**USAID West Bank and Gaza Partner Contracted Audit *Guidelines***

1. **Background**

Since Fiscal Year 2003, the U.S. Congress has mandated in its annual appropriations laws that the USAID shall ensure that “all contractors and grantees, and significant sub-contractors and sub-grantees, under the West Bank and Gaza Program” be subject to Federal or non-Federal audits at least annually.

Also, since Fiscal Year 2003, the USAID Regional Inspector General office in Cairo (RIG/C) has been managing these mandated audits for the Mission. Starting in FY 2011, USAID/WBG is responsible for managing these audits (the audit program), and has decided to manage it as Partner Contracted Audit (PCA) program.

1. **Guidelines:**

The West Bank and Gaza Partner Contracted Audit (PCA) program follows the same audit methodology and process in the Office of Inspector General’s Recipient Contracted Audit Guidelines dated February 2009.

The OIG Guidelines could be found at:

<http://www.usaid.gov/oig/guidelines_for_financial_audits_contracted_by_foreign_recipients_02-09-2009.pdf>

The USAID/WBG PCA guidelines consist of this document and the following documents:

1. [Audit Process](http://transition.usaid.gov/wbg/misc/Process/USAID%20WBG%20PCA%20Guidelines%20Attachment%201.docx) – Attachment 1
2. [List of Audit Firms](http://transition.usaid.gov/wbg/misc/List%20of%20Audit%20Firms/USAID%20WBG%20PCA%20Guidelines%20Attachment%202.xlsx) – Attachment 2
3. [Guidance on Selecting SOW](http://transition.usaid.gov/wbg/misc/Audit%20Scopes%20of%20Work/USAID%20WBG%20PCA%20Guidelines%20Attachment%203.xlsx) – Attachment 3
4. [SOW for Audit of Fund Accountability Statement](http://transition.usaid.gov/wbg/misc/Audit%20Scopes%20of%20Work/Final%20SOWs%20per%20Feedback%20from%20Workshop/Funds%20Accountability%20Statement%20SOW%20-%20Attachment%204.docx) – Attachment 4
5. [SOW for Audit of Cost Representation Statement](http://transition.usaid.gov/wbg/misc/Audit%20Scopes%20of%20Work/Final%20SOWs%20per%20Feedback%20from%20Workshop/Costs%20Representation%20Statement%20SOW%20-%20Attachment%205.docx) – Attachment 5
6. [SOW for Examination of Compliance](http://transition.usaid.gov/wbg/misc/Audit%20Scopes%20of%20Work/Final%20SOWs%20per%20Feedback%20from%20Workshop/Examination%20of%20Compliance%20SOW%20-%20Attachment%206.docx) – Attachment 6
7. [Guidance on Locally Incurred Costs](http://transition.usaid.gov/wbg/misc/Definition%20and%20Examples%20of%20Locally%20Incurred%20Costs.docx) – Attachment 7

The USAID/WBG Guidelines differ and departs from the OIG Guidelines in the following areas:

1. Under the OIG Guidelines, the terms recipient and sub-recipients mean foreign, or non-U.S. recipients of assistance awards. Under the USAID/WBG audit program, the term partner is used instead of recipient and it means U.S. or non-U.S. prime contractors, or grantees whether for-profit or not-for-profit regardless of the contractual instrument used (contract, grant, cooperative agreement, fixed obligation grant, task orders, etc.). Similarly, under the USAID/WBG audit program the term sub-partner is used instead of sub-recipient and it means U.S. or non-U.S. subcontractors, or sub-grantees whether for-profit or not-for-profit regardless of the contractual instrument used (subcontract, sub-grant, sub-cooperative agreement, sub-fixed obligation grant, etc.).
2. Under the OIG Guidelines, all incurred costs are audited. Under the USAID/WBG audit program, only locally incurred costs are subject to an audit.

Locally incurred costs mean costs that were incurred locally in the West Bank, Gaza, or Israel by the partner/sub-partner even if paid in or from the U.S. Locally incurred costs paid in the U.S. are considered in an audit only if they are “material”. The audit firm is responsible for assessing and determining the materiality threshold. Locally incurred costs do not include expatriate related costs paid in the U.S. The expatriate related costs that are excluded from locally incurred costs are their salaries, allowances, and related overhead charges paid in the U.S. Locally incurred costs include costs that are incurred locally by long-term and short-term expatriate staff and consultants.

1. In the OIG Guidelines, the audit threshold for prime non-U.S. partners is $300,000 expended in their fiscal year. Under the USAID/WBG audit program, there is no threshold for prime non-U.S. partners; all are audited regardless of amount expended annually.
2. Under the OIG Guidelines, a recipient who receives direct assistance from USAID under more than one agreement, and also receives indirect assistance from USAID as a sub-recipient from either foreign or U.S. prime recipients, the recipient must have one annual recipient-contracted audit performed that would cover all USAID funding received from all sources. Under the USAID/WBG audit program, only one award is selected for audit (please see bullet point no. 1 under section 3 below for greater details).
3. Under the OIG Guidelines, the audited period is the recipient’s or sub-recipient’s fiscal year. Under the USAID/WBG audit program, the audited period is not necessarily the partner’s or sub-partner’s fiscal year. For example, for prime partners it could be USAID’s fiscal year or any other period determined by USAID/WBG.
4. Under the OIG Guidelines, a U.S. sub-recipient that expends $500,000 or more in USAID awards in its fiscal year is subject to U.S. Office of Management and Budget Circular A-133 audit requirements and will not require a separate recipient-contracted audit. Under the USAID/WBG audit program, a U.S. sub-partner that expends $500,000 or more in USAID/WBG awards in its fiscal year is subject to audit on its locally incurred costs.
5. Under the OIG Guidelines there is only one standard audit scope of work which is for the audit of the fund accountability statement. Under the USAID/WBG audit program, there are three different audit scopes of work depending on the type of award ([Attachment 3](http://transition.usaid.gov/wbg/misc/Audit%20Scopes%20of%20Work/USAID%20WBG%20PCA%20Guidelines%20Attachment%203.xlsx)).
6. Under the OIG Guidelines, the Cognizant Mission is not responsible for or required to create audit universe and plan for sub-recipients. Under the USAID/WBG audit program the Mission creates the audit universe and plans for the significant sub-partners and notifies the selected sub-partners through their prime partners.
7. Under the OIG Guidelines, audit reports of sub-recipients are not sent to the Cognizant Mission or the Regional Inspector General for review and issuance. Under the USAID/WBG audit program, the audit reports of sub-partners are issued separately and submitted to the RIG/Cairo through the USAID/WBG mission for review and issuance.
8. **Partner Contracted Audit Criteria**

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| Awardee | Threshold to be Included in WBG Partner Contracted Audit Plan | Audit Frequency |
| U.S. and Non-U.S. Primes | None -All are audited regardless of amount expended under USAID/WBG Program. | Annual |
| U.S. Sub-partner | $500,000[[1]](#footnote-1) or more expended in USAID/WBG Awards in their fiscal year. | Annual |
| Non-U.S. Sub-partner | $300,000[[2]](#footnote-2) or more expended in USAID/WBG Awards in their fiscal year. | Annual |

1. If a prime partner or sub-partner is implementing under multiple ongoing awards and/or sub-awards, only one of these awards needs to be audited on an annual basis in order to meet the requirements of the appropriations law. However, the Mission has discretion to select more than one or all of the ongoing awards and/or sub-awards for audit under the annual audit plan. If a partner is a prime and a sub at the same time, the Mission does not necessarily have to do any audits of the sub-awards. The legislation requires the Mission and the OIG to annually audit all prime partners (but not every award of the partner) and all significant sub-partners (but not every award or sub-award of the sub-partner).
2. Under the USAID/WBG audit program, no more than two consecutive audits of the same awardee/sub-awardee (determined at the organization level and not at the award level) are permitted by the same audit firm. This restriction is applied at the organization/partner level rather than the award level because the appropriations law requires that all contractors and grantees, and significant subcontractors and sub-grantees to be audited and not all awards/sub-awards to be audited.
3. **Point of Contact:**

For assistance with or questions about the USAID/WBG Partners Contracted Audit program and guidelines, please submit your requests and inquiries to the following e-mail address:

WBGPCA@usaid.gov

1. Per appropriation law, all significant sub-partners must be audited. The USAID/WBG is using the same threshold used in the OMB Circular A-133 ($500,000) to determine significant U.S. sub-partners. The USAID/WBG has discretion to use a lower threshold. [↑](#footnote-ref-1)
2. Per appropriation law, all significant sub-partners must be audited. The USAID/WBG is using the same threshold used in ADS 591 and the OIG Guidelines ($300,000) to determine significant non-U.S. sub-partners. The USAID/WBG has discretion to use a lower threshold. [↑](#footnote-ref-2)