



## MEMORANDUM

**DATE:** February 25, 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 People In Need Under Multiple USAID Agreements for the Fiscal Year Ended December 31, 2017 (3-000-21-016-R)

This memorandum transmits the final audit report on the recipient contracted audit of People In Need (PIN) under multiple USAID Agreements for the fiscal year ended December 31, 2017. PIN contracted with the independent certified public accounting firm Grant Thornton LLC Georgia to conduct the audit. The audit firm stated that it performed its audit in accordance with generally accepted government auditing standards (GAGAS) and OIG Guidelines for Financial Audits Contracted by Foreign Recipients.<sup>1</sup> However, it did not have a continuing education program that fully complies with GAGAS requirements and an external peer review because such a program is not offered in Georgia. The audit firm is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on PIN'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 PIN's internal controls; (3) determine whether PIN complied with award terms and applicable laws and regulations; (4) determine if cost-sharing contributions were made and accounted for by PIN in accordance with the terms of the agreement; and (5) determine if PIN has taken

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 On June 30, 2017, USAID OIG rescinded its "Guidelines for Financial Audits Contracted by Foreign Recipients," recognizing the Agency's role to impose requirements on its implementing partners and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

adequate corrective action on prior audit recommendations. To answer the audit objectives, the audit firm reported that they assessed and tested the internal controls related to the project; compliance with applicable laws, regulations, the agreement's provisions; and reviewed project expenditures. The audit firm stated that they could not determine if the recipient had taken adequate corrective actions on prior audit report recommendations considering that the prior audit report had not been issued as of the date of transmittal of this audit report. The report on the fund accountability statement disclosed that USAID's audited expenditures were \$6,552,782 for the fiscal year ended December 31, 2017.

The audit firm concluded the fund accountability statement presents fairly, in all material respects, the programs' revenues, costs incurred and reimbursed, and commodities and technical assistance directly procured by USAID for the year ended December 31, 2017, in accordance with the terms of the agreements and in conformity with the modified accrual basis of accounting. The audit firm identified one material weakness in internal control related to errors in calculation of indirect costs. The audit firm did not identify any instances of material noncompliance with applicable laws, regulations, and agreement terms. The audit firm stated that based on their review, nothing came to their attention that caused them to believe that PIN did not fairly present the cost sharing contributions schedule, in all material respects, in accordance with the basis of accounting used to prepare the cost sharing contributions schedule.

During our desk review, we noted several issues which the audit firm will need to address in future audit reports. We presented these issues in a memo to USAID's Chief Financial Officer, dated February 25, 2021.

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 People In Need corrects the material weakness in internal control detailed on pages 27 and 28 of the audit report.

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