



MEMORANDUM

DATE: January 11, 2021

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 The Mentor Initiative Under Multiple USAID Agreements for Fiscal Year Ended September 30, 2016 (3-000-21-013-R)

This memorandum transmits the final audit report on the recipient contracted audit of The Mentor Initiative (TMI) for fiscal year (FY) ended September 30, 2016. TMI contracted with the independent certified public accounting firm Kingston Smith LLP to conduct the audit. The audit firm stated that it performed its audit in accordance with generally accepted government auditing standards issued by the Comptroller General of the United States and Guidelines for Financial Audits Contracted by Foreign Recipients.¹ However, it did not fully satisfy the Continuing Professional Education requirements set forth in GAGAS and did not have an external quality control review by an unaffiliated audit organization because the United Kingdom does not offer such a review program. With regards to the continuing education program, the audit firm explained that its current continuing education program provides an average of more than 75 hours of continuing education every year, but does not specifically address government auditing. 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 TMI's fund accountability statement; the effectiveness of its internal controls; or its compliance with the award, laws, and regulations.²

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 the TMI's internal controls; (3) determine whether TMI complied with the award terms and applicable laws and regulations including cost sharing/counterpart contribution; and (4) performed an audit of the indirect cost rate. To answer the audit objectives, Kingston Smith LLP designed its testing procedures to evaluate the effectiveness of the operation of the internal controls that were considered relevant to preventing or detecting material

¹ On June 30, 2017, USAID OIG rescinded its "Guidelines for Financial Audits Contracted by Foreign Recipients," recognizing the Agency's role to impose requirements on its implementing partners and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

noncompliance with the compliance requirements applicable to each of TMI's U.S. Government awards. Kingston Smith LLP performed procedures, on a test basis, to examine documentation that supported financial transactions recorded as expenditures against U.S. government awards. The audit firm examined USAID incurred costs of \$5,704,252 for the FY ended September 30, 2016.

The audit firm expressed an unmodified opinion on the fund accountability statement. The audit firm identified \$21,038 in total questioned costs (\$21,038 unsupported). The audit firm did not identify any material internal control weaknesses. The audit firm identified one material instance of noncompliance. The audit firm stated that based on their review, nothing came to their attention that caused them to believe that TMI 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. The auditor stated that the schedule of computation of indirect cost rate is fairly stated in all material respects in relation to the basic financial statements taken as whole. 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 \$21,038 in questioned costs and recover any amount determined to be unallowable.

During our desk review, we noted minor issues which the audit firm will need to address in its future audit reports. We presented these issues in a letter to the USAID Chief Financial Officer dated January 11, 2021.

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

Recommendation I. Verify that The Mentor Initiative corrects the one material instance of noncompliance detailed on page 23 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").