Attachment 1

 **USAID/WBG PARTNER CONTRACTED AUDIT PROCESS**

1. USAID/WBG develops the audit universes for its prime awards and sub-awards. While USAID/WBG has the prime awards universe in its records, it annually solicits from the prime awardees information on their program-implementing sub-awards in order to develop the sub-awards’ universe.
2. USAID/WBG then develops the annual audit plans; one for prime awardees and one for significant sub-awardees. In developing the audit plans, USAID/WBG must meet both; the Congressional audit mandate set in the Appropriations Law for WBG, and the Agency’s audit requirements. Please refer to WBG Audit Guidelines for greater details on the audit guidelines and selection criteria.
3. When the audit plans are finalized, USAID/WBG notifies the selected auditees that they are subject to an audit/examination (depending on the type of award) through an audit notification letter (ANL) for each auditee, and instructs the auditee to prepare the appropriate Scope of Work (SOW), solicit and award an audit contract with one of the listed audit firms (Attachment 2 of the WBG Audit Guidelines posted on the Mission’s website).

Sub-awardees who are subject to audit/examination are notified through their prime partners. The prime partner must forward the ANL to the sub-awardee.

While sub-awardees can solicit and contract for their audits/examinations on their own, USAID/WBG prefers that the process be handled and managed by the prime partners.

1. The prime partner completes the applicable audit/examination Scope(s) of Work (SOW) and Request for Proposals (RFP) package and submits them to USAID/WBG for approval.

In preparing the SOW, the prime partner completes the title and background paragraphs, dates, terms of performance, and payment terms.

1. USAID/WBG has posted on its website a matrix to assist the partners with selecting the appropriate SOW (Attachment 3); this is based on the type of award being audited/examined. USAID/WBG has also posted the three standard SOWs used in the USAID/WBG audit program (Attachments 4, 5, and 6).
2. USAID/WBG reviews and approves the SOW and RFP package. USAID/WBG reviews the SOW to ensure that it is the appropriate scope for the type of award/sub-award being audited/examined, and that it contains and meets all of the requirements of USAID/WBG Audit Guidelines.

If the SOW and/or the RFP package received by the Mission are unacceptable, the Mission will ask the partner to make the required changes, and to re-submit it to the Mission for approval. Once approved, USAID/WBG notifies the partner of its approval of the SOW and RFP.

1. Partner uses the approved SOW and RFP to solicit quotes/proposals from all of the listed audit firms to perform the audit, and later as the basis of the audit contract between it and the selected audit firm.

USAID/WBG has posted a list of the audit firms with their contact information (Attachment 2). The partner must solicit all of the firms on the list unless one of the firms has conducted two consecutive audits/examinations of USAID awards of the auditee. In this case, the auditee should exclude the audit firm from the solicitation.

1. The selection may be based on factors such as the: 1) firm’s past performance in terms of quality and timeliness (including preparing audit reports in English), 2) the firm’s past experience, 3) experience and credentials of the firm’s staff proposed to participate in the audit, 4) proposed timeline or completion schedule, and 5) cost, and any other relevant and applicable factors. However, audit cost cannot be the only or controlling factor in the selection (i.e., the weight/percentage allocated to cost cannot exceed the weight/percentage allocated to any other individual criteria).
2. The partner selects an audit firm and submits for USAID/WBG Mission’s review and approval the overall selection memorandum (i.e., TEC memo) and a draft audit contract.
3. If USAID/WBG approves the partner’s selection process and choice of an audit firm, the partner signs the approved audit contract including the approved SOW with the selected audit firm.

The audit firm’s engagement letter can serve as the audit contract (i.e., in lieu of the audit contract) **if, and only if,** it contains all of the necessary information and required terms and clauses (Please refer to the sample audit contract and the PCA workshop documents for greater details on the content requirements for audit contracts).

1. Selected audit firm schedules an Entrance Conference with the auditee(s) and notifies USAID/WBG of the date, time and venue. The audit firm should ensure that sub-awardees being audited have been invited and present at the entrance conference allowing them the opportunity to learn about the process, including their rights and duties, and ask questions.
2. Entrance Conference is held. USAID/WBG representatives may attend the Entrance Conference. At the entrance conference, the audit process and methodology are explained, and the following agreed upon: date the audit firm will provide the auditee(s) with a list of required documents and due date the auditee(s) will provide them to the audit firm, and the start date of the fieldwork. Please see “Sample Guidance on Entrance Conference” document for details.
3. Auditors begin their audit fieldwork on the date agreed upon in the entrance conference between the audit firm, auditee(s), and USAID/WBG. During field work, matters or issues identified are discussed with management and appropriate/relevant staff of the partner. Auditors should discuss during field work any missing support and documentation and management should provide missing information during field work.

If the auditors have questions on technical audit matters, they should contact RIG/Frankfurt. If the auditors have questions concerning the program(s) under audit, or need to confirm the amounts obligated or disbursed to the partner by USAID, they should contact the USAID/WBG Office of Financial Management.

1. When the field work is completed, the auditors hold a closing meeting with the auditee(s)’ management to discuss findings, if any. When audits/examinations of sub-awardees are involved, representatives of the sub-awardees should be invited and attend the closing meeting. Then the auditors issue the draft audit report and submit it to the partner. The partner, in turn, submits the draft audit report to the USAID/WBG at WBGPCA@usaid.gov.
2. The Exit Conference is the right of the auditee, and as such, the auditee has the right to waive the Exit Conference in writing to the auditor copying the USAID/WBG. When the report contains findings, it is recommended that an exit conference is held so that the auditee has the opportunity to present its case to refute any of the findings. Since this is a Partner Contracted Audit, USAID/WBG does not waive the exit conference as it used to under the Agency Contracted Audit program managed by RIG/Frankfurt.
3. Upon issuing the draft audit report, the audit firm schedules an Exit Conference and notifies the USAID/WBG of the date, time and venue. The audit firm should provide at least five working days between the date they issue the draft audit report and the date of the exit conference allowing the partner and USAID/WBG time to review the draft audit report and prepare for the exit conference.
4. USAID/WBG representatives may attend the exit conference if deemed necessary. USAID/WBG representatives typically attend exit conferences when there are audit findings.
5. Exit Conference is held to: 1) discuss the PCA process from date of Exit Conference to date of submission of final signed audit report, 2) to discuss the results of and any findings from the audit, and 3) to provide the auditee’s/examinee’s management opportunity to refute ot nullify findings or provide explanations.

USAID/West Bank and Gaza may also provide written comments on the draft audit report concerning the facts and conclusions contained in the report in order to obtain the best possible end product. USAID representatives may also attend the exit conference for the same purpose. However, the USAID comments on the draft report and at the exit conference will not be binding on the public accounting firm.

1. If based on the discussion in the exit conference, the partner has any additional comments or responses to the findings, the auditors shall allow the partner reasonable time (typically, 10 working days) to provide written comments/responses to each of the findings in the audit report.
2. Any findings not resolved during the exit conference or by the additional comments or responses submitted by the partner after the exit conference must be included in the audit report.
3. The audit firm evaluates and responds to each of the auditee’s management comments or responses, and incorporates them verbatim for each finding under the relevant finding and collectively in an appendix in the draft audit report. Then, the audit firm finalizes the report (sign and date it) and submits copies to the partner.

If the auditee’s 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 partner without management comments.

1. The partner submits the final draft audit report to the USAID/WBG at WBGPCA@usaid.gov. The USAID/WBG Financial Management Office will conduct a general review of the report before submitting to RIG/Frankfurt. If there are any issues, the USAID/WBG sends the audit report to the audit firm copying the partner to have it fixed by the auditors before it is submitted to the RIG/Frankfurt.
2. The USAID/WBG submits signed electronic copy of the finalized draft report to RIG/Frankfurt for technical desk review and issuance of the final report including recommendations, if any.

NOTE: Final draft reports must be received by USAID/WBG no later than seven months after the end of the audited period or the date of the audit notification letter, whichever is later.

All of the steps above are applicable to sub-partners as well, but they are all done with the USAID/WBG through the prime partner.

The prime partner is responsible for ensuring that its sub-partners comply with the USAID/WBG Partner Contracted Audit guidelines and process.