



## MEMORANDUM

**DATE:** June 16, 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 Audits Division (IG/A/EFA), David A. McNeil /s/

**SUBJECT:** Financial Audit of Resources Managed by GOAL Under Multiple Awards for the Fiscal Year Ended December 31, 2016 (3-000-20-017-R)

This memorandum transmits the final audit report on resources managed by GOAL under multiple awards for the fiscal year ended December 31, 2016. GOAL contracted with the independent certified public accounting firm GVA EURAUDIT to conduct the audit. The audit firm stated that it performed its audit in accordance with generally accepted government auditing standards issued by the Comptroller General of the United States and with the U.S. Agency for International (USAID) Office of Inspector General's Guidelines for Financial Audits Contracted by Foreign Recipients.<sup>1</sup> However, it did not have a continuing education program that fully satisfied government auditing standards and did not have an external peer review by an unaffiliated organization because such a program is not available in France. The audit firm is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on GOAL's 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 GOAL's internal controls; (3) determine whether GOAL complied with award terms including cost-sharing and applicable laws and regulations; and (4) determine whether GOAL correctly

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 On June 30, 2017, USAID OIG rescinded its "Guidelines for Financial Audits Contracted by Foreign Recipients," recognizing the Agency's role to impose requirements on its implementing partners and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

charged indirect costs to USAID. To answer the audit objectives, the audit firm examined evidence which supported the financial transactions recorded as expenditures in the fund accountability statement. The audit firm examined incurred costs of \$ 65,031,791 for the fiscal year ended December 31, 2016.

The audit firm concluded 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 incurred under the award for the period audited in accordance with the terms of the agreement and in conformity with the accrual basis of accounting except for \$12,107 in total questioned costs, all unsupported (\$11,099 in direct costs and \$1,008 in indirect costs) and three material weaknesses in internal control for (1) not maintaining timesheets in Syria, (2) missing receiving reports in Malawi, and (3) unsigned timesheets in Ethiopia. The auditors also reported three significant deficiencies in internal control for (1) lack of assurance that property disposition reports were sent to USAID for projects that closed in 2016, (2) an instance where an employment contract was not signed by the employee in Ethiopia, and (3) noncompliance using an internal checklist. In the auditor's opinion, the schedule of computation of the indirect cost rate is fairly stated, in all material respects in relation to the financial statements taken as a whole. Nothing came to the auditor's attention that caused them to believe that GOAL did not fairly present the cost sharing schedule. 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 the Office of Acquisition and Assistance/Cost, Audit and Support Division determine the allowability of the \$11,099 in questioned, unsupported direct costs and recover any amount determined to be unallowable.

During our desk review, we noted several minor issues which the audit firm will need to address in future audit reports. We presented these issues in a memo to the controller, dated June 16, 2020.

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

**Recommendation 1.** Verify that GOAL corrects the three material weaknesses in internal control detailed on pages 33 to 35 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").