



## MEMORANDUM

**DATE:** November 4, 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 PATH for the Fiscal Year Ended December 31, 2018  
(3-000-21-001-T)

This memorandum transmits the final audit report on PATH for the fiscal year ended December 31, 2018. The audit report was obtained from the Federal Audit Clearinghouse. Clark Nuber P.S. 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 PATH 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 December 31, 2018 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 the PATH complied in all material respects with the 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 compared and reconciled

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<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.

information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and performed other additional procedures in accordance with auditing standards generally accepted in the United States. PATH's audited expenditures of federal awards were \$ 81,142,219 of which the U.S. Agency for International Development's (USAID) audited expenditures of Federal Awards were \$73,384,565 for fiscal year ended December 31, 2018.

The audit firm expressed unmodified opinions on the financial statements and on compliance for the major federal programs except for \$369,178 in total direct questioned costs (\$369,178, unsupported). 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. However, the audit firm identified two significant deficiencies in internal control (Findings 2018-001 and 2018-002), and two significant deficiencies in internal control over compliance (Findings 2018-003 and 2018-004), as well as an instance of noncompliance over other matters (Finding 2018-003) that is required to be reported in accordance with the Uniform Guidance. Although we are not making recommendations for the two significant deficiencies in internal control, the two significant deficiencies in internal control over compliance, and the instance of noncompliance 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 1.** Determine the allowability of \$369,178 in unsupported direct questioned costs on pages 47 of the audit report and recover any amount that is unallowable.

We ask that you provide your 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").