



MEMORANDUM

DATE: June 18, 2020

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

FROM: Director of External Financial Audit Division, David A. McNeil /s/

SUBJECT: Financial Audit of Deutsche Welthungerhilfe e. V., Under Multiple USAID Grants for the Year Ended December 31, 2017 (3-000-20-018-R)

This memorandum transmits the final audit report on the recipient contracted audit of Deutsche Welthungerhilfe e. V.(DWHH) under multiple grants for the U.S. Agency for International Development (USAID) for the year ended December 31, 2017. DWHH contracted with the independent certified public accounting firm KPMG AG to conduct the audit. The audit firm stated that it performed the audit in accordance with generally accepted government auditing standards and with the Guidelines for Financial Audits Contracted by Foreign Recipients¹. However, the audit firm did not fully satisfy continuing professional education requirements and it did not have an external quality control review by an unaffiliated audit organization since no such program is offered by professional organizations in Germany. The audit firm is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on DWHH's fund accountability statement; the effectiveness of its internal control; or its compliance with the award, laws, and regulations².

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 DWHH's internal controls; (3) determine whether DWHH complied with award terms and applicable laws and regulations. To answer the audit objectives, KPMG AG: (a)

¹ On June 30, 2017, USAID OIG rescinded its "Guidelines for Financial Audits Contracted by Foreign Recipients," recognizing the Agency's role to impose requirements on its implementing partners and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

performed audit procedures to evaluate the effectiveness of internal controls related to the USAID funded program, assessed control risk, and identify significant deficiencies including material weaknesses; and (b) performed tests to determine whether DWHH complied in all material respects, with agreement terms, and applicable laws and regulations related to the USAID funded program. The report on the fund accountability statement disclosed that DWHH's audited expenditures for the FY ended December 31, 2017 were \$2,282,882 composed solely of USAID awards.

KPMG AG concluded that: (1) the fund accountability statement presents fairly, in all material respects, program revenues, costs incurred and reimbursed, and commodities and technical assistance procured by USAID for the year ended December 31, 2017 in accordance with the terms of the grants and in conformity with the cash basis of accounting, except for: \$12,347 in ineligible direct questioned costs, and \$27,143 in unsupported questioned costs; (2) for the FY ended December 31, 2017, KPMG AG identified three significant deficiencies in internal controls, and (3) KPMG AG identified three material instances of noncompliance with U.S. Government Regulations.

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 \$12,347 in ineligible, and \$27,143 in unsupported questioned costs in Appendixes 2a and 2b of the audit report and recover any amount that is unallowable.

Recommendation 2. Verify that Deutsche Welthungerhilfe e. V. corrects the three material instances of noncompliance detailed on Appendixes 5/1 through 5/3 of the audit report.

We ask that you provide your written notification of actions planned or taken to reach management decisions. We appreciate the assistance extended to audit staff 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").