



## MEMORANDUM

**DATE:** February 7, 2020

**TO:** USAID/Democratic Republic of the Congo, Mission Director, Paul Sabatine

**FROM:** USAID OIG Africa Regional Office, Assistant Director, Matthew Rathgeber /s/

**SUBJECT:** Financial Audit of USAID Resources Managed by African Parks Network in Multiple Countries Under Cooperative Agreement AID-605-A-16-00002, January 1 to December 31, 2018 (Report No. 4-605-20-038-R)

This memorandum transmits the final audit report on USAID resources managed by African Parks Network in the Garamba National Park, situated in northeastern Democratic Republic of the Congo (DRC), and the Chinko Protected Area in eastern Central African Republic. African Parks Network contracted with the independent certified public accounting firm Ernst & Young, Kinshasa, DRC, to conduct the audit. The audit firm stated that it performed its audit in accordance with generally accepted government auditing standards (GAGAS). The audit firm is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on African Parks Network's fund accountability statement; the effectiveness of its internal control; or its compliance with the award, laws, and regulations.<sup>1</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 African Parks Network's internal controls; (3) determine whether African Parks Network complied with award terms and applicable laws and regulations; (4) review the indirect cost rate; and (5) review the implementation status of prior period recommendations.

To answer the audit objectives, Ernst & Young (1) audited the fund accountability statement for the award including the budgeted amounts by category and major items and the revenues received from USAID for the period covered by the audit and the costs reported by African Parks Network as incurred from January 1 to December 31, 2018; (2) evaluated the control environment, the adequacy of the accounting systems, and control procedures that pertain to African Parks Network's ability to report financial data consistent with the assertions embodied in each account of the fund accountability statement; (3) identified the award terms and

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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.

pertinent laws and regulations and determined which of those, if not observed, could have a direct and material effect on the fund accountability statement; (4) determined that the review of the indirect cost rate was not applicable; and (5) reviewed the implementation status of prior period recommendations. African Parks Network reported expenditures of \$1,988,106 in USAID funds during the audited period.

The audit firm concluded the fund accountability statement presented fairly, in all material respects, program revenues and costs incurred under the award for the period audited except for \$27,653 in total questioned costs (\$1,617 ineligible and \$26,036 unsupported); no material weaknesses in internal control; and three instances of material noncompliance. In addition, although we are not making a recommendation for significant deficiencies and the finding noted on Overrun budget of Indirect costs per USAID revised budget noted in the report, we suggest that USAID/Democratic Republic of Congo determine if the recipient addressed the issues noted. The audit firm also issued a management letter.

During our desk review, we noted several minor issues which the audit firm will need to address in future audit reports. We presented these issues in a memo to the controller, dated February 7, 2020.

To address the issues identified in the report, we recommend that USAID/Democratic Republic of the Congo:

**Recommendation 1.** Determine the allowability of \$27,653 in questioned costs (\$1,617 ineligible, \$26,036 unsupported) included in the fund accountability statement of the audit report and recover any amount that is unallowable.

**Recommendation 2.** Verify that African Parks Network corrects the three instances of material noncompliance detailed on pages 3 to 6 of the compliance section of the audit report.

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