



MEMORANDUM

DATE: May 14, 2019

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

FROM: Acting Director for External Financial Audit Division, Steven Shea /s/

SUBJECT: Audit of Veterinaires San Frontieres Suisse Under Multiple USAID Agreements for the Fiscal Year Ended December 31, 2016 (3-000-19-005-R)

This memorandum is the final audit report on the recipient contracted audit of Veterinaires San Frontieres Suisse (VSF-Suisse) for the fiscal year ended (FY) December 31, 2016. VSF-Suisse contracted with PricewaterhouseCoopers, Kenya to conduct the audit. The contract required PricewaterhouseCoopers, Kenya to perform the audit in accordance with generally accepted government auditing standards and the U.S. Agency for International Development's (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 USAID's *Guidelines for Financial Audits Contracted by Foreign Recipients* except that the audit firm did not fully satisfy continuing professional education requirements set forth in generally accepted government auditing standards and did not have an external peer review program since no such program is offered in Kenya. The audit firm is responsible for the enclosed auditor's report and the conclusions expressed in it. We do not express an opinion on VSF-Suisse'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 VSF-Suisse's internal controls; and (3) determine whether VSF-Suisse complied with award terms and applicable laws and regulations. To answer the audit objective, PricewaterhouseCoopers, Kenya: (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) performed tests to determine whether VSF-Suisse complied, in all material respect, with agreement terms, and applicable laws and regulations

¹ On June 30, 2017, USAID OIG rescinded its *Guidelines for Financial Audits Contracted by Foreign Recipients*, recognizing the Agency's role to impose requirements on its implementing partners and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. In the interim, USAID referred to OIG's *Guidelines* until the formal issuance of its *Guidelines* in March 2019.

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.

related to the USAID funded programs. The report on the fund accountability statement disclosed that VSF-Suisse's audited expenditures for the FY ended December 31, 2016 were \$2,071,287 composed solely of USAID awards.

The audit 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 \$3,026 in total questioned costs (\$3,026 ineligible); (2) the audit firm did not identify any deficiencies that were considered material weaknesses in internal control; and, (3) the audit firm did not identify any material instances of noncompliance that are required to be reported under generally accepted government auditing standards. Since the questioned costs did not meet the OIG's established threshold of \$25,000 for making a recommendation, we are not making a recommendation. Nevertheless, we suggest that USAID's Office of Acquisition and Assistance, Cost, Audit, and Support Division should determine the allowability of \$3,026 in ineligible direct questioned costs and recover any amount determined to be unallowable. VSF-Suisse submitted a management letter, which was included in the report.

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").