



## MEMORANDUM

**DATE:** May 11, 2020

**TO:** USAID/Management/Office of Acquisition and Assistance/Cost, Audit, and Support Division, Contract Audit Management Branch, Eleanor C. Jefferson, Acting Supervisory Auditor

**FROM:** Director of External Financial Audits Division, IG/A/EFA, David A. McNeil /s/

**SUBJECT:** Financial Audit of Stichting ZOA Under Multiple USAID Awards for the Year Ended December 31, 2016 (3-000-20-012-R)

This memorandum transmits the final audit report on the recipient contracted audit of Stichting ZOA (ZOA) under multiple awards for the U.S. Agency for International Development (USAID) for the year ended December 31, 2016. ZOA contracted with the independent certified public accounting firm Crowe U.K. LLP (Crowe) to conduct the audit. The audit firm stated that it performed the audit in accordance with generally accepted government auditing standards and USAID's Guidelines for Financial Audits Contracted by Foreign Recipients<sup>1</sup>. However, the audit firm did not fully satisfy continuing professional education requirements and it did not have an external quality control review by an unaffiliated audit organization since no such program is offered by professional organizations in the United Kingdom. The audit firm is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on ZOA's fund accountability statement; the effectiveness of its internal control; or its compliance with the award, 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 ZOA's internal controls; (3) determine whether ZOA complied with awards' terms and applicable laws and regulations; (4) review the cost-sharing/counterpart contributions schedule; and (5) prepare a schedule of the computation of the indirect cost rate. To answer the audit objectives, the audit firm: (a) performed audit procedures to evaluate the

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 On June 30, 2017, USAID OIG rescinded its "Guidelines for Financial Audits Contracted by Foreign Recipients", recognizing the Agency's role to impose requirements on its implementing partners and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

effectiveness of internal controls considered relevant; and (b) examined underlying documentation which supported the financial transactions recorded as expenditures against U.S. Government Awards. The auditors expressed a qualified opinion on the fund accountability statement. In Crowe's opinion, the schedule of computation of the indirect cost rate is fairly stated, in all material respects in relation to the financial statements taken as a whole; and nothing came to their attention that caused them to believe that ZOA did not fairly present the cost sharing/counterpart contributions schedule, in all material respects, in accordance with the basis of accounting used to prepare the cost sharing/counterpart contributions schedule. The report on the fund accountability statement disclosed that ZOA's audited expenditures were \$2,299,172 consisting solely of USAID-funded awards for the fiscal year ended December 31, 2016.

Crowe concluded that the fund accountability statement except for the effects of questioned costs 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 then ended in accordance with the terms of the agreements and in conformity with the modified accruals basis of accounting except for, plant and equipment, which is expensed when purchased with U.S. government funding. The audit firm identified \$13,445 in total questioned indirect costs (\$13,445 unsupported) for the incorrect allocation of indirect costs; and two instances of material noncompliance. Crowe did not identify any deficiencies that were considered material weaknesses or significant deficiencies in internal control.

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

**Recommendation I.** Verify that Stichting ZOA corrects the two material instances of noncompliance with the agreement terms and applicable laws and regulations detailed on pages 31 through 36 of the audit report.

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