



MEMORANDUM

DATE: May 22, 2020

TO: USAID/Management/Office of Acquisition and Assistance/Cost Audit and Support Division, Acting Supervisory Auditor, Eleanor C. Jefferson

FROM: Director of External Financial Audit Division (IG/A/EFA), David A. McNeil /s/

SUBJECT: Audit of Terre des hommes for the Fiscal Year Ended December 31, 2016, (3-000-20-014-R)

This memorandum transmits the final audit report on the recipient contracted audit of Terre des hommes under multiple U.S. Agency for International Development (USAID) awards for the fiscal year (FY) ended December 31, 2016. Terre des hommes contracted with Sayer Vincent LLP to conduct the audit. The audit firm stated it performed the audit in accordance with generally accepted government auditing standards and USAID's Office of Inspector General's (OIG) *Guidelines for Financial Audits Contracted by Foreign Recipients* issued in February 2009¹. However, the audit firm 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 and it did not have a continuing professional education program that fully satisfied the requirement set forth in U.S. Government Auditing Standards. The audit firm is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on Terre des hommes' fund accountability statement; the effectiveness of its internal control; or its compliance with the award, laws, and regulations.²

¹ On June 30, 2017, USAID OIG rescinded its *Guidelines for Financial Audits Contracted by Foreign Recipients*, recognizing the Agency's role to impose requirements on its implementing partners and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

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 Terre des hommes' internal controls; and (3) determine whether Terre des hommes complied with award terms and applicable laws and regulations. To answer the audit objectives, the audit firm: (a) reviewed applicable documents and information; and (b) examined underlying documentation which supported the financial transactions and (c) performed additional evaluations and reviews deemed relevant to internal controls and compliance. The report on the fund accountability statement disclosed that Terre des hommes' audited expenditures for the year ended December 31, 2016 were \$2,053,422 consisting solely of USAID awards.

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 directly procured by USAID for the year then ended in accordance with the terms of the agreements and in conformity with the modified accrual basis of accounting, except for direct questioned costs of \$34,176 (\$20,750 in ineligible and \$13,426, unsupported). Vincent Sayer LLP did not identify any deficiencies that were considered material weaknesses, but did identify one nonmaterial deficiency in internal control. The audit firm disclosed no material instances of noncompliance but did identify four immaterial instances of noncompliance. We are not making a recommendation for the non-material deficiency in internal control or three of the four immaterial instances of noncompliance. We suggest that USAID's Office of Acquisition and Assistance, Cost Audit and Support Division determine if the recipient addressed the issues noted. However, the auditor identified a fourth immaterial instance of noncompliance, which we consider a material instance of noncompliance, therefore we are making a recommendation to address the issue.

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 the \$34,176 in questioned costs (\$20,750 ineligible, \$13,426 unsupported) on pages 14, 18, 20, and 21 of the audit report and recover any amount that is unallowable.

Recommendation 2. Verify that the recipient is in full compliance with all applicable USAID regulations requiring verification that no payments are made to excluded parties (see page 22 of the audit report for details).

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