



MEMORANDUM

DATE: August 6, 2019

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

FROM: Acting Director of External Financial Audits Division, Steven Shea /s/

SUBJECT: Audit of Marie Stopes International Fund Accountability Statement and Cost Sharing Schedule for Fiscal Year Ended December 31, 2015 (3-000-19-016-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, 2015. 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

¹ On June 30, 2017, USAID OIG rescinded its *Guidelines for Financial Audits Contracted by Foreign Recipients*, recognizing the Agency's role to impose requirements on its implementing partners and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

applicable laws and regulations; and (4) express an opinion on the schedule of computation of the indirect cost rate. 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 firm examined \$32,343,174 of USAID's incurred costs for the FY ended December 31, 2015. 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 award for the period audited except for \$440,692 total questioned cost (\$400,443 ineligible, \$40,249 unsupported), and cost-sharing unsupported questioned cost of \$76,917. There were six instances of material noncompliance reported with ineligible indirect questioned costs of \$371,985 and total direct questioned cost of \$68,707 (\$28,458 ineligible, \$40,249 unsupported.)

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 \$68,707 direct questioned cost (\$28,458 ineligible, \$40,249 unsupported) detailed on page 48 of the audit report and recover any amount that is unallowable.

Recommendation 2. Verify that Marie Stopes International corrects the six material instances of noncompliance detailed on pages 53 to 59 of the audit report.

Recommendation 3. Determine the allowability of \$76,917 unsupported cost-sharing questioned cost detailed on page 62 of the audit report and recover any amount that is unallowable.

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").