

**STATEMENT OF WORK FOR RECIPIENT CONTRACTED AUDIT OF USAID
RESOURCES MANAGED BY THE WEST AFRICAN HEALTH
ORGANIZATION (WAHO)**

**AUDIT OF USAID RESOURCES MANAGED BY WEST AFRICAN HEALTH
ORGANIZATION UNDER THE LEADERSHIP CAPACITY STRENGTHENING
PROJECT (CAPS) PROJECT AGREEMENT NO. AID-624-A-15-00001 FOR THE
PERIOD (February 03, 2015 to December 31, 2017)**

I. TITLE

Audit of the Fund Accountability Statement of USAID Resources Managed by the West African Health Organization (WAHO) under the Leadership Capacity Strengthening (CAPS) Project (Cooperative Agreement No: AID-624-A-15-00001) for the Period February 03, 2015 through December 31, 2017.

II. BACKGROUND

On February 03, 2015, USAID approved a cooperative agreement: “the Leadership Capacity Strengthening (CAPS) Project” (AID-624-A-15-00001) with a total estimated cost of USD\$7,433,999.90. This amount will be financed by USAID/West Africa’s Regional Health Office (RHO) for a period of four years ending January 31, 2019. WAHO agrees to expend an amount of USD\$ 335,130.43 as cost-share (non-federal) for the total activity in terms of level of effort for staff time.

The purpose of the Project is “to strengthen the capacity of WAHO to be the lead health institution in the region for policy harmonization and advocacy, promoting public-private partnerships for health, and identifying, sharing, and supporting the scale-up of best practices in health in West Africa”.

The goals of the Project are expected to be achieved through four intermediate results, namely:

Result 1: WAHO’s support to ECOWAS member countries to scale up evidence based practices increased

Result 2: WAHO’s advocacy and communications strategies operationalized

Result 3: WAHO’s role in regional donor, public and private partnerships expanded

Result 4: **Regional Health Information Systems (HIS) Policy and Strategy Operationalized**

In terms of history, USAID/WA/RHO was the first financial and technical partner of WAHO since its establishment. USAID/WA provided three consecutive grant awards to WAHO and all which were successfully implemented.

III. AUDIT OBJECTIVES

The objective of this engagement is to conduct a financial audit of the USAID/West Africa resources managed by the West African Health Organization (WAHO) under the Leadership Capacity Strengthening (CAPS) Project [Cooperative Agreement N°: AID-624-A-15-00001) for the Period February 03, 2015 through December 31, 2017] on a yearly basis in accordance with U.S. Government Auditing Standards [2011/2007] revision issued by the U.S. Government Accountability Office and the USAID Office of the Inspector General “Guidelines for Financial Audits Contracted by Foreign Recipients (Guidelines).”

This therefore means that three separate audit reports will be prepared as follows:

1. Audit for the period February 03, 2015 – December 31, 2015.
2. Audit for the period January 01, 2016 – December 31, 2016.
3. Audit for the period January 01, 2017 – December 31, 2017.

The Fund Accountability Statement is the basic financial statement to be audited that presents the WAHO’s revenues, costs incurred, cash balance of funds provided by USAID, and commodities, if any, directly procured by USAID for the use of WAHO. All currency amounts in the fund accountability statement, cost-sharing schedule, and the report findings, if any, must be stated in **U.S. dollars**. The auditors should indicate the exchange rate(s) used in the notes to the Fund Accountability Statement.

A financial audit of the funds provided by USAID must be performed in accordance with U.S. Government Auditing Standards [2011/2007] revision, or other approved standards where applicable, and accordingly includes such tests of the accounting records as deemed necessary under the circumstances. The specific objectives of the audit of the USAID funds are to:

- Express an opinion on whether the fund accountability statement for the USAID-funded programs presents fairly, in all material respects, revenues received, costs incurred, and commodities directly procured by USAID for the period audited in conformity with the terms of the agreements and generally accepted accounting principles or other comprehensive basis of accounting (including the cash receipts and disbursements basis and modifications of the cash basis).
- Evaluate the WAHO's internal control related to the USAID-funded programs, assess control risk, and identify significant deficiencies including material weaknesses. This evaluation should include the internal control related to required cost-sharing contributions.
- Perform tests to determine whether WAHO complied, in all material respects, with agreement terms (including cost-sharing/counterpart contributions, if applicable) and applicable laws and regulations related to USAID-funded programs. All material instances of noncompliance and all illegal acts that have occurred or are likely to have occurred should be identified. Such tests should include the compliance requirements related to required cost-sharing contributions, if applicable.
- Perform an audit of the indirect cost rate(s) if the recipient has been authorized to charge indirect costs to USAID using provisional rates and USAID has not yet negotiated final rates with the recipient.
- Determine if the recipient has taken adequate corrective action on prior audit report recommendations.

Auditors must design audit steps and procedures in accordance with U.S. Government Auditing Standards, to provide reasonable assurance of detecting situations or transactions in which fraud or illegal acts have occurred or are likely to have occurred. If such evidence exists, the auditors must contact the USAID Regional Inspector General office in Pretoria (RIG/Pretoria) and should exercise due professional care in pursuing indications of possible fraud and illegal acts so as not to interfere with potential future audit of General Purpose Financial Statements.

IV. AUDIT SCOPE

The auditor should use the following steps as the basis for preparing audit programs. They are not all-inclusive or restrictive in nature and do not relieve the auditor from exercising due professional care and judgment. The steps should be modified to fit local conditions and specific program design, implementation procedures, and agreement provisions which may vary from program to program. Any limitations in the scope of work must be communicated as soon as possible to RIG/Pretoria.

A. Pre-Audit Steps

The auditor should review the applicable documents considered necessary to perform the audit as stated in the Office of Inspector General Guidelines for Financial Audits Contracted by Foreign Recipients. These documents include;

1. The agreement between USAID/WA and WAHO;
2. The sub-agreements between WAHO and other implementing entities, as applicable.
3. Contracts and subcontracts with third parties, if any.
4. The budgets, implementation letters, and written procedures approved by USAID/WA.
5. USAID Automated Directives System Chapter 636—"Program Funded Advances."
6. OMB Circular A-122 "Cost Principles for Nonprofit Organizations" (2 CFR Part 230).
7. Mandatory Standard Provisions for Non-U.S. Nongovernmental Grantees (USAID Automated Directives System, Chapter 303 Internal Mandatory References).
8. Standard Provisions Annex for Agreements with Foreign Governments (USAID Automated Directives System, Chapter 350).

9. All program financial and progress reports; and charts of accounts, organizational charts; accounting systems descriptions; procurement policies and procedures; and receipt, warehousing and distribution procedures for materials, as necessary to successfully complete the required work.
10. Any prior audits, that directly relate to the objectives of the audit.

B. Fund Accountability Statement

The auditor must examine the fund accountability statement for USAID programs including the budgeted amounts by category and major items; the revenues received from USAID for the period covered by the audit; the costs reported by WAHO as incurred during that period; and the commodities, if any, directly procured by USAID for WAHO's use. The fund accountability statement must include all USAID assistance funds identified by each specific program or agreement. The revenues received from USAID less the costs incurred, after considering any reconciling items, must reconcile with the balance of cash-on-hand or in bank accounts. The fund accountability statement should not include cost-sharing or counterpart contributions provided from WAHO's own funds or in-kind. However, a separate cost-sharing or counterpart contributions schedule must be included and reviewed to determine whether cost-sharing/counterpart contributions were provided and accounted for in accordance with the terms of the agreement.

The auditors may prepare or assist WAHO in the preparing the fund accountability statement from the books and records maintained by the recipient, but WAHO must accept the responsibility for the statement's accuracy before the audit commences.

The opinion on the fund accountability statement must comply with Statement on Auditing Standard (SAS) No. 62 (AU623). The fund accountability statement must separately identify those revenues and costs applicable to each specific USAID agreement. The audit must evaluate program implementation actions and accomplishments to determine whether specific costs incurred are allowable, allocable, and reasonable under the agreement terms and applicable cost principles, and to identify areas where fraud and illegal acts have occurred or are likely to have occurred as a result of inadequate internal control. At a minimum, the auditors must:

1. Review direct and indirect costs billed to and reimbursed by USAID and costs incurred but pending reimbursement by USAID, identifying and quantifying any

questioned costs. All costs that are not supported with adequate documentation or are not in accordance with the agreement terms must be reported as questioned. Questioned costs that are pending reimbursement by USAID must be identified in the notes to the fund accountability statement as not reimbursed by USAID.

Questioned costs must be presented in the fund accountability statement in two separate categories. Ineligible costs that are explicitly questioned because they are unreasonable, prohibited by the agreements or applicable laws and regulations, or not program related. In addition, if WAHO is required to place USAID funds in an interest-bearing account but did not, then the imputed interest that would have been earned is also classified as an ineligible cost. Unsupported costs are not supported with adequate documentation or did not have required prior approvals or authorizations. All material questioned costs resulting from instances of noncompliance with agreement terms and applicable laws and regulations must be included as findings in the report on compliance. Also, the notes to the fund accountability statement must briefly describe both material and immaterial questioned costs and must be cross-referenced to any corresponding findings in the report on compliance.

2. Review general and program ledgers to determine whether costs incurred were properly recorded. Reconcile direct costs billed to, and reimbursed by, USAID to the program and general ledgers.
3. Review procedures used to control the funds, including their channeling to contracted financial institutions or other implementing entities. Review bank accounts and the controls on those bank accounts. Perform positive confirmation of balances, as necessary.
4. Determine whether advances of funds were justified with documentation, including reconciliations of funds advanced, disbursed, and available. The auditors must ensure that all funding received by WAHO from USAID are appropriately recorded in the WAHO's accounting records and that those records were periodically reconciled with information provided by USAID.
5. Determine whether program income was added to funds used to further eligible project or program objectives, to finance the non-federal share of the project or program, or deducted from program costs, in accordance with USAID regulations, other implementing guidance, or the terms and conditions of the award.

6. Review procurement procedures to determine whether sound commercial practices including competition were used, reasonable prices were obtained, and adequate controls were in place over the qualities and quantities received.
7. Review direct salary charges to determine whether salary rates were reasonable for that position, in accordance with those approved by USAID when the agency approval is required, and also supported by appropriate payroll records. Determine if overtime was charged to the program and whether it was allowable under the terms of the agreements. Determine whether allowances and fringe benefits received by employees were in accordance with the agreements and applicable laws and regulations. The auditors should question unallowable salary charges in the fund accountability statement.
8. Review travel and transportation charges to determine whether they were adequately supported. Travel charges that are not supported with adequate documentation or not in accordance with agreements and regulations must be questioned in the fund accountability statement.
9. Review commodities (e.g., supplies, materials, vehicles, equipment, food products, tools, etc.) procured by WAHO or directly procured by USAID for WAHO's use. The auditors should determine whether commodities exist or were used for their intended purposes in accordance with the terms of the agreements, and whether control procedures exist and have been placed in operation to adequately safeguard the commodities. As part of the procedures to determine if commodities were used for intended purposes, the auditors should perform end-use reviews for an appropriate sample of all commodities based on the control risk assessment. End-use reviews may include site visits to verify that commodities exist or were used for their intended purposes in accordance with the terms of the agreements. The cost of all commodities whose existence or proper use in accordance with the terms of the agreements cannot be verified must be questioned in the fund accountability statement. (The auditor should determine the cost of commodities based on supporting documentation available from the recipient or USAID, as appropriate.)
10. Review technical assistance and services procured by WAHO. The auditors should determine whether technical assistance and services were used for their intended purposes in accordance with the terms of the agreements. The cost of technical assistance and services not properly used in accordance with the terms of the agreements must be questioned in the fund accountability statement.

- a. In addition to the above audit procedures, if technical assistance and services were contracted by the recipient from a non-U.S. contractor, the auditors should perform additional audit steps on the technical assistance and services, unless WAHO has separately contracted for an audit of these costs. When testing for compliance with agreement terms and applicable laws and regulations, the auditors should not only consider agreements between the WAHO and USAID, but also agreements between WAHO and non-U.S. contractors, if any, providing technical assistance and services. The agreements between WAHO and the non-U.S. contractors should be audited using the same audit steps described in the other paragraphs of this section, including all tests necessary to specifically determine that costs incurred are allowable, allocable, reasonable, and supported under the agreement terms.
- b. If the technical assistance and services were contracted WAHO from a U.S. contractor, the auditors are still responsible for determining whether technical assistance and services were used for their intended purposes in accordance with the terms of the agreements. However, the auditors are not responsible for performing additional audit steps for the costs incurred under the technical assistance and services agreements, since either USAID or a cognizant U.S. Government agency is responsible for contracting for audits of these costs.

11. When indirect costs are charged to USAID using provisional rates, review the allocation method to determine that the indirect cost pool and distribution base include only allowable items in accordance with agreement terms and regulations. The auditors should be aware that costs that are unallowable as charges to USAID agreements (e.g., fundraising) must be allocated their share of indirect costs if they represent activities that (1) include the salaries of personnel, (2) occupy space, and (3) benefit from the organization's indirect costs. Indirect cost rates must be calculated after all adjustments have been made to the pool and base. When indirect costs are charged to USAID using predetermined or fixed rates, verify that the correct rates are applied in accordance with the agreement with USAID.

12. Review unliquidated advances to the recipient and pending reimbursements by USAID when performing final closeout audits. Ensure that the recipient returned any excess cash to USAID. Also, ensure that all assets (inventories, fixed assets, commodities, etc.) procured with program funds were disposed of in accordance with the terms of the agreements. The auditors should present, as an annex to the fund accountability statement, the balances and details of final inventories of nonexpendable property acquired under the agreements. This inventory should

indicate which items were titled to the U.S. Government and which were titled to other entities. These closeout audit procedures must be performed for any award that expires during the period audited.

An illustrative Fund Accountability Statement is included in Section VI of the USAID "Guidelines for Financial Audits Contracted by Foreign Recipients". This example illustrates how to report the results of a single audit that covers more than one USAID agreement. If only one USAID agreement is covered by the audit, the same reporting principles apply. The auditor should generally follow this example when preparing reports for USAID.

The auditors must generally express a single opinion on a fund accountability statement that includes more than one agreement with USAID. Auditors must *not* express separate opinions on fund accountability statements of each agreement or program unless specifically requested to do so by the USAID mission.

C. Cost-Sharing/Counterpart Contributions

The Cooperative Agreement between USAID/WA and WAHO requires contributions from the recipient. The Agreement establishes a life-of-project budget for such contributions and the Auditor is required to review the contributions to determine if they were provided by WAHO in accordance with the terms of the agreement. The auditors will review the cost sharing/counterpart contributions schedule to determine if the schedule is fairly presented in accordance with the basis of accounting used by the recipient to prepare the schedule. The auditors should question all cost sharing/counterpart contributions that are either ineligible or unsupported costs. In addition, for audits of agreements that present a cost sharing/counterpart contribution budget on an annual basis and for close-out audits of awards that present cost sharing/counterpart contribution budgets on a life-of-project basis, the auditors will review the cost sharing/counterpart contributions schedule to determine if cost sharing/counterpart contributions were provided by the recipient in accordance with the terms of the agreement.

Most agreements establish a life-of-project budget for such contributions; however, some agreements may establish annual budgets for those contributions. The review of the cost-sharing schedule must be approached differently depending on whether the cost-sharing/counterpart contribution budget is a life-of project budget or an annual budget. In either case, the review consists principally of inquiries of recipient personnel and

analytical procedures applied to financial data supporting the cost-sharing/counterpart contributions schedule.

The auditors may prepare or assist the recipient in preparing the cost-sharing/counterpart contributions schedule from the books and records maintained by the recipient. The recipient must, however, accept responsibility for the schedule's accuracy before the review commences.

D. Internal Controls

The auditors must obtain a sufficient understanding of WAHO and its environment by reviewing and evaluating the organization's internal control structure, design of relevant control policies and procedures and then determine whether those policies and procedures have been placed in operation. The report on internal controls should identify the significant categories of the internal control structure; any reportable conditions, which are significant deficiencies in the design or operation of the internal control structure; and any reportable conditions considered to be material weaknesses. Minor weaknesses should be reported in a separate letter to the organization as considered appropriate. The reportable conditions, including material weaknesses should be set-forth in the report as "findings". The major internal controls to be evaluated include but are not limited to the adequacy of the accounting and information systems, procurement procedures and practices, bank account controls, and controls to assure that charges to the project are proper and supported.

The auditor should:

1. Obtain a sufficient understanding of the internal control structure to plan the audit and to determine the nature, timing and extent of tests to be performed.

Focus the evaluation on the control environment, the accounting system, and control procedures. Emphasis should be placed on the policies and procedures that pertain to the organization's ability to record, process, summarize, and report financial data consistent with the assertions embodied in the fund accountability statement and to ensure compliance with agreement terms and applicable laws and regulations. Other policies and procedures, however, may be relevant if they pertain to data the auditor uses in applying auditing procedures. This may include, for example, policies and procedures that pertain to nonfinancial data that the auditor uses in analytical procedures. Specifically but not be limited to, the control systems for:

- a. Ensuring that charges to the program are proper and supported.
 - b. Managing cash on hand and in bank accounts.
 - c. Procuring goods and services.
 - d. Managing inventory and receiving functions.
 - e. Managing personnel functions such as timekeeping, salaries and benefits.
 - f. Managing and disposing of commodities (such as supplies, materials, vehicles, equipment, food products, tools, etc.) purchased either by the recipient or directly by USAID.
 - g. Ensuring compliance with agreement terms and applicable laws and regulations that collectively have a material impact on the fund accountability statement. The results of this evaluation should be contained in the audit documentation section described in paragraphs 4.18 through 4.20.k of these Guidelines and presented in the compliance report.
2. Assess inherent risk and control risk, and determine detection risk which is the effectiveness of the entity's internal control structure policies and procedures in preventing or detecting material misstatements in the fund accountability statement.

In fulfilling the audit requirement relating to an understanding of internal control and assessing the level of control risk, the auditor must follow, at a minimum, the guidance contained in AICPA SAS Nos. 109 (AU 314), entitled Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement, 115 (AU 325), entitled Communicating Internal Control Related Matters Identified in an Audit, and 74 (AU801) entitled Compliance Auditing Considerations in Audits of Governmental Entities and Recipients of Governmental Financial Assistance.

E. Compliance with Agreement Terms and Applicable Laws and Regulations

In The audit must determine compliance with agreement terms and applicable laws and regulations related to USAID programs, at a minimum, follow guidance contained in AICPA SAS No. 74 (AU801) entitled Compliance Auditing Considerations in Audits of Governmental Entities and Recipients of Governmental Financial Assistance. The auditor's report on compliance must set forth as findings all material instances of noncompliance, defined as instances that could have a direct and material effect on the fund accountability statement. Nonmaterial instances of noncompliance should be included in a separate management letter to the recipient and referred to in the report on compliance.

The auditor's report should include all conclusions that a fraud or illegal act either has occurred or is likely to have occurred. In reporting material fraud, illegal acts, or other noncompliance, the auditors should place their findings in proper perspective. To give the reader a basis for judging the prevalence and consequences of these conditions, the instances identified should be related to the universe or the number of cases examined and is quantified in terms of U.S. dollars, if appropriate. In presenting material fraud, illegal acts, or other noncompliance, auditors must follow the reporting standards contained in Chapter 5 of U.S. Government Auditing Standards. If the auditors conclude that sufficient evidence of fraud or illegal acts exists, they must contact the RIG/Pretoria and exercise due professional care in pursuing indications of possible fraud and illegal acts to avoid interfering with potential future investigations or legal proceedings.

In planning and conducting the tests of compliance the auditors must:

1. Identify the agreement terms and pertinent laws and regulations and determine which of those, if not observed, could have a direct and material effect on the fund accountability statement. The auditors must:
 - a. List all standard and program-specific provisions contained in the agreements that cumulatively, if not observed, could have a direct and material effect on the fund accountability statement.
 - b. Assess the inherent and control risk that material noncompliance could occur for each of the compliance requirements listed in paragraph 1.a above.
 - c. Determine the nature, timing and extent of audit steps and procedures to test for errors, fraud, and illegal acts that provide reasonable assurance of detecting both intentional and unintentional instances of noncompliance with agreement terms and applicable laws and regulations that could have a material effect on the fund accountability statement. This should be based on the risk assessment described in paragraph 1.b above.
 - d. Prepare a single summary document in the audit documentation that identifies each of the specific compliance requirements included in the review, the results of the inherent, control and (detection) risk assessments for each compliance requirement, the audit steps used to test for compliance with each of the requirements based on the risk assessment, and the results of the compliance testing for each requirement. The summary document should be cross-indexed to detailed, audit

documentation that supports the facts and conclusions contained in the summary document.

2. Determine if payments have been made in accordance with agreement terms and applicable laws and regulations.
3. Determine if funds have been expended for purposes not authorized or not in accordance with applicable agreement terms. If so, the auditors must question these costs in the fund accountability statement.
4. Identify any costs not considered appropriate, classifying and explaining why these costs are questioned.
5. Determine whether commodities, if any, procured by WAHO or directly procured by USAID for WAHO's use, exist or were used for their intended purposes in accordance with the terms of the agreements. If not, the cost of such commodities must be questioned.
6. Determine whether any technical assistance and services procured by WAHO were used for their intended purposes in accordance with the agreements. If not, the cost of such technical assistance and services should be questioned.
7. Determine if the amount of cost sharing/counterpart contribution funds was calculated and accounted for as required by the agreements or applicable cost principles.
8. Determine if the cost sharing/counterpart contribution funds were provided according to the terms of the agreements and quantify any shortfalls.
9. Determine whether those who received services and benefits were eligible to receive them.
10. Determine whether WAHO's financial reports (including those on the status of cost sharing/counterpart contributions) and claims for advances and reimbursement contain information that is supported by the books and records.
11. Determine whether WAHO held advances of USAID funds in interest-bearing accounts, and whether the recipient remitted to USAID any interest earned on

those advances, with the exception of up to \$250 a year that WAHO may retain for administrative expenses. If WAHO was required to place USAID funds in an interest-bearing bank account but did not, then the auditor should determine the amount of interest that was foregone by WAHO, and this amount should be classified as ineligible costs.

F. Follow-Up on Prior Audit Recommendations

The auditors must review the status of actions taken on findings and recommendations reported in prior audits, if any, of USAID-funded programs. Paragraph 4.09 of U.S. Government Auditing Standards states: “Auditors should evaluate whether the audited entity has taken appropriate corrective actions to address findings and recommendations from previous engagements that could have a material effect on the financial statements. When planning the audit, auditors should ask management of the audited entity to identify previous audits, attestation engagements, financial reviews, and other studies that directly relate to the objectives of the audit, including whether related recommendations have been implemented. Auditors should use this information in assessing risk and determining the nature, timing, and extent of current audit work, including determining the extent to which testing the implementation of the corrective actions is applicable to the current audit objectives.”

The auditors must describe the scope of their work on prior audit recommendations in the summary section of the audit report. The auditors should refer to the most recent recipient or agency contracted audit report for the same award (for a follow-up audit) or other USAID awards (for an initial audit). When corrective action has not been taken and the deficiency remains unresolved for the current audit period the auditors need to briefly describe the prior finding and status and show the page reference to where it is included in the current report. If there were no prior findings and recommendations, the auditors must include a note to that effect in this section of the audit report.

G. General Purpose Financial Statements

Auditors should examine the recipient’s general purpose financial statements on an organization-wide basis if an indirect cost rate needs to be audited,⁵ or if the mission specifically requests that the general purpose financial statements be audited. The audit must be performed in accordance with generally accepted auditing standards of the

American Institute of Certified Public Accountants (AICPA), auditing standards that have been prescribed by the laws of the country or adopted by an association of public accountants in the country, or auditing standards promulgated by the International Organization of Supreme Audit Institutions or International Auditing Practices Committee of the International Federation of Accountants.

The objective of this audit is to express an opinion on whether those statements present fairly, in all material respects, the recipient's financial position at year-end, and the results of its operations and cash flow for the year then ended, in conformity with generally accepted accounting principles.

H. Indirect Cost Rates

Auditors should determine the actual indirect cost rates for the year if the recipient has used provisional rates to charge indirect costs to USAID. The audit of the indirect cost rates should include tests to determine whether the:

- a.** Distribution or allocation base includes all costs that benefited from indirect activities.
- b.** Distribution or allocation base is in compliance with the governing USAID Negotiated Indirect Cost Rate Agreement, if applicable.
- c.** Indirect cost pool includes only costs authorized by the USAID agreements and applicable cost principles.
- d.** Indirect cost rates obtained by dividing the indirect cost pool by the base are accurately calculated.

Costs included in this calculation reconcile with the total expenses shown in the recipient's audited general purpose financial statements.

I. Other Audit Responsibilities

The auditors must perform the following steps:

1. Hold entrance and exit conferences with WAHO. USAID/WA and RIG/Pretoria should be notified of these conferences in order that USAID representatives may attend, if deemed necessary.
2. During the planning stages of an audit, communicate information to WAHO regarding the nature and extent of planned testing and reporting on compliance with laws and regulations and internal control over financial reporting. Such communication should state that the auditors do not plan to provide opinions on

compliance with laws and regulations and internal control over financial reporting. This communication should be in the form of an engagement letter.

3. Institute quality control procedures to ensure that sufficient appropriate evidence is obtained through inspection, observation, inquiries, and confirmations to afford a reasonable basis for an opinion regarding the financial statements under audit. While auditors may use their standard procedures for ensuring quality control, those procedures must, at a minimum, ensure that:
 - a. Audit reports and audit documentation are reviewed by an auditor, preferably at the partner level, who was not involved in the audit. This review must be documented.
 - b. All quantities and monetary amounts involving calculations are footed and cross-footed.
 - c. All factual statements, numbers, conclusions, and monetary amounts are cross-indexed to supporting audit documentation.
4. The auditor must ascertain, before preparing its proposal for the audit engagement (or if this is not possible, at the earliest opportunity during the engagement itself), whether WAHO ensured that audits of its sub-recipients, if any, were performed to ensure accountability for USAID funds passed through to sub recipients. If sub recipient audit requirements were not met, the auditors should immediately notify USAID/WA and RIG/Pretoria and consider whether they can audit the sub recipient costs themselves. If, after consultation with the cognizant USAID/WA and RIG/Pretoria, the auditors conclude that a restriction on the scope of the audit exists and the restriction cannot be removed, then the auditors should consider modifying their opinion and any costs that have not been audited as required must be questioned as unsupported costs.
5. Obtain a management representation letter in accordance with AICPA SAS No.85 (AU333) signed by WAHO's Management.

V. AUDIT REPORTS

The recipient should submit to the USAID/WA a portable document format (PDF) copy of the audit report in English and a PDF copy of the report in French, if considered appropriate. The USAID/WA will forward the report to RIG/Pretoria for processing. The format and content of the audit reports should closely follow the illustrative reports in

Chapter 7 of the Recipient Contracted Audit (RCA) Guidelines. The audit report must specify the correct award number(s) of each award covered by the audit. The report must contain:

- A. A title page table of contents, transmittal letter, and summary which includes: (1) a background section with a general description of the USAID programs audited, the period covered, the program objectives, a section on the follow-up of prior audit recommendations, and whether cost-sharing/counterpart contributions were required during the period audited, and whether WAHO has a USAID-authorized provisional indirect cost rate; (2) the objectives and scope of the financial audit, and a clear explanation of the procedures performed and the scope limitations, if any; (3) a brief summary of the audit results on the fund accountability statement, questionable costs, internal control, compliance with agreement terms and applicable laws and regulations, indirect cost rates, if any, status of prior audit recommendations (4) a brief summary of the results of the review of cost-sharing/counterpart contributions, and (5) a brief summary of WAHO's Management comments regarding their views on the audit and review results and findings.

The following is an outline of the report format to be used:

I. Transmittal Letter and Summary

A. Background

B. Audit Objectives and Scope

C. Summary of Audit Results (Financial, Internal Control and Compliance)

D. Summary of cost sharing/counterpart contributions

E. Synopsis of Management Comments

II. Financial Section

A. Independent Auditor's Report

B. Fund Accountability Statements

C. Notes to Fund Accountability Statement

D. Report on the review of the schedule of cost sharing/counterpart contribution

III. Internal Control Structure

A. Independent Auditor's Report

B. Findings

IV. Compliance with Agreement Terms and Applicable Laws

A. Independent Auditor's Report

B. Findings

Appendix I: Management Comments (verbatim comments received from WAHO on the draft audit report).

The report must contain:

- A. A title page table of contents, transmittal letter, and summary which includes: (1) a background section with a general description of the USAID programs audited, the period covered, the program objectives, a section on the follow-up of prior audit recommendations, and whether cost-sharing/counterpart contributions were required during the period audited, and whether WAHO has a USAID-authorized provisional indirect cost rate; (2) the objectives and scope of the financial audit, and a clear explanation of the procedures performed and the scope limitations, if any; (3) a brief summary of the audit results on the fund accountability statement, questionable costs, internal control, compliance with agreement terms and applicable laws and regulations, indirect cost rates, if any, status of prior audit recommendations (4) a brief summary of the results of the review of cost-sharing/counterpart contributions, and (5) a brief summary of WAHO's Management comments regarding their views on the audit and review results and findings.
- B. The auditor's report on the fund accountability statement, identifying any material questioned costs not fully supported with adequate records or not eligible under the terms of the agreements. The report must be in conformance with the standards for reporting in Chapter 5 of U.S. Government Auditing Standards and must include:
 - 1. The auditor's opinion on whether the fund accountability statement presents fairly, in all material respects, program revenues, costs incurred, and commodities directly procured by USAID for the year then ended in accordance with the terms of the agreements and in conformity with generally accepted accounting principles or other basis of accounting. This opinion must clearly state that the audit was performed in accordance with U.S. Government Auditing Standards or specific alternative standards if applicable (see paragraph 2.9.d of the Guidelines). Any deviations from these standards, such as noncompliance with the requirements for continuing professional education and external quality control reviews, must be disclosed (See Example 7.1.A of the Guidelines).

2. The fund accountability statement identifying the program revenues, costs incurred, and commodities and technical assistance directly procured by USAID/WA for the fiscal year. The statement must also identify questioned costs not considered eligible for reimbursement and unsupported, if any, including the cost of any commodities directly procured by USAID/WA whose existence or proper use in accordance with agreements could not be verified. All material questioned costs resulting from instances of noncompliance with agreement terms and applicable laws and regulations must be included as findings in the report on compliance. Also, the notes to the fund accountability statement must briefly describe both material and immaterial questioned costs and must be cross-referenced to any corresponding findings in the report on compliance (see Example 6.1 of the Guidelines). All questioned costs in the notes to the fund accountability statement must be stated in U.S. dollars. The U.S. dollar equivalent should be calculated at the exchange rate applicable at the time the local currency was disbursed to the WAHO by USAID/WA.
 3. Notes to the fund accountability statement, including a summary of the significant accounting policies, explanation of the most important items of the statements, the exchange rates during the audit period and foreign currency restrictions, if any.
- C. The auditor's report on internal control. The auditor's report must include as a minimum:
1. The scope of the auditor's work in obtaining an understanding of the internal control and in assessing the control risk, and;
 2. The significant deficiencies including the identification of material weaknesses in WAHO's internal control. Significant deficiencies must be described in a separate section
 3. The findings contained in the reports on internal control and compliance related to USAID-funded programs must include a description of the condition (what is) and criteria (what should be). The cause (why it happened) and effect (what harm was caused by not complying with the criteria) must be included in the findings. In addition, the findings must contain an actionable recommendation that corrects the cause and the condition, as applicable. It is recognized that material internal control weaknesses and noncompliance found by the auditors might not always have all of these elements fully developed, given the scope and objectives

of the specific audit. The auditors must, however, at least identify the condition, criteria and possible effect to enable management to determine the effect and cause. This will help management take timely and proper corrective action.

This report must be made in conformance with Statements on Auditing Standards (SAS) No. 60 and the standards for reporting in Chapter 5 of U.S. Government Auditing Standards.

VI. INSPECTION AND ACCEPTANCE OF AUDIT WORK AND THE REPORT

RIG/Pretoria is responsible for assuring that the work performed under this statement of work complies with U.S. Government Auditing Standards and the "Guidelines for Financial Audits Contracted by Foreign Recipients." To accomplish this objective, RIG/Pretoria will perform desk reviews on every final audit report and will perform quality control reviews of the audit documentation of a select sample of final audit reports received from the independent auditors.

For quality control reviews, the audit firm must ensure that all audit records related to USAID agreements are available to enable RIG/Pretoria auditors to complete and support their review.

No audit costs may be charged to a USAID agreement if audits are not performed in accordance with the Guidelines.

VII. RELATIONSHIPS AND RESPONSIBILITIES

The client for this contract is WAHO and WAHO must ensure that all records are available to the independent auditors, all accounting entries and adjustments are made, and all other necessary steps are taken to enable the auditors to complete their work.

USAID/WA ensures that audit agreements between WAHO and independent auditors contain a standard statement of work containing all the requirements of the RCA Guidelines. Accordingly, WAHO must send all prospective audit contracts to USAID/WA for approval prior to finalization.

VIII. TERMS OF PERFORMANCE

The effective date of this contract and statement of work will be the date on which it is signed by WAHO's Authorizing Officer.

The audit should begin as soon as possible after the signing of the audit contract. WAHO must submit audit reports to the USAID/WA, who will forward final, signed, electronic or hard copy reports to RIG/Pretoria for review and release.