



Office of Inspector General

USAID RECIPIENT CONTRACTED AUDIT (RCA) PROCESS

NOTE: The Recipient Contracted Audit program (RCA) is a USAID organization unit program, hence the need for Audit Management Officers (AMOs) to be actively involved in the management of the audit process.

The RCA – Audit Process:

1. Recipient prepares the audit Standard Statement of Work (SOW) and submits it to the organization unit (bureau, mission, or representative office) for approval. A copy of the standard SOW for RCAs can be found at <http://oig.usaid.gov/content/regional-inspector-general-pretoria>.
2. The organization unit's Audit Management Officer (AMO) reviews the SOW to ensure that it contains all the requirements of the Guidelines for Financial Audits Contracted by Foreign Recipient.

Please note: if the SOW received by the organization unit is unacceptable, the AMO must request the recipient to make the required changes to the SOW and re-submit it.

3. The organization unit approves the SOW.
4. The recipient provides approved SOW to a selection of audit firms from RIG/Pretoria's lists of audit firms ("Regular" and/or "Conditional"), including Supreme Audit Institutions – SAIs.

Please note: Recipients are not limited to make use of an audit firm in resident country, and therefore may select an audit firm on RIG/Pretoria's lists of firms ("Regular" and/or "Conditional") that is in another country. A copy of RIG/Pretoria's lists of "Regular" and "Conditional" audit firms can be found at <http://oig.usaid.gov/content/regional-inspector-general-pretoria>.

5. The recipient solicits quotations/proposals from the firms to perform the audit.
6. The recipient selects an audit firm and notifies the organization unit of the choice of audit firm.
7. If the selected audit firm is from the Conditional list, then the selection must be approved by the RIG prior to signing the contract.

8. Recipient uses the approved SOW as the basis of the audit contract between them and the audit firm.

Please note: The recipient should include payment terms that allow them to retain a portion of the final payment to the audit firm until the final audit report is reviewed and accepted by RIG/Pretoria.

9. The audit contract is accepted and signed by the selected audit firm.
10. The auditors schedule an entrance conference and notify the organization unit and the recipient of the date, time, and venue.
11. Entrance conference is held. USAID representatives may attend the entrance conference. Auditors must record and include in the working papers minutes from the entrance conference. Recommended items for the entrance conference agenda would be discussion of the difference between questioned costs and disallowed costs, the RCA process, the anticipated dates of fieldwork, information needed by the auditors from the recipient (including a management representation letter when the final report is received) and the organization unit, and discussion of what a “reasonable time” is for management responses to draft audit report.
12. Auditors begin their audit fieldwork. During fieldwork, matters or issues identified are discussed with management and staff of the recipient. Auditors should discuss during fieldwork any missing support and documentation and management should provide missing information during fieldwork.
13. Fieldwork is completed.
14. Auditors draft the audit report.
15. Auditors schedule an exit conference and notify the organization unit of the date, time, and venue.
16. The exit conference is held to discuss remaining steps under the RCA process from the date of the exit conference to the date of submission of the final signed audit report and to discuss the findings from the audit. Auditors must record and include in the working papers minutes from the exit conference.
17. Auditors give the audit report to the recipient for comments. The recipient is given reasonable time (determined by the auditors) to provide written comments/responses to each of the findings in the audit report.
18. Auditors evaluate and incorporate the recipient’s management comments or responses in the draft audit report.

19. Auditors finalize the report (sign and date it) and submit copies to the USAID AMO. Recipient should provide the audit firm with a signed management representation letter.
20. The organization unit submits signed electronic or hard copies of the finalized report to RIG/Pretoria for their review.

Please note: Final reports must be received by RIG/Pretoria no later than 9 months after the end of the audited period (per 2.3 in Guidelines).

21. RIG/Pretoria reviews and issues the final report.

Please note: Recipient pays the retained portion of the final payment to the audit firm.

For further assistance, please contact Theresa Venter at tventer@usaid.gov.