



# OFFICE OF INSPECTOR GENERAL

## U.S. Agency for International Development

### MEMORANDUM

**DATE:** March 15, 2022

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

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

**SUBJECT:** Financial Audit of KNCV Tuberculosis Foundation Under Multiple, USAID Awards for the Fiscal Year Ended September 30, 2016 (3-000-22-012-R)

This memorandum transmits the final audit report on the recipient contracted audit of KNCV Tuberculosis Foundation (KNCV) for the fiscal year (FY) ended September 30, 2016. KNCV contracted with the independent certified public accounting firm of Sayer Vincent LLP to conduct the audit. The audit firm stated that it performed the audit in accordance with generally accepted government auditing standards and Guidelines for Financial Audits Contracted by Foreign Recipients<sup>1</sup> except that the audit firm did not fully satisfy continuing professional education requirements and did not have an external peer review program because no such program is offered by professional organizations in the United Kingdom. The audit firm is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on KNCV's fund accountability statement; the effectiveness of its internal control; and 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 KNCV's internal controls; and (3) determine whether KNCV complied with award terms and applicable laws and regulations. To answer the audit objectives, Sayer Vincent LLP reviewed applicable documents and information relevant to the US Agency for International Development (USAID) programs, examined underlying documentation that supported financial transactions relevant to USAID programs, evaluated compliance procedures applicable laws and regulations and evaluated the effectiveness of internal controls relevant to detecting material non-compliance. The report on the fund accountability statement disclosed that KNCV's audited USAID expenditures for the FY ended September 30, 2016, were \$67,065,039.

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 On June 30, 2017, USAID OIG rescinded its "Guidelines for Financial Audits Contracted by Foreign Recipients," recognizing the Agency's role to impose requirements on its implementing partners and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

<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.

KNCV expressed an unmodified opinion concluding that the fund accountability statement presented fairly, in all material respects, costs incurred and reimbursed by the USAID for the year ended September 30, 2016. The audit firm did not identify any deficiencies that were considered material weaknesses in internal control. The audit firm disclosed one instance of material noncompliance for not having timesheets required to support staff costs allocated to projects. In addition, nothing came to the attention of the other auditors that caused them to believe that KNCV has not fairly presented the cost sharing schedule in all material respects in accordance with the basis of accounting used to prepare the cost-sharing schedule. The schedule of computation of indirect cost rate was prepared from financial statements audited by KNCV's statutory auditors who expressed an unqualified opinion. In Sayer Vincent's LLP expert opinion, the audit firm concluded the Indirect Cost Rate for the year ended December 31, 2016, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. KNCV did not identify any questioned costs. The audit firm separately reported a management letter to KNCV.

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 March 15, 2022.

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

**Recommendation I.** Verify that KNCV Tuberculosis Foundation corrects the instance of material noncompliance detailed on page 18 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").