



## MEMORANDUM

**DATE:** November 18, 2020

**TO:** USAID/Liberia, Mission Director, Sara Walter

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

**SUBJECT:** Agreed-Upon Procedures Review of USAID Resources Managed by Chemonics International in Liberia Under Multiple Awards, January 1, 2017, to March 31, 2019 (Report No. 4-669-21-001-O)

This memorandum transmits the agreed-upon procedures (AUP) review of USAID resources managed by Chemonics International in Liberia (Chemonics) under the following awards: (1) AID-OAA-I-15-00004; (2) AID-OAA-TO-15-00009; (3) AID-OAA-TO-15-00010; and (4) AID-OAA-TO-16-00018. USAID/Liberia contracted with the independent certified public accounting firm PricewaterhouseCoopers Liberia LLC (PwC), Monrovia, to conduct the AUP. The audit firm stated that the AUP engagement was conducted in accordance with U.S. Government Reviewing Standards established by the American Institute of Certified Public Accountants (AICPA). The audit firm is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on Chemonics' fund accountability statement or commodity accountability statement; the effectiveness of its internal control; or its compliance with the award, laws, and regulations.<sup>1</sup>

The AUP objectives were to (1) obtain an understanding of the internal control environment and perform tests of selected controls to validate their effectiveness; (2) identify deficiencies or potential vulnerabilities in the existing systems and recommend improvements to achieve value for money; (3) establish that the incurred costs billed to USAID by Chemonics were accurately recorded and reported, supported by appropriate documentation, allowable, allocable, and reasonable, and generally in accordance with the terms and conditions of the agreement and other applicable USAID rules and regulations and financial management policies.

To answer the AUP objectives, PwC (I) conducted AUP of the fund accountability statement of the USAID funded program and commodity accountability statement related to funds received,

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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 AUP performed.

and costs incurred for the period January 1, 2017, to March 31, 2019; (2) obtained a sufficient understanding of the Chemonics's internal controls related to the USAID-funded programs; and (3) performed tests to determine whether Chemonics complied, in all material respects, with agreement terms and applicable laws and regulations related to USAID-funded programs. Chemonics reported expenditures of \$4,033,657 in USAID funds during the review period.

The results of the AUP reported 5 internal control weaknesses and 7 findings where Chemonics did not comply with USAID rules and regulations, the agreements signed between USAID and Chemonics, local laws, and internal control policies and procedures. From these findings no questioned costs were identified. In addition, although we are not making a recommendation for limitation of scope deficiencies noted on page 41 of the report, we suggest that USAID/Liberia determine if the recipient addressed the issue noted.

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 November 18, 2020.

To address the issues identified in the report, we recommend that USAID/Liberia:

**Recommendation 1.** Verify that Chemonics International corrects the five internal control weaknesses in findings 3.1 to 3.3 and 4.1 to 4.2 detailed on pages 42 to 56 of the agreed-upon procedures review.

**Recommendation 2.** Verify that Chemonics International corrects the seven instances of noncompliance in findings 5.3.1 to 5.3.4 and 6.3.1 to 6.3.3 detailed on pages 63 to 72 and 76 to 78 of the agreed-upon procedures review.

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

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").