



## MEMORANDUM

**DATE:** January 10, 2020

**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 Solidarités International Under Multiple USAID Agreements, for the Fiscal Year Ended December 31, 2017 (3-000-20-004-R)

This memorandum transmits the final audit report on the recipient contracted audit of Solidarités International (Solidarités) for the fiscal year (FY) ended December 31, 2017. Solidarités contracted with Gelman, Rosenberg and Freedman to conduct the audit. The audit firm stated that it performed its audit in accordance with generally accepted government auditing standards and the *Guidelines for Financial Audits Contracted by Foreign Recipients*.<sup>1</sup> The audit firm is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on Solidarités' fund accountability statement; the effectiveness of its internal control; or its compliance with the award, laws, and regulations.<sup>2</sup>

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 Solidarités' internal controls; and (3) determine whether Solidarités complied with award terms and applicable laws and regulations. To answer the audit objectives, the audit firm performed audit procedures to evaluate the effectiveness of the design and operation of the internal controls it considered relevant to preventing or detecting material noncompliance with the compliance requirements applicable to each of Solidarités' U.S. government awards.

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<sup>1</sup> On June 30, 2017, USAID OIG rescinded its "Guidelines for Financial Audits Contracted by Foreign Recipients," recognizing the Agency's role to impose requirements on its implementing partners and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. The contracted audit, however, was initiated before that date and follows the Guidelines.

<sup>2</sup> 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.

The audit firm's procedures included examining the underlying documentation which supported the financial transactions recorded as expenditures against U.S. government awards. The audit firm selected items based upon a random sample of transactions as well as the materiality of certain transactions. The report on the fund accountability statement disclosed that Solidarités' audited U.S. Agency for International Development's (USAID) expenditures for the FY ended December 31, 2017 were \$10,577,699.

The audit firm concluded that the fund accountability statement is presented fairly, in all material respects, costs incurred and reimbursed by USAID and pass through funding agencies for the year ended December 31, 2017, in accordance with the terms of the agreements and in conformity with the accrual basis of accounting with the exception of property and equipment which are expensed when purchased. The audit firm identified: \$2,653 in direct questioned costs (\$2,653 ineligible); one significant deficiency in internal control regarding Non-Compliance with Anti-Terrorism Provision; and one instance of material noncompliance. 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 determine the allowability of the \$2,653 in direct questioned costs and recover any amount determined to be unallowable. In addition, although we are not making a recommendation for the significant deficiency noted in the report, we suggest that USAID's Office of Acquisition and Assistance, Cost, Audit and Support Division determine if the recipient addressed the issue noted.

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 Solidarités International corrects the material instance of noncompliance detailed on pages III-1 to III-2 and page IV-2 of the audit report.

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