



OFFICE OF INSPECTOR GENERAL U.S. Agency for International Development

MEMORANDUM

DATE: March 23, 2023

TO: USAID/Management/Office of Acquisition and Assistance/Cost, Audit and Support Division/Contract Audit Management Branch, Sheree F. Marshall

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

SUBJECT: Financial Audit of Marie Stopes International's Fund Accountability Statement and Cost Sharing Schedule for Fiscal Year Ended December 31, 2018 (3-000-23-013-R)

This memorandum transmits the final report on the financial audit of the U.S. Agency for International Development (USAID) awards managed by Marie Stopes International (MSI), for the year ended December 31, 2018. MSI contracted with the independent certified public accounting firm Crowe U.K. LLP (Crowe) to conduct the audit. The audit firm stated that it performed its audit in accordance with generally accepted government auditing standards (GAGAS) and USAID Financial Audit Guide for Foreign Organizations. However, Crowe did not have external quality control review and a continuing education program that fully satisfied the GAGAS requirements. Crowe is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on MSI's schedule of expenditures of USAID awards; 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 MSI's internal controls; (3) determine whether MSI complied with the awards' terms and applicable laws and regulations; (4) review cost-sharing contributions to determine whether cost-sharing contributions were provided and accounted for by the recipient in accordance with the terms of the agreements; (5) perform an audit of the indirect cost rate; and (6) determine if the recipient has taken adequate corrective action on prior audit report recommendations.

¹ We reviewed the audit 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 audit firm's supporting working papers; they are not designed to enable us to directly evaluate the quality of the audit performed.

To answer the audit objectives, Crowe: (a) performed audit procedures to evaluate the effectiveness of the design and operation of the internal controls that were considered relevant to preventing or detecting material noncompliance with the compliance requirements applicable to each of MSI's U.S. Government awards; and (b) examined the underlying documentation which supported financial transactions recorded as expenditures against U.S. government awards. The audit firm examined the USAID costs of \$16,410,862, for the audited period.

Crowe concluded that except for \$62,581 total questioned cost, with total direct questioned cost of \$57,361 (\$46,917 ineligible and \$10,444 unsupported) and total indirect questioned costs of \$5,220 (\$3,601 ineligible and \$1,619 unsupported) MSI's schedule of expenditures of USAID awards presented fairly, in all material respects; the projects' revenues, costs incurred and fund balance for the period audited. Crowe identified four significant deficiencies in internal control. We are not making a recommendation for the significant deficiencies noted in the report. However, we suggest that the USAID's Office of Acquisition and Assistance Cost, Audit and Support Division/Contract Audit Management Branch determine if the recipient addressed the issues noted. Additionally, Crowe identified four instances of material noncompliance associated with the above-questioned costs which are:

- Incorrect allocations of cost to the award.
- Lack of compliance with USAID cost principles in relation to procurement.
- Breach of the source and nationality rule.
- Non-compliance with the Fly America Act. -

Crowe determined MSI resolved three of the four prior audit recommendations. Also, Crowe reported that the schedule of computation of the indirect cost rate is fairly stated in all material respects in relation to the basic financial statements taken as a whole. Additionally, Crowe reported that MSI presented fairly the cost sharing schedule, in all material respects, in accordance with the basis of accounting used to prepare the cost-sharing contributions schedule. Crowe issued a management letter.

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

Recommendation 1. Determine the allowability of the \$57,361 in direct questioned costs (\$46,917 ineligible and \$10,444 unsupported) on pages 36 to 39 of the audit report and recover any amount that is unallowable.

Recommendation 2. Verify that Marie Stopes International corrects the four instances of material noncompliance detailed on pages 36 to 39 of the audit report.

We ask that you provide 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”).