



MEMORANDUM

DATE: January 28, 2021

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

FROM: Director of External Financial Audit Division (IG/A/EFA), David A. McNeil /s/

SUBJECT: Financial Audit of Intersos Organizzazione Umanitaria Onlus Under Multiple USAID Awards for the Fiscal Year Ended December 31, 2016 (3-000-21-014-R)

This memorandum transmits the final audit report on the recipient contracted audit of Intersos Organizzazione Umanitaria Onlus (INTERSOS) for the fiscal year (FY) ended December 31, 2016. INTERSOS contracted with the independent certified public accounting firm Crowe Clark Whitehill LLP to conduct the audit. Crowe Clark Whitehill LLP stated that it performed its audit in accordance with generally accepted government auditing standards, and the U.S. Agency for International Development's (USAID) *Guidelines for Financial Audits Contracted by Foreign Recipients*.¹ However, it did not have an external quality control review by an unaffiliated audit organization as required by U.S. Government Auditing Standards, since no such program is offered by professional organizations in the United Kingdom. Crowe Clark Whitehill LLP is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on INTERSOS fund accountability statement; the effectiveness of its internal control; or its compliance with the awards, laws, and regulations.²

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¹ On June 30, 2017, USAID OIG rescinded its "Guidelines for Financial Audits Contracted by Foreign Recipients," recognizing the Agency's role to impose requirements on its implementing partners and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

INTERSOS' internal controls; (3) determine whether INTERSOS complied with award terms and applicable laws and regulations; and (4) report on the cost sharing schedule and determine if the cost sharing schedule was presented fairly. To answer the audit objectives, the audit firm performed procedures to evaluate the effectiveness of the design and operation of the internal controls that were considered relevant to preventing or detecting material noncompliance with the compliance requirements applicable to each of INTERSOS' U.S. government awards. The audit covered total expenditures of \$1,284,186 of USAID's audited expenditures for the FY ended December 31, 2016.

Crowe Clark Whitehill LLP concluded that: (1) the fund accountability statement presents 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 fiscal year ended December 31, 2016, in accordance with the terms of the agreement and in conformity with the accrual basis of accounting except for plant and equipment, which is expensed when purchased with U.S. government funding; (2) the report on internal control identified one significant deficiency in internal control; (3) the report on compliance identified an instance of material noncompliance; and (4) the audit firm reported that nothing came to their attention that caused them to believe INTERSOS 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. Although we are not making recommendation for the significant deficiency noted in the report, we suggest that USAID's Office of Acquisition and Assistance, Cost, Audit and Support Division determine if the recipient addressed the significant deficiency noted. The auditor did not question any costs.

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

Recommendation I. Verify that Intersos Organizzazione Umanitaria Onlus corrects the instance of material noncompliance detailed on page 25 of the audit report.

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").