



MEMORANDUM

DATE: October 25, 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 Audits Division, Steven Shea/s/

SUBJECT: Audit of Save the Children Fund Under Multiple USAID Awards for the Fiscal Year Ended December 31, 2014 (3-000-20-001-R)

This memorandum transmits the final audit report on the recipient contracted audit of Save the Children Fund (SCF) under multiple awards of the U.S. Agency for International Development (USAID) for the fiscal year (FY) ended December 31, 2014. SCF contracted with Crowe Clark Whitehill LLP to conduct the audit. The audit firm stated that it performed the audit in accordance with generally accepted government auditing standards and USAID's Guidelines for Financial Audits Contracted by Foreign Recipients.¹ However, it did not have an external quality control review by an unaffiliated audit organization since no such program is offered by professional organizations in the United Kingdom. The audit firm is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on SCF's fund accountability statement; the effectiveness of its internal control; or its compliance with the award, 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 SCF's internal controls; (3) determine whether SCF complied with award terms and applicable laws and regulations including cost sharing/counterpart contributions; and (4) performed an audit of the indirect cost rate. To answer the audit objectives, the audit firm: (a) performed audit procedures to evaluate the effectiveness of internal controls considered relevant; and (b) examined underlying documentation which supported the financial

¹ On June 30, 2017, USAID OIG rescinded its "Guidelines for Financial Audits Contracted by Foreign Recipients," recognizing the Agency's role to impose requirements on its implementing partners and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

transactions recorded as expenditures against U.S. Government awards. The report on the fund accountability statement disclosed that SCF's audited expenditures for the year ended December 31, 2014 were \$7,750,507 consisting solely of USAID's awards.

The audit firm concluded the fund accountability statement presented fairly, in all material respects, program revenues and costs incurred under the award for the period audited except for \$2,233 in total questioned costs (\$2,233 ineligible); and three material instances of noncompliance. Since the questioned costs did not meet the Office of Inspector General's (OIG) 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 determine the allowability of the \$2,233 in questioned costs and recover any amount determined to be unallowable.

The audit firm identified two material deficiencies in the cost sharing/counterpart contributions schedule; and \$2,260 in total questioned cost (\$2,260 ineligible). Since the ineligible costs do not meet the OIG 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 determine the allowability of the \$2,260 in questioned costs and recover any amount determined to be unallowable. The audit firm issued a management letter.

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

Recommendation I. Verify that Save the Children Fund corrects the three material instances of noncompliance detailed on pages 38 and 39 of the audit report.

We ask that you provide your written notification of actions planned or taken to reach a management decision. We appreciate that 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").