30, 2018 (3-000-19-006-T)

This memorandum transmits the final audit report on National Democratic Institute for International Affairs (NDI) under Title 2 United States Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* for the fiscal year ended September 30, 2018. The audit report was obtained from the Federal Audit Clearinghouse. BDO USA, LLP performed the Title 2 CFR Part 200 audit.

The audit firm states it performed its audit in accordance with generally accepted government auditing standards and in accordance with Title 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. The audit firm is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on NDI's financial statements; the effectiveness of its internal control; or its compliance with the awards, laws, and regulations.<sup>1</sup>

The audit's objectives were to: (1) express an opinion on whether the financial statements as of September 30, 2018 were presented fairly, in all material respects; (2) express an opinion on whether the schedule of expenditures of federal awards as required by 2 CFR Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is fairly stated in all material respects; (3) describe the scope of testing of internal controls and compliance and the results of that testing and not to provide an opinion on its effectiveness; and (4) determine whether NDI complied in all material respects with the types of compliance requirements that could have a direct and material effect on each of its major programs. NDI's audited expenditures were \$91,635,980 and the U.S. Agency for International Development's audited expenditures were \$55,041,758 for the fiscal year ended September 30, 2018.

The audit firm expressed an unmodified opinion on the financial statements. Additionally, (1) the audit firm determined that the schedule of expenditures of federal awards was fairly stated in all material respects, and NDI complied, in all material respects, with the types of compliance requirements that could have a direct and material effect on each of its major

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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.

federal programs for the year ended September 30, 2018, except for total questioned costs of \$1,584 (\$1,584 ineligible); (2) the auditor did not identify any deficiencies in internal control that were considered material weaknesses or significant deficiencies; (3) the auditor identified a significant deficiency in internal control over compliance; two instances of noncompliance that are required to be reported by 2 CFR Part 200; and an instance of noncompliance in compliance and other matters that is required to be reported under generally accepted government auditing standards. The questioned costs did not meet the OIG's established threshold of \$25,000 for a recommendation. Nevertheless, we suggest that USAID's Office of Acquisition and Assistance/Cost, Audit, and Support Division determine the allowability of \$1,584 in ineligible questioned cost 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 and instances of noncompliance, we suggest that USAID's Office of Acquisition and Assistance/Cost, Audit, and Support Division determine if the recipient addressed the issues noted. NDI was not issued a management letter.

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").