



MEMORANDUM

DATE: June 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 Report of Practical Action Under Multiple USAID Awards for the Year Ended March 31, 2017 (3-000-21-021-R)

This memorandum transmits the final audit report on the recipient contracted audit of Practical Action for the year ended March 31, 2017. Practical Action contracted with the independent certified public accounting firm Crowe U.K. LLP to conduct the audit. Crowe U.K. 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*. However, it did not have a continuing professional education program that fully satisfied generally accepted government auditing standards and did not have an external peer review by unaffiliated organization because such a program is not available in the United Kingdom (UK). Crowe U.K. LLP is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on Practical Action's fund accountability statement; the effectiveness of its internal control; or its compliance with the awards, 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

¹We 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.

Practical Action's internal control; and (3) determine whether Practical Action complied with award terms and applicable laws and regulations and 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 Practical Action's U.S. government awards. The audit covered USAID audited expenditures of \$1,082,471 for the year ended March 31, 2017.

Crowe U.K. LLP concluded the fund accountability statement presents fairly, in all material respects, program revenues received, costs incurred and reimbursed by the applicable United States Funding Agencies or pass-through entities for the year ended March 31, 2017, in accordance with the terms of the agreement and in conformity with the modified accrual basis of accounting except for, plant and equipment, that is purchased with U.S. government funds, which is expensed when purchased. The audit firm did not identify any significant deficiencies or material weaknesses in internal control but reported two instances of material noncompliance related to compliance with anti-terrorism provisions and late submission of the audit report. In its review, nothing came to the auditor's attention that caused them to believe that Practical Action did not fairly present the cost sharing schedule, in all material respects, in accordance with the basis of accounting that was used to prepare the cost-sharing schedule. The auditor did not question any costs.

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 Chief Financial Officer dated June 28, 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 Practical Action corrects the two instances of material noncompliance detailed on pages 33 through 36 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").