



MEMORANDUM

DATE: June 23, 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 Report of Hanns R. Neumann Stiftung Under Cooperative Agreement AID-OAA-A-16-00043 for the Year Ended December 31, 2017 (3-000-21-020-R)

This memorandum transmits the final audit report on the recipient contracted audit report of Hanns R. Neumann Stiftung (HRNS) under Cooperative Agreement AID-OAA-A-16-00043 for the year ended December 31, 2017. HRNS contracted with the independent certified public accounting firm KPMG AG Wirtschaftsprüfungsgesellschaft (KPMG AG), Germany to conduct the audit. The audit firm stated that it performed its audit in accordance with generally accepted government auditing standards (GAGAS) and the U.S. Agency for International Development's (USAID) Financial Audit Guide for Foreign Organizations. However, it did not fully satisfy the Continuing Professional Education requirements set forth in GAGAS and did not have an external quality control review by an unaffiliated audit organization because Germany does not offer such a review program. The audit firm is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on HRNS' fund accountability statement; the effectiveness of its internal control; or its compliance with the award, laws, and regulations.¹

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 HRNS's internal controls; and (3) determine whether HRNS complied with award terms and applicable laws and regulations. To answer the audit objectives, the audit firm reviewed general and program ledgers to determine whether costs incurred were properly recorded and

¹ 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.

examined procedures used to control funds. The report on the fund accountability statement disclosed that USAID's audited expenditures were \$1,255,536 for the year ended December 31, 2017.

KPMG AG concluded that, except for the effect of the questioned costs noted below, the fund accountability statement presents fairly, in all material respects, program revenues, costs incurred and reimbursed for the year ended December 31, 2017, in accordance with the terms of the agreements and in conformity with the accrual basis of accounting. The audit firm identified one material weakness and one significant deficiency in internal control and two instances of material noncompliance related to unreasonable personnel costs charged to the grant and ineffective monitoring of subrecipients. The audit firm also questioned total direct costs of \$224,596 (\$2,243 ineligible, \$222,353 unsupported) and \$2,607 of indirect costs. Although we are not making a recommendation for the significant deficiency noted in the report, we suggest that USAID/Management/Office of Acquisition and Assistance/Cost, Audit and Support Division determine if the recipient addressed the issues noted.

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 \$224,596 in questioned costs (\$2,243 ineligible, \$222,353 unsupported) on the revised fund accountability statement following Appendix 2a and Appendices 2b/1 through 2b/4, 3/2 through 3/3, and 4/1 through 4/3 of the audit report and recover any amount that is unallowable.

Recommendation 2. Verify that Hanns R. Neumann Stiftung corrects the material weakness detailed on Appendices 3/2 through 3/3 of the audit report.

Recommendation 3. Verify that Hanns R. Neumann Stiftung corrects the two instances of material noncompliance detailed on Appendices 4/1 through 4/3 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").