



MEMORANDUM

DATE: July 24, 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: Performance Audit Over the Adequacy of Land O'Lakes – International Development Accounting System Administration (3-000-19-035-I)

This memorandum transmits the final audit report over the adequacy of Land O'Lakes – International Development's (LOLID) accounting system. The U.S. Agency for International Development's (USAID) Office of Acquisition and Assistance, Cost, Audit and Support Division contracted with the independent certified public accounting firm Kearney & Company, P.C. to conduct the audit. The contract required the audit firm to perform the audit in accordance with generally accepted government auditing standards.

The audit firm states that it performed its audit in accordance with generally accepted government auditing standards. The audit firm is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on LOLID's accounting system; the effectiveness of its internal control; or its compliance with applicable Federal laws and regulations.¹

The audit objectives were to determine whether LOLID, established an adequate accounting system that: (1) adequately accumulates, segregates and identifies costs under U.S. government awards; and (2) allows for the proper differentiation between direct costs, indirect costs and unallowable costs in compliance with applicable government regulations. To answer the audit objectives, Kearney & Company, P.C.: (1) assessed the design of LOLID's policies and key internal controls relating to the accounting system criteria, (2) tested the implementation of LOLID's policies and key internal controls, and (3) concluded on the adequacy of the accounting system as a result of audit procedures performed and within the context of the audit objectives.

¹ 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 firm concluded that LOLID's accounting system adequately accumulates, segregates, and identifies costs under U.S. government awards, as well as, allows for the proper differentiation between direct costs, indirect costs, and unallowable costs in compliance with applicable government regulations and benchmarks. Although we are not making a recommendation for the significant control deficiency 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 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").