



OFFICE OF INSPECTOR GENERAL U.S. Agency for International Development

MEMORANDUM

DATE: December 12, 2024

TO: Travis Adkins, President and Chief Executive Officer, United States African Development Foundation

FROM: Paul K. Martin, Inspector General *PKMA*

SUBJECT: Transmittal of the Management Letter for USADF's Fiscal Years 2024 and 2023 Financial Statements Audit Report (0-ADF-25-003-C)

On November 15, 2024, we transmitted the financial statement audit report performed by the independent certified public accounting firm of Williams, Adley & Company-DC LLP (Williams Adley). The auditors issued an unmodified opinion on USADF's fiscal years (FYs) 2024 and 2023 financial statements.

When performing an audit of an agency's financial statements, auditors may identify certain matters involving internal controls that do not rise to a level of significance to be reported in the independent auditors' opinion report, instead these matters are communicated in a management letter. This memorandum transmits a copy of the FYs 2024 and 2023 management letter dated December 11, 2024, which reports on such matters.

This letter does not affect the auditors' unmodified opinion on the financial statements. Williams Adley is responsible for the enclosed letter and the conclusions expressed in it.

We appreciate the assistance provided to our staff and the audit firm's employees during the engagement.



Management Letter

Mathieu Zahui
Chief Financial Officer
U.S. African Development Foundation

We have completed our audit of the financial statements of the U.S. African Development Foundation (USADF) as of and for the fiscal year ended September 30, 2024 (Fiscal Year 2024) and have issued our Independent Auditor's Report thereon dated November 13, 2024.

In planning and performing our audit of the USADF's financial statements as of and for the fiscal year ended September 30, 2024, in accordance with U.S. generally accepted government auditing standards, we considered USADF's internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the USADF's internal control over financial reporting. Accordingly, we do not express an opinion on the USADF's internal control over financial reporting.

In our fiscal year 2024 audit we identified one deficiency in internal control over financial reporting that we considered to be a significant deficiency. We also identified one internal control deficiency that did not rise to the level of a material weakness or a significant deficiency, but still warrants management's attention. This deficiency is provided in *Appendix I*. We have discussed this with USADF personnel, and we will be pleased to discuss them in further detail at your convenience.

This Management Letter is intended solely for the information and use of USADF's management, and those charged with governance and is not intended to be, and should not be, used by anyone other than these specified parties.

Williams, Adley & Company-DC, LLP

Washington, District of Columbia
December 11, 2024

Appendix I – Deficiencies in Internal Control over Financial Reporting

Lack of Proper Accrual of Prior Year-End Expenses

USADF is not adequately using accruals to ensure that expenses are recorded in the correct period. During our testing for leases, we noted a discrepancy in the amount of \$79,605 between the trial balance and the provided lease population. This expense amount was related to the USADF headquarters office located in Washington, DC. Per further review, it was discovered that USADF did not record any accruals for this lease expense.

USADF does not apply accrual basis accounting consistently to ensure that expenses are recorded in the correct period.

Failure to accurately accrue transactions in the correct period may lead to inaccuracies in the reported financial numbers and as a result the likelihood of misstatements in the financial statements.

Standards for Internal Control in the Federal Government, (GAO-14-704G, “Green Book”), pg. 48, paragraph 10.03:

Transactions are promptly recorded to maintain their relevance and value to management in controlling operations and making decisions. This applies to the entire process or life cycle of a transaction or event from its initiation and authorization through its final classification in summary records. In addition, management designs control activities so that all transactions are completely and accurately recorded.

USADF Financial Statements for 2024 and 2023, Note 1, Section C: Basis for Accounting:

Transactions are recorded on both an accrual accounting basis and a budgetary basis. Under the accrual method, revenues are recognized when earned, and expenses are recognized when a liability is incurred, without regard to receipt or payment of cash. Budgetary accounting facilitates the control and monitoring of federal funds as well as the compliance with legal requirements on the use of those funds.



USADF Management Response to Notice of Finding and Recommendation # 2 dated 11/01/2024

We appreciate the independent auditor's identification of this issue and acknowledge the finding regarding the Year- End Expenses accrual. USADF management recognizes the importance of accurate accrual practices in ensuring the reliability and accuracy of our financial statements.

We accept the recommendation to enforce our accrual policies more rigorously to ensure all expenses are properly accrued in the correct period. USADF is committed to maintaining high financial reporting standards and compliance with accounting principles.

Corrective Action Plan:

1. Policy Reinforcement and Training:

- USADF will reinforce its existing accrual policies and conduct targeted training sessions for finance and accounting staff to emphasize the importance of adhering to these policies. The training will include guidance on accurately recording expenses within the correct accounting period and the impact of accurate accruals on financial reporting.

1. Strengthening Internal Controls:

- USADF will implement enhanced internal control measures, including periodic reconciliations and a review process to identify and correct potential accrual discrepancies before finalizing financial statements. This control process will involve quarterly assessments to ensure transactions are accurately reflected.

1. Ongoing Monitoring and Compliance Review:

- USADF will conduct periodic audits of accrual practices, especially during high-transaction periods, to verify compliance with our accrual policies.

Timeline for Implementation: The corrective action plan will commence immediately, with an anticipated completion date within the next two quarters. Management will provide quarterly updates to track progress on the plan's implementation and assess the effectiveness of the measures taken.

**MATHIEU
ZAHUI**

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MATHIEU ZAHUI
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