**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 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.

In addition to meeting the above stated Congressional audit mandate, USAID/WBG must also meet USAID’s own audit requirements set in its Automated Directive System (ADS) Chapters 590 and 591, and the audit guidelines set in the Office of Inspector General’s Recipient Contracted Audit Guidelines dated February 2009 (OIG Guidelines).

The USAID Regional Inspector General office in Cairo (RIG/C) managed the mandated audits for the Mission from 2003 to 2010. Starting in FY 2011, USAID/WBG assumed responsibility for managing these audits through a Partner Contracted Audit (PCA) program.

1. **Guidelines**

The West Bank and Gaza PCA program follows the same audit methodology and processes laid out in the OIG Guidelines, which are found at:

<https://oig.usaid.gov/sites/default/files/guidelines_for_financial_audits_contracted_by_foreign_recipients_02-09-2009.pdf>.

The USAID/WBG PCA guidelines, found at <https://www.usaid.gov/west-bank-and-gaza/partnership-opportunities>, consist of the OIG Guidelines and the following documents:

1. [USAID/WBG Partner Contracted Audit Process](http://transition.usaid.gov/wbg/misc/Process/USAID%20WBG%20PCA%20Guidelines%20Attachment%201.docx) – Attachment 1
2. [USAID/WBG 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 Selection of the Appropriate 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 from the OIG Guidelines and the Agency’s audit requirements in the following important areas:

1. Pursuant to OIG Guidelines, the terms recipient and sub-recipient mean non-U.S. recipients or sub-recipients of assistance awards (grants and cooperative agreements). Under the USAID/WBG audit program, the term partner or sub-partner is used instead of recipient or sub-recipient, respectively, and it refers to both U.S. or non-U.S. prime or sub partners; whether for-profit or not-for-profit and regardless of the contractual instrument used (contract/sub-contract, grant/sub-grant, cooperative agreement, fixed amount awards/sub-awards, indefinite quantity contracts, task orders, etc.).
2. Under the Agency’s audit requirements, fixed price contracts/subcontracts and fixed amount awards/sub-awards are not subject to the annual audit requirements. Under the USAID/WBG audit guidelines, and in order to meet the congressional audit mandate, fixed price/amount type contracts/awards or subcontracts/sub-awards are subject to annual examinations of compliance with the terms and conditions of the award/sub-award. This is true for both U.S. and non-U.S. organizations.
3. Under the Agency’s audit requirements, the Agency/Mission must conduct an annual risk assessment of its U.S. and non-U.S. for-profit partners/organizations (contractors and recipients) to determine which to be audited. Under the USAID/WBG audit guidelines, there is no need to conduct this annual risk assessment because per the Congressional audit mandate, all prime for-profit contractors and significant for-profit subcontractors are subject to audit at least annually.
4. Under the OIG Guidelines (applicable to non-U.S. recipients/sub-recipients) and the Agency’s audit requirements (applicable to both U.S. and non-U.S. partners/sub-partners), all costs incurred worldwide under all USAID prime and sub awards are audited when the partner/sub-partner is subject to or selected for audit. Under the USAID/WBG audit program, when a U.S. or non-U.S. partner/sub-partner is subject to audit, typically, only locally incurred costs are audited unless USAID/WBG decides to expand the audit SOW to include all costs incurred.

Locally incurred costs is defined as costs that were incurred locally in the West Bank, Gaza, or Israel by the partner/sub-partner even if purchased from or paid in the U.S. Locally incurred costs purchased from or 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 expatriate 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; prime non-U.S. partners are audited regardless of amount expended annually. (See Section III below for greater detail on the selection criteria.)
2. Pursuant to Agency audit requirements, a U.S. 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, and the total amount expended under these prime and sub awards collectively is $750,000 or more, 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, and preferably a prime award, of such U.S. organization is selected for audit. (See Section III below for greater detail on the selection criteria.)
3. Both the OIG Guidelines and the Agency’s audit rules define the audited period as the recipient’s or sub-recipient’s fiscal year. Under the USAID/WBG audit program, while USAID/WBG adheres to and implements this policy to the extent possible, the audited period may not necessarily be the partner’s or sub-partner’s fiscal year. For example, for close-out audits, the period under audit may be less or more than 12 months. In addition, USAID/WBG, depending on when an award was awarded in a given year, may select an annual audit period that matches USAID’s fiscal year or the award date in order to minimize the number of required audits and save U.S. Government funds spent on audits. Moreover, for significant sub-partners, the audit period will depend on the period of the sub-award(s) subject to audit; most of the sub-awards under the WBG Program are for periods less than a year.
4. In the OIG Guidelines there is only one standard audit scope of work which is for the audit of the fund accountability statement. However, the USAID/WBG audit program encompasses three different audit scopes of work, depending on the type of the award/sub-award. ([Attachment 3](http://transition.usaid.gov/wbg/misc/Audit%20Scopes%20of%20Work/USAID%20WBG%20PCA%20Guidelines%20Attachment%203.xlsx))
5. Under the OIG Guidelines, the Cognizant Mission is not responsible for or required to create an audit universe and plan for the 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.
6. 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/Frankfurt through the USAID/WBG mission for desk review and issuance.
7. **USAID/WBG Partner Contracted Audit Selection Criteria**

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| Awardee | Threshold to be Included in WBG Partner Contracted Audit Plan | Audit Frequency |
| U.S. and Non-U.S. Prime Awardees | None -All are audited regardless of amount expended under USAID/WBG Program. | Annual |
| U.S. Sub-partner | $750,000[[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 U.S. organization is concurrently implementing under multiple prime and sub awards, only one of these awards, preferably a prime award, needs to be audited on an annual basis in order to meet the requirements of the appropriations law. If the U.S. organization has multiple sub-awards only and it expended more than $750,000 in its fiscal year under the WBG Program, the Mission needs to select only one sub-award for audit. 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. 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. If a non-U.S. organization is concurrently implementing under multiple prime and sub awards under the WBG Program, and it collectively under all the prime and sub awards expended $300,000 or more in its fiscal year, all of the prime and sub awards must be audited in order to meet the Agency’s audit requirements. If this same non-U.S. organization collectively expended under its prime and sub awards less than $300,000 in its fiscal year, only one prime award needs to be selected for audit to meet the Congressional mandate. If a non- U.S. organization is concurrently implementing under multiple sub-awards only (no prime awards), and it collectively expended less than $300,000 in its fiscal year, there is no need to audit. If this same non-U.S. organization collectively expended under its sub awards more than $300,000 in its fiscal year, all of the sub-awards are selected for audit to meet the Agency’s audit requirements. 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.
3. The USAID/WBG audit program requires that 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 U.S. appropriations law requires that all contractors and grantees, and significant subcontractors and sub-grantees must be audited rather than all awards/sub-awards. The USAID/WBG Controller may approve deviations from the above rule on a case by case basis.
4. **Point of Contact:**

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

WBGPCA@usaid.gov

1. Per appropriation law, all significant sub-partners must be audited. USAID/WBG uses the same threshold used in the OMB Circular A-133 or 2 CFR 200, subpart F, as applicable ($750,000) to determine significant U.S. sub-partners. USAID/WBG has discretion to use a lower threshold. [↑](#footnote-ref-1)
2. Per appropriation law, all significant sub-partners must be audited. USAID/WBG uses the same threshold used in ADS 591 and the OIG Guidelines ($300,000) to determine significant non-U.S. sub-partners. USAID/WBG has discretion to use a lower threshold. [↑](#footnote-ref-2)