



MEMORANDUM

DATE: April 2, 2019

TO: USAID/Management/Office of Acquisition and Assistance/Cost, Audit, and Support Division, Branch Chief, David A. McNeil

FROM: Deputy Assistant Inspector General for Audit, Alvin Brown/s/

SUBJECT: Audit of Deutsche Welthungerhilfe e. V. Under Multiple USAID Agreements for the Fiscal Year Ended December 31, 2016 (3-000-19-003-R)

This memorandum transmits the final audit report on the audit of Deutsche Welthungerhilfe e. V. (DWHH) for fiscal year (FY) ended December 31, 2016. DWHH contracted with KPMG AG to conduct the recipient contracted audit. The contract required KPMG AG to perform the audit in accordance with generally accepted government auditing standards and the U.S. Agency for International Development (USAID), Office of Inspector General's Guidelines for Financial Audits Contracted by Foreign Recipients issued in February 2009.¹

KPMG AG states that it performed its audit in accordance with generally accepted government auditing standards 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 in Germany. The audit firm is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on DWHH's fund accountability statement; the effectiveness of its internal control, or its compliance with the award, laws, and regulations².

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 DWHH's internal controls; and (3) determine whether DWHH complied with award terms and applicable laws and regulations. To answer the audit objectives, KPMG AG: (a) performed audit procedures to evaluate the effectiveness of internal controls related to the USAID funded programs, assess control risks, and identify significant deficiencies including material weaknesses; and (b) perform tests to determine whether DWHH

¹ On June 30, 2017, USAID OIG rescinded its Guidelines for Financial Audits Contracted by Foreign Recipients, recognizing the Agency's role to impose requirements on its implementing partners and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

complied, in all material respect, with agreement terms, and applicable laws and regulations related to the USAID funded programs. The report on the fund accountability statement disclosed that DWHH's audited expenditures for the FY ended December 31, 2016 were \$2,886,658 composed solely of USAID awards.

The audit firm concluded that: (1) the fund accountability statement presented fairly, in all material respects, program revenues, costs incurred and reimbursed, and commodities and technical assistance directly procured by USAID for the year ended December 31, 2016, in accordance with the terms of the agreement and in conformity with the cash basis of accounting, except for: \$3,822 in ineligible direct questioned costs, \$70,369 in unsupported direct questioned costs, and \$32,581 in unsupported indirect questioned costs; (2) for the FY ended December 31, 2016, KPMG AG identified one significant deficiency in internal control, and (3) KPMG AG identified three material instances of noncompliance with U.S. Government Regulations.

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

Recommendation 1.

Determine the allowability of \$3,822 in ineligible, and \$70,369 in unsupported direct questioned costs on pages 12 through 15, and Appendixes 2b/1 through 2b/3 of the audit report and recover any amount that is unallowable.

Recommendation 2.

Determine the allowability of \$32,581 in unsupported indirect questioned costs on Appendixes 2a and 2b/3 of the audit report and recover any amount that is unallowable.

Recommendation 3.

Verify that Deutsche Welthungerhilfe e. V. corrects the significant deficiency in internal control detailed on Appendixes 4/1 through 4/3 of the audit report.

Recommendation 4.

Verify that Deutsche Welthungerhilfe e. V. corrects the three material instances of noncompliance detailed on Appendixes 5/1 through 5/3 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 to audit staff 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").