



## MEMORANDUM

**DATE:** September 25, 2020

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

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

**SUBJECT:** Single Audit of National Democratic Institute for International Affairs for the Fiscal Year Ended September 30, 2019 (3-000-20-018-T)

This memorandum transmits the final audit report on National Democratic Institute for International Affairs (NDI) for the fiscal year ended September 30, 2019. The audit report was obtained from the Federal Audit Clearinghouse. BDO USA, LLP performed the Title 2 U.S. Code of Federal Regulations (CFR) Part 200 audit. The audit firm states it performed its audit in accordance with generally accepted government auditing standards and in accordance with 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 NDI's financial statements; the effectiveness of its internal control; or its compliance with the awards, laws, and regulations.<sup>1</sup>

The audit objectives were to: (1) express an opinion on whether the financial statements as of September 30, 2019 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* is fairly stated in all material respects; (3) describe the scope of testing of internal control and compliance and the results of that testing and not to provide an opinion on its effectiveness; and (4) determine whether NDI complied in all material respects with the

---

<sup>1</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.

types of compliance requirements that could have a direct and material effect on each of its major federal programs and the results of that testing, but not to express an opinion on its effectiveness. To answer the audit objectives, the audit firm planned and performed the audit to obtain reasonable assurance about whether financial statements are free of misstatements. NDI's audited expenditures of federal awards were \$104,371,324 of which the U.S. Agency for International Development's (USAID) audited expenditures of Federal awards were \$ 70,081,617 for fiscal year ended September 30, 2019.

The audit firm expressed unmodified opinions on the financial statements and on compliance for the major federal programs except for \$ 27,996 in total direct questioned costs (\$ 27,996 ineligible, USAID). Additionally, the audit firm concluded the schedule of expenditures of federal awards was fairly stated, in all material respects, in relation to the financial statements as a whole. The audit firm did not identify any material weaknesses in internal control over financial reporting. The auditor identified \$ 643 in questioned costs applicable to the Department of State. However, the audit firm disclosed three instances of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the report's schedule of findings and questioned costs as items 2019-001, 2019-002 and 2019-003 and two significant deficiencies described in findings 2019-002 and 2019-003. Although we are not making recommendation for the instances of noncompliance or significant deficiencies noted in the report, we suggest that USAID/Management/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/Management/Office of Acquisition and Assistance/Cost, Audit, and Support Division:

**Recommendation I.** Determine the allowability of \$27,996 in questioned costs (\$27,996 ineligible) on page 39 of the audit report and recover any amount that is unallowable.

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

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").