



MEMORANDUM

DATE: December 7, 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: Financial Audit of People In Need Under Multiple USAID Agreements for the Fiscal Year Ended December 31, 2016 (3-000-21-010-R)

This memorandum transmits the final audit report on the recipient contracted audit for People In Need (PINs) for the fiscal year ended on December 31, 2016. PIN contracted with the independent certified public accounting firm Ernst & Young-Middle East to conduct the audit. The audit firm stated that it performed its audit in accordance with generally accepted government auditing standards, and the Office of Inspector General Guidelines for financial audits contracted by foreign recipients.¹ However, it did not have an external quality control review by an unaffiliated audit organization because West Bank and Gaza does not offer such a review program. The audit firm is responsible for the enclosed auditor's report and the conclusions expressed in it. We do not express an opinion on the PIN's fund accountability statement; the effectiveness of its internal controls; or its compliance with the award, laws, and regulations.²

The audit objectives were mainly to: (1) express an opinion on whether the fund accountability statement for the period audited was presented fairly, in all material respects; (2) evaluate the PIN's internal controls; (3) determine whether PIN complied with the award terms and applicable laws and regulations; and (4) determine if cost-sharing contributions were made and accounted for by PIN in accordance with the terms of the agreements. To answer the audit objectives, the audit firm performed the subject financial audit that covered \$4,734,181 from January 1, 2016 through December 31, 2016. The audit firm expressed a qualified opinion on the fund accountability statement and concluded that except for the effects of the ineligible

¹ On June 30, 2017, USAID OIG rescinded its "Guidelines for Financial Audits Contracted by Foreign Recipients," recognizing the Agency's role to impose requirements on its implementing partners and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

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.

questioned costs of \$10,629, the fund accountability statement presents fairly, in all material respects, the projects' revenues, costs incurred and reimbursed, and commodities and technical assistance directly procured by USAID for the year ended December 31, 2016, in accordance with the terms of the agreements and in conformity with the modified cash basis of accounting.

The audit firm did not identify any material internal control weaknesses, however, it identified three significant deficiencies in internal control related to currency exchange rate, matching between the accounting records and financial reports submitted to USAID, and salaries and time effort reporting. The audit firm identified two material instances of noncompliance. The audit firm stated that based on their review, nothing came to their attention that caused them to believe that PIN did not fairly present the cost sharing contributions schedule, in all material respects, in accordance with the basis of accounting used to prepare the cost sharing contributions schedule. Furthermore, nothing came to their attention that caused them to believe that PIN did not provide and account for cost sharing/contributions in all material respect, in accordance with the terms of the agreements. 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 USAID's Office of Acquisition and Assistance Cost, Audit and Support Division determine the allowability of the \$10,629 in ineligible questioned costs and recover any amount determined to be unallowable. In addition, although we are not making a recommendation for significant deficiencies noted in the report, we suggest that USAID's Office of Acquisition and Assistance Cost, Audit and Support Division determine if the auditee addressed the issues noted.

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

Recommendation I. Verify that People In Need corrects the two material instances noncompliance detailed on pages 26 through 28 of the audit report.

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