



MEMORANDUM

DATE: July 3, 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: Audit of Marie Stopes International Fund Accountability Statement Under Multiple USAID Awards for Fiscal Year Ended December 31, 2014 (3-000-19-011-R)

This memorandum transmits the final audit report on the recipient contracted audit of Marie Stopes International (MSI) for fiscal year (FY) ended December 31, 2014. MSI contracted with Crowe Clark Whitehill LLP to conduct the audit. The contract required Crowe Clark Whitehill LLP 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 *Guidelines for Financial Audits Contracted by Foreign Recipients* issued in February 2009¹.

Crowe Clark Whitehill LLP states that it performed its audit in accordance with generally accepted government auditing standards and the Office of the 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 United Kingdom. Crowe Clark Whitehill LLP is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on MSI'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 MSI's internal controls; (3) determine whether MSI complied with the awards' terms and

¹ On June 30, 2017, USAID OIG rescinded its *Guidelines for Financial Audits Contracted by Foreign Recipients*, recognizing the Agency's role to impose requirements on its implementing partners and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

applicable laws and regulations; and (4) express an opinion on the statement of indirect rate calculation. To answer the audit objectives the audit firm: (a) evaluated the effectiveness of the design and operation of the internal controls; and (b) examined the underlying documentation which supported financial transactions recorded as expenditures against U.S. government awards. The report on the fund accountability statement disclosed that MSI's audited expenditures were \$39,307,080, consisting solely of USAID funds for the FY ended December 31, 2014. Crowe Clark Whitehill LLP submitted a management letter.

Crowe Clark Whitehill LLP concluded that the fund accountability statement presented fairly, in all material respects, program revenues, costs incurred and reimbursed and commodities and technical assistance under the award for the period audited except for \$537,872 total questioned costs (\$379,075 ineligible and \$158,797 unsupported), and cost-sharing unsupported questioned costs of \$14,944. There were four instances of material noncompliance reported with questioned costs of \$361,391 in ineligible indirect costs, \$17,684 in ineligible direct costs, and \$158,797 in unsupported direct costs.

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

Recommendation 1. Determine the allowability of \$176,481 in direct questioned costs (\$17,684 ineligible, \$158,797 unsupported) detailed on pages 33 and 34 of the audit report and recover any amount that is unallowable.

Recommendation 2. Verify that Marie Stopes International corrects the four material instances of noncompliance detailed on pages 36 to 44 of the audit report.

Recommendation 3. Determine the allowability of \$14,944 in unsupported cost-sharing questioned cost detailed on pages 47 and 48 of the audit report and recover any amount that is unallowable.

We ask that you provide your written notification of actions planned or taken to reach management decisions. 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").