



MEMORANDUM

DATE: November 12, 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, Steve Shea/s/

SUBJECT: Single Audit of Population Services International, for the Fiscal Year Ended December 31, 2017 (3-000-20-004-T)

This memorandum transmits the final audit report on Population Services International (PSI) under Title 2 Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* for the fiscal year ended December 31, 2017. PSI contracted with the independent certified public accounting firm BDO USA, LLP to conduct the audit. The audit report was obtained from the Federal Audit Clearinghouse. The audit firm stated it performed its audit in accordance with generally accepted government auditing standards, and Title 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. The audit firm is responsible for the enclosed report and conclusions expressed in it. We do not express an opinion on PSI's financial statements; the effectiveness of its internal control; or its compliance with the award, laws, and regulations.¹

The audit objectives were to: (1) express an opinion on whether the financial statements as of December 31, 2017, were presented fairly in all material respects; (2) express an opinion on whether the schedule of expenditures of federal awards as required by Title 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, was fairly stated, in all materials respects; (3) describe the scope of testing of internal control over PSI's financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of PSI's internal control or on compliance; and (4) determine whether PSI complied in all material respects with the types of compliance requirements that could have direct and material effect on each of its major federal programs. To answer the

¹ 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.

audit objectives, the audit firm performed tests of PSI's compliance with specific provisions of laws, regulations, contracts, and grant agreements and other matters. The schedule of expenditures of federal awards disclosed that PSI's audited expenditures were \$180,819,618, of which the U.S. Agency for International Development's (USAID) audited expenditures were \$148,454,879 for the fiscal year ended December 31, 2017.

The audit firm expressed an unmodified opinion on the financial statements. Additionally, the audit firm expressed a qualified opinion on Catalogue for Federal Domestic Assistance (CFDA) 98.001 Foreign Assistance for Programs Overseas and an unmodified opinion on each of the other major federal programs. The audit firm concluded the schedule of expenditures of federal awards was fairly stated, in all material respects, in relation to the financial statements. The audit firm identified \$6,403 in total questioned costs (\$1,851 ineligible, and \$4,552 unsupported) of which \$647 in ineligible questioned cost and \$2,605 in unsupported questioned cost was applicable to USAID. The audit firm identified a material weakness in internal control over compliance and an instance of material noncompliance for not adhering to policies and procedures regarding procurement suspension, and debarment for CFDA 98.001 Foreign Assistance for Programs Overseas; and instances of noncompliance or other matters that were required to be reported under generally accepted government auditing standards as well as Title 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. 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 \$3,252 in questioned costs and recover any amount determined to be unallowable. In addition, although we are not making recommendations for the significant deficiencies noted in the report on internal control over financial reporting and over compliance or the instances of noncompliance in other matters, we suggest that USAID's Office of Acquisition and Assistance, Cost, Audit and Support Division determine if the recipient addressed the issues 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 1. Verify that Population Services International corrects the material weakness in internal control over compliance detailed on pages 54-57 of the audit report.

Recommendation 2. Verify that Population Services International corrects the instance of material noncompliance detailed on pages 54-57 of the audit report.

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