



MEMORANDUM

DATE: June 26, 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 Audit Division, David A. McNeil for Steven Shea/s/

SUBJECT: Financial Audit of Clovek V Tisni, O.P.S / People In Need, Czech Republic Under Multiple USAID Agreements for the Fiscal Year Audit Ended December 31, 2015 (3-000-20-019-R)

This memorandum transmits the final audit report on the audit of costs incurred by Clovek V Tisni, O.P.S / People In Need, Czech Republic (PIN) for the fiscal year (FY) ended December 31, 2015. PIN contracted with PricewaterhouseCoopers to conduct the recipient contracted audit. The contract required the audit firm 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 (OIG) *Guidelines for Financial Audits Contracted by Foreign Recipients*¹. The audit firm stated that it performed its audit in accordance with generally accepted government auditing standards, except that the audit firm did not fully satisfy continuing professional education requirements and did not have an external peer review program because no such program is offered in Jordan. The audit firm is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on the fund accountability statement; the effectiveness of its internal control, or its compliance with the award, 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

¹ On June 30, 2017, USAID OIG rescinded its "Guidelines for Financial Audits Contracted by Foreign Recipients," recognizing the Agency's role to impose requirements on its implementing partners and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

PIN's internal controls; and, (3) determine whether PIN complied with award terms and applicable laws and regulations including cost sharing. To answer the audit objectives, PricewaterhouseCoopers: (a) performed audit procedures to evaluate the effectiveness of internal controls related to the USAID funded programs, assessed control risk, and identify significant deficiencies including material weaknesses; and (b) performed tests to determine whether PIN complied in all material respects, with agreement terms, and applicable laws and regulations related to the USAID funded program. The report on the fund accountability statement disclosed that PIN's audited expenditures for the FY ended December 31, 2015 were \$3,794,972 composed solely of USAID awards.

PricewaterhouseCoopers concluded that: (1) the fund accountability statement presents fairly, in all material respects, program revenues, costs incurred and reimbursed, and commodities and technical assistance procured by USAID for the year ended December 31, 2015 in accordance with the terms of the agreement and in conformity with a modified cash basis of accounting, except for: \$61,980 in ineligible questioned costs, and \$5,584 in unsupported questioned costs; (2) for the FY ended December 31, 2015, it identified three instances of material weaknesses in internal controls, (3) there were four material instances of noncompliance and (4) the cost sharing schedule presents fairly in all material respects, in accordance with the basis of accounting used to prepare the schedule.

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 \$61,980 in ineligible, and \$5,584 in unsupported questioned costs on pages 10, and 12 through 14 of the audit report and recover any amount that is unallowable.

Recommendation 2. Verify that Clovek V Tisni, O.P.S / People In Need, Czech Republic corrects the three material weaknesses in internal control detailed on pages 16, 18 through 24 of the audit report.

Recommendation 3. Verify that Clovek V Tisni, O.P.S / People In Need, Czech Republic corrects the four material instances of noncompliance detailed on pages 17, and 25 through 29 of the audit report.

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").