



MEMORANDUM

DATE: May 22, 2019

TO: USAID/Rwanda, Mission Director, Leslie Marbury
USAID/Georgia, Mission Director, Peter Wiebler

FROM: USAID OIG Africa Regional Office, Assistant Director, Louis Duncan, Jr. /s/

SUBJECT: Financial Audit of USAID Resources Managed by International Alert in Multiple Countries Under Multiple Awards, November 1, 2016, to December 31, 2017 (Report No. 4-696-19-077-R)

This memorandum transmits the final audit report on USAID resources managed by International Alert under Awards:

| Award Name (Type) | Award Number | Period Audited | Prime implementer |
|---|---------------------|------------------------------|---|
| Initiative for Youth-Led Civic Dialogue and Action Program in Georgia (cooperative agreement) | AID-114-A-15-00011 | Jan. 1 – Dec. 31, 2017 | |
| Duhuze Activity in Rwanda (cooperative agreement) | AID-696-A-17-00012 | June 23 – Dec. 31, 2017 | |
| Solutions for Peace and Recovery project in the Democratic Republic of Congo (subaward) | AID-660-TO-16-00004 | Nov. 1, 2016 – Dec. 31, 2017 | Management Systems International Incorporated |

International Alert contracted with the independent certified public accounting firm Deloitte Rwanda Limited (Deloitte), Kigali, Rwanda to conduct the audit. The contract required the audit firm to perform the audit in accordance with generally accepted government auditing standards (GAGAS).

The audit firm states that it performed its audit in accordance with GAGAS except that the audit firm did not have continuing professional education and external quality control review programs that fully satisfied the requirements set forth in GAGAS. The audit firm

is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on International Alert's fund accountability statement; the effectiveness of its internal control; or its compliance with the award, laws, and regulations.¹

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 International Alert's internal controls; (3) determine whether International Alert complied with award terms and applicable laws and regulations; (4) review the indirect cost rate; and (5) review the implementation status of the prior period recommendations.

To answer the audit objectives, Deloitte (1) audited the fund accountability statement for the award including the budgeted amounts by category and major items and the revenues received from USAID for the period covered by the audit and the costs reported by International Alert as incurred from November 1, 2016, to December 31, 2017; (2) evaluated the control environment, the adequacy of the accounting systems, and control procedures that pertain to International Alert's ability to report financial data consistent with the assertions embodied in each account of the fund accountability statement; (3) identified the award terms and pertinent laws and regulations and determined which of those, if not observed, could have a direct and material effect on the fund accountability statement; (4) determined that the review of the indirect cost rate was not applicable since a fixed amount of indirect cost is applicable to the awards; and (5) reviewed the implementation status of the prior period recommendations. International Alert reported expenditures of \$1,390,364 in USAID funds during the audited period.

The audit firm concluded the fund accountability statement presented fairly, in all material respects, program revenues and costs incurred under the award for the period audited. Notwithstanding, the audit firm reported \$5,713 in ineligible questioned costs under agreement AID-696-A-17-00012. 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/Rwanda determine the allowability of \$5,713 in ineligible questioned costs and recover any amount determined to be unallowable. The audit firm did not report any material weaknesses or significant deficiencies in internal control, or any instances of material noncompliance. However, the audit firm reported three internal control deficiencies. Moreover, although Agreement AID-696-A-17-00012 required cost-sharing contributions of \$129,482, none were contributed for the audited period.

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 May 22, 2019.

¹ 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.

Accordingly we are not making any recommendations.

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”).