



## MEMORANDUM

**DATE:** December 22, 2020

**TO:** U.S. African Development Foundation, President and CEO, C.D. Glin

**FROM:** Deputy Assistant Inspector General for Audit, Alvin A. Brown /s/

**SUBJECT:** Transmittal of the Management Letter for U.S. African Development Foundation's Fiscal Year 2020-2019 Financial Statement Audit Report (0-ADF-21-003-C)

On November 12, 2020, we transmitted the financial statement audit report performed by the independent public accounting firm of Williams, Adley & Company-DC LLP (Williams Adley). The auditors issued an unmodified opinion on U.S. African Development Foundation's fiscal year (FY) 2020-2019 financial statements.

When performing an audit of an agency's financial statements, auditors may identify certain matters involving internal controls that do not rise to a level of significance to be reported in the independent auditors' opinion report; instead these matters are communicated in a management letter. This memorandum transmits a copy of the FY 2020-2019 management letter dated November 6, 2020, which reports on such matters.

This letter does not affect the auditors' unmodified opinion on the financial statements. Williams Adley is responsible for the enclosed letter and the conclusions expressed in it.

We appreciate the assistance provided to our staff and the audit firm's employees during the engagement.



## MANAGEMENT LETTER

Mr. C.D. Glin  
President and Chief Executive Officer  
United States African Development Foundation

We have completed the audit of the financial statements of the U.S. African Development Foundation (USADF) as of and for the year then ended September 30, 2020 and have issued our Independent Auditor's Report thereon dated November 6, 2020.

In planning and performing our audit of the USADF financial statements as of and for the year ended September 30, 2020, in accordance with U.S. generally accepted government auditing standards, we considered USADF's internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of USADF's internal control over financial reporting. Accordingly, we do not express an opinion on USADF's internal control over financial reporting.

In our fiscal year 2020 audit, we identified a control deficiency that did not rise to the level of a material weakness or significant deficiency but still warrants management attention, which is provided in Appendix I of this Management Letter. We have discussed this comment with USADF personnel, and we will be pleased to discuss them in further detail at your convenience.

USADF has provided an official response to this Management Letter in Appendix II. We did not audit USADF's response and, accordingly, we express no opinion on the response.

This Management Letter is intended for the information and use of USADF management, and those charged with governance.

*Williams, Adley & Company-DC, LLP*

Washington, DC  
November 6, 2020

cc: U.S. Agency for International Development Office of the Inspector General

**MLC-2020-01 – Non-Compliance of Grant Advance Methodology with FASAB Technical Release 12**

**Condition:** USADF has developed a policy (Finance Memorandum 15-10) that requires the agency to estimate their grant advances based on historical expenditure trends over a five (5) year period, and advance activity during the quarter. Once the allocation percentage has been determined, USADF multiplies the quarter’s payments by this percentage and records the advance amount in the general ledger. Also, per the policy, the allocation rate is reviewed annually at the close of Q3 and every quarter USADF either validates the current rate or revises it.

During our testing of the U.S. African Development Foundation’s (USADF’s) Grant Advance calculation and methodology, we determined that USADF did not adhere to their internal policy when implementing their Grant Advance methodology for fiscal year (FY) 2020. We determined that the data used to calculate the 21% rate was based on USADF’s calculation performed as of Q3 of FY2017. USADF has not performed a look-back analysis since then to determine whether using the rate of 21% was still reasonable.

**Cause:** In 2020 USADF did not perform the analysis of the allocation percentage because of an Oracle system error that made the supporting data inaccessible. USADF is working with its service provider to determine a fix. Additionally, USADF did not have a documented alternative method to estimate the grant advance amount.

**Effect:** Because USADF has not validated the reasonableness of the 21% rate used to calculate its grant advance, USADF may be misstating the overall Grant Advance line item on its financial statements. Although, USADF has updated their policies to develop and implement alternative procedures if the trend data is not available, without ensuring adequate documentation of this assessment USADF cannot fully ensure that their grant advance amount is reasonably estimated.

**Criteria:** USADF Finance Memorandum No. 15-10 “*Grant Advance Policy Memo*”, May 2015, states:

*“In order to ensure timeliness in reporting grantee expenditures, the Foundation will use estimates to calculate the last quarter's grantee expenditures, based on historical expenditure trends over a five-year period, and advance activity during that quarter's activity.”*

*Implementation*

*USADF - Annually, at the close of the third quarter, USADF will calculate/update a new rate based on the rate calculation formula to either validate current rate or change it. USADF informs the Bureau Fiscal Service (BFS) if change is needed.*

*BFS - BFS will use the grant advance rate to enter a quarterly journal entry, which is reversed the following quarter. BFS will also disclose this process in the financial statement footnotes.*



## Memorandum

**From:** Mathieu Zahui, CGFM, CFO *M. Zahui*

**Regarding:** Management Response to the FY 2020 Management Letter

**Date:** December 9, 2020

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**Summary:** United States African Development Foundation (USADF) concurs with the recommendations. During the exit conference on November 9, 2020, Williams, Adley & Company noted that USADF has updated their policy (Finance Memo 10-15) in November 2020 to include alternative procedures to estimate the grant advance estimate.

**Recommendation from Williams, Adley & Company-DC, LLP:** We recommend that USADF update their current policy, and implement procedures, to:

1. Assess the grant advance allocation percentage annually for reasonableness and ensure the assessment is documented and supported; and
2. Develop alternative procedures to assess the reasonableness of the allocation percentage if historical data from their financial system cannot be obtained to calculate the rate.

**Issue:** USADF was not able to estimate the grant advance ratio due to non-availability of five year run data from its grant management system.

### USADF Actions:

1. **System Solution:** USADF has contacted the vendor of its grant management system to fix the data availability issue. Furthermore, USADF updated its grant advance ratio policy to allow an alternative methodology in absence of the five year run data.
2. **Alternative Methodology:** USADF will utilize the data from the last quarter and the quarter prior to estimate the grant advance ratio. The method will consist of summation of cash on hands from last quarter less summation of cash on hand from prior quarter to last divided by summation of disbursements of the last quarter.
3. **Procedural Documentation:** Additionally, USADF will adequately document the process performed to arrive to the grant advance ratio estimate.