



Office of Inspector General

USAID RECIPIENT CONTRACTED AUDIT PROCESS

NOTE: The Recipient Contracted Audit program (RCA) is a Mission* program, hence the need for Mission's Audit Management Officers (AMOs) to be actively involved in the management of the process.

The RCA – Audit Process

- a. Recipient prepares audit Statement of Work (SOW) and submits it to the USAID Mission* for approval.
- b. USAID Mission* reviews the SOW to ensure that it contains all the requirements of the Guidelines for Financial Audits Contracted by Foreign Recipient. If the SOW received by the Mission* is unacceptable, the Mission* must request the recipient to make the required changes to the SOW and re-submit it to the Mission* for approval. A copy of the standard SOW can be found at http://sa.usaid.gov/southern_africa/content/regional-inspector-general
- c. USAID Mission* approves SOW and provides a copy of the approved SOW to the recipient.
- d. Recipient provides approved SOW to a selection of audit firms from RIG/Pretoria's list of approved "Regular" or "Conditional" status firms (including Supreme Audit Institutions – SAIs).
- e. Recipient solicits quotations/proposals from the firms to perform the audit.
- f. Recipient selects an audit firm and notifies USAID Mission* (and if applicable RIG/Pretoria-see note g) of the choice of audit firm. Recipients are not limited to make use of an audit firm in resident country, and therefore may select an audit firm on RIG/Pretoria's approved list that is in another country.
- g. USAID Mission* approves or disapproves the recipient's choice of a "Regular" firm. RIG/Pretoria must approve the recipient's choice of a "Conditional" firm. If the USAID Mission* or RIG/Pretoria disapproves the recipient's choice of firm, the recipient must select another firm. NOTE: Audit Fees cannot be a controlling factor in the choice of a firm.
- h. Recipient uses the approved SOW as the basis of the audit contract between them and the audit firm.
- i. Audit Contract is accepted and signed by the selected audit firm.
- j. Selected auditors schedule an Entrance Conference and notify USAID Mission* of dates, times and venue.

- k. Entrance Conference is held. USAID* representatives may attend Entrance Conference. Auditors must record and include in the working papers minutes from the Entrance Conference. Recommended items for the entrance conference agenda would be discussion of the difference between questioned costs and disallowed costs, the RCA process, the anticipated dates of fieldwork, information needed by the auditors from the recipient (including a management representation letter when the final report is received) and the mission*, and discussion of what a “reasonable time” is for management responses to draft audit report.
- l. Auditors begin their audit fieldwork. During field work, matters or issues identified are discussed with management and staff of the recipient. Auditors should discuss during field work any missing support and documentation and management should provide missing information during field work.
- m. Field work is completed.
- n. Auditors schedule Exit Conference and Notify USAID Mission* of dates, times and venue (note: the exit conference is normally held on the last day of the fieldwork).
- o. Exit Conference is held to discuss the RCA process from date of Exit Conference to date of submission of final signed audit report and to discuss the findings from the audit. Any findings not resolved during the exit conference must be included in the audit report. Auditors must record and include in the working papers minutes from the Exit Conference.
- p. Auditors draft the audit report.
- q. Auditors distribute audit report to recipient for comments. Recipient is given reasonable time (determined by the auditors) to provide written comments/responses to each of the findings in the audit report.
- r. Auditors evaluate and incorporate Recipient’s management comments or responses verbatim in the draft audit report.
- s. Auditors finalize the report (sign and date it) and submit copies to the USAID Mission*, specifically, the Financial Management Office*. If Recipient management does not provide comments to the findings within the time frame stipulated by the auditors, the report must still be finalized and issued to USAID* without management comments. USAID Mission* submits signed electronic or hard copies of the finalized report to RIG/Pretoria for issuance. NOTE: Final reports must be received by RIG/Pretoria no later than nine months after the end of the audited period (per 2.3 in Guidelines).
- t. RIG/Pretoria reviews and issues the final report.