Answers to Frequently Asked Questions on the USAID/WBG PCA Program

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|  | Who should notify USAID/WBG of the date, time and place of the entrance conference and exit conference, the partner or the audit firm? |
|  | Answer:This is left to the partner and the audit firm to agree on as long as one of them timely notifies the USAID/WBG. Nonetheless, the USAID/WBG prefers that the audit firm notifies it because it is the audit firm’s responsibility to schedule and hold these meetings, and because the audit firms are well experienced with the process and are in the habit of regularly doing this. |
|  | Per USAID WBG Partner Audit Guidelines, in most cases locally incurred costs are subject to an audit. Does this mean that the overhead costs are not subject to audit? |
|  | Answer:For U.S. recipients, if records are accessible locally, the auditors should determine if the recipient correctly applied the USAID authorized indirect cost rates to charge indirect costs to USAID for the period audited. Please see the scopes of work for the audit of the funds accountability statement and the cost representation statement for greater details on the auditors’ scope in this regard. Generally, The audit firms will check and verify whether the correct overhead rate (NICRA) is being applied (i.e., arithmetical calculation to verify accuracy of amount). The audit firms will not audit overhead costs to determine the overhead costs or NICRA rate which is done in the U.S. through OMB A-133 audits or special NICRA audits. USAID/WBG does not provide for overhead rates or NICRA to local partners. |
|  | Item no. 23 of the audit process (Attachment 1 to the PCA guidelines), there is a possibility that USAID WBG may request modifications to the audit report after it is being signed and released by the audit firm which presents a technical issue to the audit firms because the firm may have to dual date the audit report. Could this happen? |
|  | Answer:No. USAID/WBG’s review of the draft report should not result in requesting additional audit steps as USAID/WBG’s role is limited to a general review for completeness, accuracy, typos, etc. However, RIG/F is responsible for conducting a technical desk review of the report, and if RIG/F asks for additional audit work as a result of their technical review, the audit firm might have to revise the date of or dual date the audit report. |
|  | Our organization is a Prime for two USAID awards and a significant sub-awardee for another USAID award.  Should we contract an external auditor for each of our prime awards?  Also will we have to be audited for the sub-award as well? |
|  | Answer:It depends on whether your organization is a U.S. or a non-U.S. organization.For U.S. organizations, in order for the USAID/WBG to meet the congressional requirement set in its appropriation law, the USAID/WBG needs to select only one award or sub-award of a partner’s multiple awards/sub-awards. USAID/WBG will typically select a prime award for audit. However, the USAID/WBG has the discretion to audit any number or combination of awards/sub-awards.If USAID/WBG selected only one award (most certainly so) from the two prime awards you mention to be audited under its annual audit plan, then you do not need to contract an independent audit firm to audit the remaining award and sub-award either separately or collectively in order to meet USAID/WBG PCA guidelines and requirements. However, you still must comply with the Agency’s financial audit requirements. While USAID/WBG audits under its PCA program usually cover locally incurred costs, the audits under the Agency’s financial audit requirements cover all U.S. federal awards, sub-awards, and funds received and expended worldwide by the organization.If you are a U.S. nonprofit recipient of assistance awards (i.e., the two prime awards and the sub-award are all grants or cooperative agreements), in order for you to meet the Agency’s financial audit requirements, you must include all of your assistance awards and sub-awards under the WBG Program along with all of your U.S. federal assistance awards and sub-awards worldwide in your annual OMB Circular A-133 or Subpart F of 2 CFR 200 audit, as may be applicable. In other words, the two prime awards and the sub-award must be included in and audited under your annual OMB Circular A-133 or Subpart F of 2 CFR 200 audit, as may be applicable. For non-U.S. Organizations, if your organization expended $300,000 or more in its fiscal year in USAID funds collectively under all of your prime and sub-awards, all USAID funds must be audited. Hence, all of your organization’s prime and sub-awards will be audited regardless of how much your organization expended under each award or sub-award separately/individually. USAID/WBG will issue to your organization one audit notification letter listing all prime and sub awards. Your organization will have to contract one audit firm to conduct one audit/engagement of all awards and issue one report for all (i.e., one audit, one report).  |
|  | What is the time needed by the Mission to respond to partners’ requests for approving the SOW or the selection of the audit firm? |
|  | Answer:Generally, two weeks for the SOW, and three weeks for the selection memorandum and the draft audit contract. |
|  | Assume our contract ended on August 30, 2011 and our organization has shut down the project and shipped everything to the U.S., and no funds are remaining in the contract to cover the audit cost. USAID/WBG notified us sometime in October that our award is subject to Audit. Our question is who will pay for the following:1. Audit fees.
2. Shipping back the document from the US.
3. LOE for person who manage the Audit.
4. Other expenses: office space, phone bills, etc.
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|  | Answer:If there are indeed no funds remaining in the contract, please contact the USAID/WBG contracting office at OCMAUDIT@usaid.gov to discuss and come up with a solution. Typically in these cases, the USAID/WBG will procure the audit engagement and pay for it directly.If there are no remaining funds in the award and it has ended, the shipping costs, other related indirect costs, and the LOE are the responsibility of the auditee/awardee. The auditee/awardee cannot charge USAID for these costs. Contractually, it is the responsibility of the partner to keep and make its records available for audit generally three years from the end of the award.If there are funds in the contract, the partner can still incur closeout related expenses such as a close-out audit up to 90 days after the end of the award. Such costs could be submitted to USAID in the final voucher. In this case, the auditee/awardee can charge USAID for the shipping costs and other ancillary costs related to the audit. |
|  | What is the role of the prime in the audits of sub-partners? |
|  | Answer:USAID/WBG does not have a contractual relationship with primes’ sub-awardees. Thus, prime awardees are ultimately responsible to USAID/WBG for the audits/examinations of their sub-awardees and their outcome (findings, questioned costs, non-compliance, etc.).The prime awardee must ensure that audits/examinations of its significant sub-awardees are timely conducted in accordance with both, the USAID/WBG requirements and the Agency’s financial audit requirements.The prime awardee must be involved in the audit/examination process of its sub-awardee(s) from start to finish. The USAID/WBG transmits the audit/examination notification letters to the significant sub-awardees selected for audit under its annual audit plan through the prime awardee. If the sub-awardee(s) is/are contracting for its/their own audit/examination, the sub-awardee(s) submit the scope of work, the selection memo, and the draft audit contract to the USAID/WBG for its approval through the prime awardee. In addition, the prime awardee must be present at the entrance, closing, and exit meetings for the audit of its sub-awardee(s).  |
|  | Does USAID have a preference as to whether the prime contracts for the audit of its sub-awardee(s) or have its sub-awardee(s) contract for their own audits? |
|  | Answer:USAID/WBG prefers that the prime awardees contract for and manage the audit of their sub-awardees. However, this is left to the prime awardees’ discretion to decide. |
|  | How does the process change depending on whether the audit is contracted by the prime or directly by the sub-partner, if at all? |
|  | Answer:The process itself does not change. However, if the sub-awardee is contracting for and managing its own audit, all communications with and submissions to the Mission for its approval have to go through and come from the prime awardee.  |
|  | Our program has a large sub-grants component with seven major partners that would all require audits based on guidelines provided by USAID. In cases where they have other USAID funded programs as prime recipients, does this mean that their activities as sub-partners will not be audited?  |
|  | Answer: Please see answer to question no. 4 above.In order for USAID/WBG to meet the congressional mandate in its appropriations law, USAID/WBG needs to select one award or sub-award of a partner organization under the WBG Program for audit in its annual audit plan. When a partner has multiple awards and sub-awards, USAID/WBG typically selects a prime award for audit.However, in order for the prime to meet its responsibility under the Agency’s financial audit requirements, the prime must ensure that all of its sub-awardees’ U.S. federal prime awards and sub-awards received worldwide are included in their annual OMB Circular A-133.  |
|  | For budgeting purposes, could USAID share with the partners the average cost of an audit/examination based on its prior experience?  |
|  | Answer:USAID/WBG cannot share this information for confidentiality reasons. Also, USAID/WBG wants to keep the process competitive, and sharing this information with you could build certain expectations on the partners’ and the audit firm’s part. USAID/WBG and RIG/F want the process to be market driven and not average cost driven.However, if through its review and approval process of the solicitation memorandum and the draft audit contract, USAID/WBG notices that the price(s) proposed by the audit firm(s) is/are very high or very low, USAID/WBG will bring this up to your attention. |
|  | Will primes’ audits extend to the sub-grantees or will they only cover the prime’s directly incurred expenditures? If the latter, can the SOW be modified to include a full audit of sub-awards? |
|  | Answer:Audits of prime awardees will cover the prime’s expenses. The auditors will not go to the prime’s sub-awardees premises to audit their books and records. The auditors will audit prime’s payments made to sub-awardees to make sure that these are allowable, reasonable, allocable, made according to the sub-awards’ terms, etc.If the prime awardee wishes to audit a sub-awardee that is not subject to audit under the USAID/WBG PCA guidelines (i.e., USAID/WBG did not send the prime a notification letter for an audit/examination) or the Agency’s financial audit guidelines, the prime could do so. If USAID/WBG did not issue a notification letter for a sub-awardee because it is not subject to audit under its PCA guidelines, the prime does not have to (but could) follow or use the PCA guidelines, process, scopes work, or use the listed audit firms. In addition, in this case, the prime does not need to submit the sub-awardee’s SOW, selection memorandum and draft audit contract, or the draft or final audit reports to the USAID/WBG or the RIG/F for their review and approval. In addition, the cost of such audit cannot be charged to the USAID award/funds unless the prime receives authorization from the contracting officer to do so.If the prime wants to audit a sub-awardee who is otherwise not subject to audit under the WBG PCA guidelines or the Agency’s financial audit guidelines, the prime can develop and use its own scope of work. However, if the prime wants to use the WBG PCA guidelines and process, the prime does not need to or have to modify the applicable scope of work. The prime could just fill in the title, background, terms of performance and payment terms in the applicable scope of work, and use that for the solicitation of the audit firms and the audit contract. |
|  | What do prime awardees need to do when there are no adequate funds in the agreement to pay for the USAID/WBG audit for which the prime received a notification letter? |
|  | Answer:In this case, please contact the USAID/WBG contracting office at OCMAUDIT@usaid.gov. |
|  | What is the audit timeframe for each step under the PCA program? |
|  | Answer:Please refer to the time chart and table that USAID/WBG included in its workshop binder which is posted on the Mission’s website at the following address <https://www.usaid.gov/west-bank-and-gaza/partnership-opportunities> (please scroll to the bottom of the page). The overall time frame is seven months for the auditee to submit the final draft audit/examination report to the USAID/WBG for review and submission to the RIG/F. In general the USAID/WBG suggests that 3 months should be allocated to the SOW, solicitation, selection, and signing the audit contract stages or phase, and four months for the audit field work from the entrance conference through submission of the final draft audit report to the USAID/WBG for review and submission to the RIG/F. In addition, in the time chart USAID/WBG suggests a time frame for each of the twelve steps of the process from preparing the SOW to submitting the final draft audit report to the USAID/WBG mission. |
|  | Can auditors be contracted for two years under the USAID/WBG PCA program? |
|  | Answer:No. RIG/C has been doing the selection process every year. USAID/WBG wants to continue this practice. The USAID/WBG prefers from experience and best practice point of view that the auditees do the solicitation and selection process every year. The process has to be competitive, transparent, and objective every year. |
|  | Can the prime use the same auditors for its own audit and that of sub-partners? |
|  | Answer:Yes, USAID/WBG prefers that the prime awardees manage and contract their own audit and those of their sub-awardees. This is efficient way of managing audits. |
|  | Who determines the awards to be audited under the USAID/WBG PCA program? |
|  | Answer:USAID/WBG’s Controller’s office, in consultation with the USAID/WBG’s contracting office and technical offices, develops the prime awardees’ and sub-awardees’ audit universes and plans (i.e., who gets audited) every year. The USAID/WBG annual audit plan is prepared to meet the audit rules and requirements set in the Appropriation Law for WBG and the Agency’s financial audit requirements.  |
|  | Can the number of listed audit firms under the USAID/WBG PCA program be increased? |
|  | Answer:Yes, but in the meanwhile, partners can only solicit proposals from the listed audit firms (Attachment 2). |