



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

MEMORANDUM

DATE: September 13, 2023

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

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

SUBJECT: Financial Audit of the Schedule of Expenditures Incurred by People In Need in Multiple Countries Under Multiple USAID Awards for the Fiscal Year Ended December 31, 2020 (3-000-23-049-R)

This memorandum transmits the final audit report on the recipient contracted audit of the Schedule of Expenditures Incurred by People In Need (PIN) in multiple countries under multiple awards for the Fiscal Year Ended December 31, 2020. PIN contracted with the independent certified public accounting firm Ernst & Young–Middle East (EY) to conduct the audit. EY stated that it performed its audit in accordance with generally accepted government auditing standards. However, it did not have an external quality control review by an unaffiliated audit organization that fully satisfy the standards' requirements since no such program is offered by professional organizations in the West Bank and Gaza. EY is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on PIN's schedule of expenditures; 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 schedule of expenditures for the period audited, was presented fairly, in all material respects; (2) evaluate PIN's internal controls, assess control risk, and identify significant deficiencies, including material internal control weaknesses; (3) determine whether PIN complied, in all material respects, with the award terms including cost-sharing, and applicable laws and regulations that have a direct and material effect on the schedule of expenditures; (4) determine whether PIN has taken adequate corrective action on prior audit report recommendations; and (5) analyze the indirect cost rate to determine if the recipient charged indirect costs to the U.S. Agency for International Development (USAID) using provisional rates. To answer the audit objectives, EY (1) reviewed the agreements between USAID and PIN and the sub-agreements/subawards signed between

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.

the prime recipient of USAID funds and PIN, including all special rules and regulations; (2) reviewed the sub-agreements/sub-awards between PIN and other implementing entities; (3) reviewed the contracts and sub-contracts with third parties; (4) reviewed the budgets, program implementation letters, and written procedures approved by USAID to manage the programs; (5) reviewed PIN's financial and progress reports; charts of accounts, organizational charts, accounting systems descriptions, procurement policies and procedures, and warehousing, and distribution procedures for materials; and (6) followed-up prior audit/financial reviews and recommendations. The report on the schedule of expenditures of USAID awards disclosed that USAID's audited expenditures were \$31,066,785 for the year ended December 31, 2020.

EY concluded the schedule of expenditures presents fairly, in all material respects, the programs' revenues, costs incurred and reimbursed, and commodities and technical assistance directly procured by USAID for the Programs from January 1, 2020, to December 31, 2020, in accordance with the terms of the agreements and in conformity with the accrual basis of accounting. However, EY identified \$101,850 in questioned costs. Therefore, we suggest that the USAID/Management/Office of Acquisition and Assistance/Cost, Audit and Support Division, Contract Audit Management Branch determine the allowability of the \$101,850 in questioned costs and recover any amount determined to be unallowable. In addition, EY (1) identified eight significant deficiencies in internal control; (2) identified two instances of non-compliance with USAID agreements; (3) stated that nothing came to its attention that caused EY to believe that PIN did not fairly present the cost sharing/counterpart contributions schedule, in all material respects, in accordance with the basis of accounting used to prepare the cost sharing/counterpart contributions schedule. PIN's programs were subject to the de minimis rate as documented in the agreements and PIN did not implement eight internal control recommendations and two compliance recommendations mentioned in the previous year's audit report. Although we are not making a recommendation for the significant deficiencies noted in the report, we suggest that USAID's Office of Acquisition and Assistance, Cost, Audit and Support Division, Contract Audit Management Branch determine if PIN addressed the issues noted. Finally, EY submitted a management letter dated September 30, 2021, wherein it reported insignificant deficiencies or insignificant weaknesses in the internal control and other insignificant instance of non-compliance.

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

Recommendation 1. Determine the allowability of \$101,850 in questioned costs (\$101,850 unsupported) on page 20 of the audit report and recover any amount that is unallowable.

Recommendation 2. Verify that People In Need corrects the two instances of material noncompliance detailed on pages 52 to 55 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"). In addition, USAID OIG has determined that this transmittal memo and the enclosed report are not subject to notification and reporting requirements under Section 5274 of the National Defense Authorization Act.²

² The James M. Inhofe National Defense Authorization Act for Fiscal Year 2023 Pub. L. No. 117-263, § 5274. Please direct related inquiries to oignotice_ndaa5274@usaid.gov.