



## MEMORANDUM

**DATE:** July 16, 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 Medair Under Multiple USAID Agreements for the Fiscal Year Ended December 31, 2016 (3-000-19-013-R)

This memorandum transmits the final audit report on the recipient contracted audit of Medair under multiple USAID agreements for fiscal year (FY) ended December 31, 2016. Medair contracted with Crowe Clark Whitehill LLP to conduct the audit. The audit firm stated the audit was performed 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 issued in February 2009<sup>1</sup>.

Crowe Clark Whitehill LLP states that it performed its audit in accordance with generally accepted government auditing standards and USAID's Guidelines for Financial Audits Contracted by Foreign Recipients except that the audit firm did not have an external peer 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 Medair's fund accountability statement; the effectiveness of its internal control; or its compliance with the awards, laws, and regulations<sup>2</sup>.

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 Medair's internal controls; (3) determine whether Medair complied with the awards' 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 auditor examined underlying documentation which supported the financial transactions recorded as expenditures against the U.S. Government awards. The auditor's selection of items to examine was based upon a sample of transactions as well as the materiality of certain transactions. The report on the fund accountability statement disclosed that Medair's audited

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 On June 30, 2017, USAID OIG rescinded its Guidelines for Financial Audits Contracted by Foreign Recipients, recognizing the Agency's role to impose requirements on its implementing partners and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

expenditures were \$10,578,399, consisting solely of USAID expenditures for the fiscal year ended December 31, 2016.

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 directly procured by USAID or pass through entities for the year ended December 31, 2016 in accordance with the terms of the agreement and in conformity with the modified accrual basis of accounting except for; capital expenditures which are expensed when incurred; and one instance of material noncompliance. The auditor did not identify any deficiencies that were considered material weaknesses in internal control, and the schedule of computation of indirect cost rate was prepared from financial statements audited by other auditors who expressed an unmodified opinion. In Crowe Clark Whitehill LLP'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. Crowe Clark Whitehill LLP did not question any costs. The audit firm issued a management letter dated December 19, 2017.

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.** Verify that Medair corrects the instance of material noncompliance detailed on pages 24 and 25 of the audit report.

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").