



# OFFICE OF INSPECTOR GENERAL

## U.S. Agency for International Development

### MEMORANDUM

**DATE:** June 28, 2023

**TO:** USAID Office of Acquisition and Assistance, Cost, Audit and Support Division, Contract Audit Management Branch, Acting Supervisory Auditor, Maya Cole

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

**SUBJECT:** Financial Audit of USAID Resources Managed by Deutsche Welthungerhilfe e. V. in Multiple Countries under Multiple Awards for the Year Ended December 31, 2019 (3-000-23-024-R)

This memorandum transmits the final audit of the Fund Accountability Statement and Closeout Audit report on Deutsche Welthungerhilfe e. V. (DW) for the year ended December 31, 2019. DW contracted with the independent certified public accounting firm KPMG AG (KPMG) to conduct the audit. KPMG stated that it performed the audit in accordance with U.S. Government Auditing Standards issued by the Comptroller General of the United States. However, KPMG did not fully satisfy the continuing professional education requirements, and it did not have an external quality control review by an unaffiliated audit organization. KPMG is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on DW's fund accountability statement; the effectiveness of its internal controls; or its compliance with the awards, laws, and regulations.<sup>1</sup>

The audit objectives were to: (1) express an opinion on whether DW's fund accountability statement for fiscal year (FY) 2019 was presented fairly, in all material respects; (2) evaluate DW's internal controls including internal controls related to cost-sharing contributions; (3) determine whether DW complied with the awards terms and applicable laws and regulations; and (4) determine if DW has taken adequate corrective action on prior audit report recommendations. To answer the audit objectives, KPMG (1) reviewed direct and indirect costs billed to and reimbursed by USAID and costs incurred but pending reimbursement by USAID, identifying and quantifying any questioned costs; (2) reviewed general and program ledgers to determine whether costs incurred were properly recorded; (3) reconciled direct

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<sup>1</sup> 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.

costs billed to and reimbursed by USAID to the program and general ledgers; (4) reviewed procedures used to control funds; (5) reviewed bank accounts and the controls on those bank accounts; (6) determined whether funding received by the recipient was appropriately recorded in the accounting records and that those records were periodically reconciled with information provided by USAID; and (7) determined whether program income was added to funds used to further eligible project or program objectives. The report on the fund accountability statement disclosed that KPMG audited USAID expenditures for the year ended December 31, 2019 was \$886,462.

KPMG concluded, (1) the fund accountability statement referred to above presents fairly, in all material respects, program revenues, costs incurred and reimbursed, and commodities and technical assistance directly procured by USAID for the year then ended in accordance with the terms of the agreements and in conformity with the cash basis of accounting; it did not identify any questioned costs; (2) it did not identify any deficiencies in internal control that it considered to be material weaknesses; (3) its tests disclosed no instances of noncompliance that are required to be reported here under U.S. Government Auditing Standards; and (4) one FY 2016 audit finding was resolved while an FY 2017 audit finding remains unresolved.

During our desk review, we noted four issues KPMG will need to address in future audit reports. We presented the issues in a memo to USAID's Chief Financial Officer, dated June 28, 2023.

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.<sup>2</sup>

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<sup>2</sup> The James M. Inhofe National Defense Authorization Act for Fiscal Year 2023 Pub. L. No. 117-263, § 5274. Please direct related inquiries to [oinotice\\_ndaa5274@usaid.gov](mailto:oinotice_ndaa5274@usaid.gov).