



OFFICE OF INSPECTOR GENERAL

U.S. Agency for International Development

MEMORANDUM

DATE: August 25, 2022

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

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

SUBJECT: Financial Audit of Marie Stopes International's Fund Accountability Statement and Cost Sharing Schedule for Fiscal Year Ended December 31, 2016 (3-000-22-018-R)

This memorandum transmits the final audit report on the recipient contracted audit of Marie Stopes International (MSI) for fiscal year (FY) ended December 31, 2016. MSI contracted with Crowe Clark Whitehill LLP to conduct the audit. The contract required Crowe Clark Whitehill LLP to perform the audit in accordance with generally accepted government auditing standards and the U.S. Agency for International Development (USAID), *Guidelines for Financial Audits Contracted by Foreign Recipients*.¹ The audit firm states that it performed its audit in accordance with generally accepted government auditing standards and the Office of the Inspector General's *Guidelines for Financial Audits Contracted by Foreign Recipients* except that the audit firm did not have an external quality control review as required by Chapter 3, paragraphs 3.82 and 3.96 of U.S. *Government Auditing Standards* since no such program is offered by professional organizations in the United Kingdom. The audit firm is responsible for the enclosed report and conclusions expressed in it. We do not express an opinion on MSI's 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 MSI's internal controls; (3) determine whether MSI complied with the awards' terms and applicable laws and regulations; (4) perform analysis on the computation of the indirect cost rate; and (5) determine if the recipient has taken adequate corrective action on prior audit

¹ On June 30, 2017, USAID OIG rescinded its *Guidelines for Financial Audits Contracted by Foreign Recipients*, recognizing the Agency's role to impose requirements on its implementing partners and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

report recommendations. To answer the audit objectives the audit firm: (a) evaluated the effectiveness of the design and operation of the internal controls; and (b) examined the underlying documentation which supported financial transactions recorded as expenditures against U.S. government awards. The audit covered USAID audited expenditures of \$38,257,651 for the FY ended December 31, 2016. The audit firm submitted a management letter.

The audit firm concluded that the fund accountability statement presented fairly, in all material respects, program revenues, costs incurred and reimbursed and commodities and technical assistance under the awards for the period audited except for \$42,271 total questioned cost, with total direct questioned cost of \$29,790 (\$6,815 ineligible, \$22,975 unsupported) and total indirect questioned costs of \$12,481 (\$12,481 unsupported). There were four instances of material noncompliance involving:

- Unsupported indirect costs - \$12,481
- Incorrect allocation of costs to awards - \$6,815
- Purchase of vehicles for amount in excess of waiver amount granted by USAID Agreement by USAID Agreement Officer - \$178
- Insufficient documentation - \$22,797

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

Recommendation 1. Determine the allowability of \$29,790 in questioned costs (\$6,815 ineligible, \$22,975 unsupported) on pages 64 to 67 of the audit report and recover any amount that is unallowable.

Recommendation 2. Verify that Marie Stopes International corrects the four instances of material noncompliance detailed on pages 62 to 67 of the audit report.

We ask that you provide your written notification of actions planned or taken to reach management decisions. We appreciate the assistance extended during the engagement.

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").