

Request for Quotation (RFQ) for the Service of ADS 591 Audit 21-20-2-735

1 ABOUT SHAFAK

Şafak Derneği is a humanitarian organization, currently operating in SYRIA, dedicated to alleviating the suffering of the poorest of the poor. We are a non-denominational, non-governmental and non-political organisation. For more information on SHAFAK and its operations please visit www.shafak.org.

2 TIMELINES

Line	Item	Date, year, time, and time-zone
1	RFQ publish date	8 th June 2021
2	Closing date and time for receipt of quotations	18 th June 2021
3	Expected date of contract award	29 th June 2021

3 SUPPLY REQUIREMENT

SHAFAK invites eligible companies for conducting ADS 591 Audit to submit their quotation for the Audit of the Fund Accountability Statement and "Close out Audit for the USAID resources managed by Shafak Organization under the 7 projects as mentioned in Appendix 1 A for the period from 01.01.2020 to 31.12.2020".

The External Audit & Independent Auditors report of SHAFAK Auditor shall undertake this engagement in accordance to the Terms of Reference 'STANDARD STATEMENT OF WORK FOR FINANCIAL AUDITS OF NON-U.S. ORGANIZATIONS' as detailed in Appendix 1.

4 TERMS OF BIDDING

SHAFAK, acting in its capacity as Contracting Authority, invites bidders from suitably qualified interested parties that wish to participate to provide ADS 591 Audit & Independent Auditors report as described in Appendix 1.

Any queries about this RFQ should be addressed in writing to SHAFAK via email on procurement@shafak.org, email subjects should contain the reference "**21-20-2-735 ADS 591 Audit**".

The deadline for receiving queries will be on **15th June 2021**.

5 CONDITIONS OF QUOTATION SUBMISSION

- Quotations must be filled and completed in English. Quotations not received in English Language will be rejected.
- Only Companies eligible for conducting ADS 591 Audit invited to submit their bid.
- The Tenderer shall bear all costs incurred in the preparation and submission of its Tender, including visits, interviews, meetings of clarifications and other actions mentioned in or implied by these Instructions. Shafak will not be responsible or liable for such costs, regardless of the conduct or outcome of the tendering process.
- **Due to COVID-19 circumstances, the awarded bidder could conduct the mission either in Shafak office in Gaziantep, Turkey, or remotely from their workplace, considering the audit efficiency requirements**
- Shafak will enter into a contract with the eligible Tenderer having presented the most economically advantageous Tender based on the established Criteria and the Method of Evaluation.
- Bidders must respond to all requirements set out in this RFQ and complete their offer in the format provided in Section 7.
- In the event of a contract being awarded to a bidder that has knowingly withheld relevant information or otherwise misled SHAFAK in the evaluation process in any way, then that contract will be rendered null and void
- Any conflicts of interest involving a tenderer must be fully disclosed to SHAFAK particularly where there is a conflict of interest in relation to any recommendations or proposals put forward by the tenderer. Successful vendor shall sign conflict of interest before signing contract.
- SHAFAK is not bound to accept the lowest price or any bid submitted, and can terminate this competition at any stage, without holding any legal or financial liability on SHAFAK part.
- Information supplied by respondents will be treated as contractually binding.
- Unsuccessful bidders will be notified by written.
- SHAFAK's standard payment terms are by bank transfer within 30 days after satisfactory implementation, receipt, and acceptance of the final audit report and relevant documents in order.
- This document is not construed in any way as an offer to contract.
- SHAFAK and all contracted suppliers, and their subcontractors, associates, or partners must act in all its procurement and other activities in full compliance with donor requirements, the local applicable laws, and the highest ethical standards.
- Audit firm has sufficient quality control program in place that meets the GAGAS quality control and external peer review standards
- Audit firm has received a passing quality control review within three years
- Audit firm requires continuing professional education (CPE) meeting GAGAS for audit partners and audit staff.
- Audit firm senior staff has a Chartered Accountants or Certified Public Accountant designation.
- The Audit Firm should have at least three years' experience in performing external audits for NGOs including experience in USAID funds audits, and good past performance in terms of quality and timeliness. (References from independent sources that can provide information on firms' past performance should be requested).

- **Bidders are requested to submit their prices in one or two cases as they prefer as the following:**
 - **To conduct the mission at Shafak office in Gaziantep, Turkey if they prefer.**
 - **To conduct the mission at their own workplace, if they prefer.**

6 SUBMISSION OF QUOTATIONS

Quotes must be delivered in the following ways:

- The original of the Tender shall be signed by a person or persons duly authorised to bind the Tenderer.
- The Tender shall remain valid and open for acceptance for the period of 90 days from the Submission closing date. Prior to this expiry date Shafak may by written notice request the Tenderer to extend the validity period.

Email to ads591audit2020fy@shafak.org and in the subject field state:

1. **21-20-2-735 ADS 591 Audit**
2. **Name of your company**
3. **Number of emails that are sent e.g. 1 of 3, 2 of 3, 3 of 3.**

If submitting by e-mail, please note that all documents attached to emails must either be in PDF format, or coloured scans of hard copy documents. No excel, word or other ‘soft copy’ documents will be accepted and bids submitted using soft copy documents may be rejected.

1. In a sealed envelope to the following address:
**Şafak Derneği (SHAFAK Organization),
EMEK Mahallesi 19075 Nolu Sokak No: 4/1
Şehitkamil / GAZİANTEP /Türkiye**

Your proposal, in original, should be sealed in an envelope addressed as follows:

Request for Offer for SHAFAK

SHAFAK Reference “**21-20-2-735 ADS 591 Audit**”

7 SUBMISSION CHECKLIST

Line	Item	Tick attached
1	This document, with section 9 filled in and signed	
2	Financial offer in bidder’s own format, conforming to the guidelines for submission in Appendix 1.	
3	Appendix 2 - Declaration of Personal and Legal Circumstances, signed	
4	The Audit Firm should have at least 5 years’ experience as licensed audit firm (<i>Valid license and registration documents should be submitted</i>)	
5	3 Client References	

6	Company Registration document	
7	Most recent Tax Clearance Certificate, letter of No Tax Debt, receipt of payment of taxes or similar from the country of registration. If the bidder is not eligible for tax, please include a letter to explain why.	
8	The Auditor has to be a member of which in turn is a member of the International Federation of Accountants (IFAC). Although the Auditor is not member of the IFAC, the Auditor commits himself to undertake this engagement in accordance with applicable IFAC standards and ethics.	
9	Specification/quality & compliance with international norms	
10	Conflict of Interest Declaration.	

8 EVALUATION PROCESS, ESSENTIAL & AWARD CRITERIA

The first phase of evaluation of the responses will determine whether the tender meets the essential criteria. These are:

ESSENTIAL CRITERIA

- Bid submission by the deadline date.
- Submission of all supporting documents as outlined above in section 7 (submission Checklist) must be in English. documents not in the English Language will not be considered. Regarding official and registration documents, it should be translated into English by a sworn translator
- All costs must be quoted in USD, costs not quoted in USD will lead to reject the offer.
- The Auditor has to be a member of an association which in turn is a member of the International Federation of Accountants (IFAC). If the Auditor is not a member of the IFAC, the Auditor commits to undertake this engagement in accordance with applicable IFAC standards and ethics.
- The Auditor has to be able to start their mission by July 06, 2021.

The second stage of the evaluation will involve an assessment of the bidders' personal and legal circumstances, economic and financial standing, and technical capacity to fulfil the obligations of the Request for Quotation.

Each proposal that conforms to all of the above will then be evaluated according to the following Award Criteria. Any bids that do not conform to all of the above will be rejected at this stage.

AWARD CRITERIA

Bidders will be awarded marks under each of the award criteria listed in this section to determine the most economically advantageous tenders.

1. Price 20%
2. Timescale 20% (bidder is required to submit timetable for the auditing process)
3. Previous experience & capacity 60%
4. Specification/quality & compliance with international norms (pass/fail)

Marks for price will be awarded on the inverse proportion principle:

$$\text{Score}^{\text{vendor}} = \text{maximum score} \times (\text{price}^{\text{min}} / \text{price}^{\text{vendor}})$$

9 COMPANY INFORMATION – THESE SECTIONS MUST BE COMPLETED

Name		
Company Name		
Address		
Registration Number		
Telephone		
E-mail address		
Website address		
Year Established		
Legal Form. Tick the relevant box	<input type="checkbox"/> Company <input type="checkbox"/> Partnership <input type="checkbox"/> Joint Venture	<input type="checkbox"/> Other (specify):
Valid VAT/ Tax Number		
Directors names and titles		
Please state name of any other persons/organisations (except tenderer) who will benefit from this contract.		
Parent company		
Ownership		
Do you have associated companies? Tick relevant box. If YES – provide details for each company by submitting additional tables in this format.		
<input type="checkbox"/> Yes <input type="checkbox"/> No		
Provide details of contracts of a similar nature carried out in the last three years (please state customer name, delivery location, value of contract, and dates). These details will be kept confidential by SHAFAK, and will not be shared to any nonrelevant parties/persons.		
Provide details (with attachment) of any applicable Quality Assurance certificates or qualifications your company or employees have:		

A statement of overall turnover and turnover in respect to the goods and services offered under the proposed agreement for the last three years as per the following table:

Year	Offered Services Turnover USD	Overall Turnover USD
2018		
2019		
2020		

Please include at least 3 (three) references who may be contacted on a confidential basis to verify satisfactory execution of contracts:

Reference 1

Name	
Organisation	
Address	
Phone	
Fax	
Email	
Nature of supply	
Approximate value of contract	

Reference 2

Name	
Organisation	
Address	
Phone	
Fax	
Email	
Nature of supply	
Approximate value of contract	

Reference 3

Name	
Organisation	
Address	
Phone	
Fax	
Email	
Nature of supply	
Approximate value of contract	

By submitting an offer under this request for quotation, **ADS 591 Audit**, the bidder hereby asserts that the following statements are correct at the time of submission; and further undertakes to inform SHAFAK of any changes in status of these matters.

The bidder is not bankrupt or is being wound up, neither are its affairs being administered by the court nor has entered into an arrangement with creditors or has suspended business activities or is in any analogous situation arising from a similar procedure under national laws and regulation.

The bidder is not the subject of proceedings for a declaration of bankruptcy, for an order for compulsory winding up or administration by the court or for an arrangement with creditors or of any other similar proceedings under national laws and regulations.

Neither the bidder, a Director or Partner, has been convicted of an offence concerning his professional conduct by a judgement which has the force of res judicata nor been guilty of grave professional misconduct in the course of their business.

The bidder has fulfilled all its obligations relating to the payment of taxes or social security contributions in Turkey or any other state or country in which the tenderer is located or doing business.

Neither the bidder, a Director or Partner has been found guilty of: fraud, money laundering, corruption; convicted of being a member of a criminal organisation; nor of serious misrepresentation in providing information to a public buying agency

The bidder has not contrived to misrepresent its Health & Safety information, Quality Assurance information, or any other information relevant to this application. In case SHAFAK found indicators that validate the opposite of what stated above then SHAFAK has the right to cancel the contract with no financial or legal liabilities on the SHAFAK part.

Signed:

Print
name:

Position:

Company
Name:

Date:

Address:

Appendix 1: Terms of Reference “TOR”

STANDARD STATEMENT OF WORK FOR FINANCIAL AUDITS OF NON-U.S. ORGANIZATIONS

I. BACKGROUND

Between 01st of January 2020 and 31st of December 2020, the U.S. Agency for International Development (USAID) has approved and funded various projects (listed below) with international non-government organizations cooperating with (Şafak Derneği) Shafak Organization as partners, which provided **(6,082,851.24 USD: Cash = 5,890,511.79 USD, GIK = 192,339.45 USD)** to Shafak Organization. As Shafak Organization exceeds 750.000 USD of USAID funds per fiscal year, according to the USAID Guidelines an audit shall be performed for the respective year. The related funds include three sub-grants and are listed in the following:

1. In *July 2019*, CARE International in Turkey sub-granted the **(Emergency and Regular Food Assistance and Livelihood Support to Idleb and Aleppo)** funded by USAID, which provided 3,056,421.18 USD in grant funds, with Cash: 2,863,231.13 USD, and GIK: 193,190.06 (Cash Spent Amount as of Dec 31, 2020 equals to 2,399,046.85 USD for the 2020 fiscal year), to Shafak Organization (sub-recipient) for the time period from July 01, 2019 to September 30, 2020 (Sub Grant Agreement Number: TUR-FSL-US2GG-TR0009 – Shafak Internal Project Code: PC: 251). The purpose of the project aim is Households in Targeted locations have increased access to enhance access to agricultural livelihood opportunities and to improve long term food security and local market resilience, in north west of Syria.
2. In *July 2019*, Global Communities sub-granted the **(Emergency Food Security in Syria (Investing in Nutrition in Syria, Promoting Infrastructure and Resources in the Economy “INSPIRE”))** funded by USAID, which provided 2,010,183.47 USD in grant funds, with Cash: 2,010,183.47 USD, and no GIK (Cash Spent Amount as of Dec 31, 2020 equals to 1,150,731.58 USD for the 2020 fiscal year), to Shafak Organization (sub-recipient) for the time period from July 23, 2019 to June 30, 2021 (Sub Grant Agreement Number: 24632-SA-19-01 – Shafak Internal Project Code: PC: 261).). The purpose of the project is to deliver lifesaving food assistance to vulnerable displaced households in order to increase food consumption, expand nutrition diversity and improve house hold resilience, in north west of Syria.
3. In *July 2020*, CARE International in Turkey sub-granted the **(Responding to Emergency, Survival and Protection needs in Northwest Syria (RESPONS))** funded by USAID, which provided 5,622,674 USD in grant funds with Cash: 5,433,155 USD, and GIK: 198,519, (Cash Spent Amount as of Dec 31, 2020 equals to 1,448,348.90 USD for the 2020 fiscal year), to Shafak Organization (sub-recipient) for the time period from July 01, 2020 to June 31, 2021 (Sub Grant Agreement Number: TUR-FSL&EMG-US2P2-TR0042 – Shafak Internal Project Code: PC: 328). The purpose of the project is to Responding for Emergency, Survival and Protection needs in Northwest Syria.

4. In *August 2020*, Goal Global in Turkey sub-granted the **(Food for Peace in Northwest Syria)** funded by USAID, which provided 431,720 USD in grant funds with Cash: 431,720 USD, and no GIK, (Spent Amount as of Dec 31, 2020 equals to 95,324.39 USD), to Shafak Organization (sub-recipient) for the time period from August 01, 2020 to May 31, 2021 (Sub Grant Agreement Number: 72FFP20GR0026/SHAFAK/2020/01 – Shafak Internal Project Code: PC: 329). The purpose of the project is to deliver food assistance for people in needs in Northwest Syria.

5. In *September 2020*, Global Communities sub-granted the **(Response Operations for the Syria Emergency III, “INSPIREIII”)** funded by USAID, which provided 1,295,165.64 USD in grant funds, with Cash: 1,295,165.64 USD, and no GIK, (Spent Amount as of Dec 31, 2020 equals to 269,161.03 USD), to Shafak Organization (sub-recipient) for the time period from September 01, 2020 to March 31, 2021 (Sub Grant Agreement Number: 24632-SA-20-02 – Shafak Internal Project Code: PC: 330). The purpose of the project is to save lives, alleviating human suffering and reducing the social and economic impact of the Syrian crisis on communities and internally-displaced populations in in north west of Syria.

6. In *October 2020*, International Rescue Committee sub-granted the **(Strengthening IDP Resilience in North West Syria Through Integrated Protection and Cash Support)** funded by USAID, which provided 299,997.00 USD in grant funds, with Cash: 299,997.00 USD, and no GIK, (Spent Amount As of Dec 31, 2020 equals to 24,622 USD), to Shafak Organization (sub-recipient) for the time period from October 01, 2020 to September 30, 2021 (Sub Grant Agreement Number: 720FDA20CA00042– Shafak Internal Project Code: PC: 331). The purpose of the project is to deliver protection service and cash assistance to internally-displaced populations in in north west of Syria.

7. In *October 2020*, CARE International in Turkey sub-granted the **(Responding to Emergency, Survival and Protection needs in Northwest Syria (RESPONS - OFDA))** funded by USAID, which provided 3,126,421,00 USD in grant funds, with Cash: 1,979,396.00 USD, and GIK: 1,147,025.00, (Spent Amount As of Dec 31, 2020 equals to 503,277.04 USD), to Shafak Organization (sub-recipient) for the time period from October 01, 2020 to July 31, 2021 (Sub Grant Agreement Number: TUR-WASH&SHELTER&CASH-US2R2-TR0035– Shafak Internal Project Code: PC: 335). The purpose of the project is to responding to emergency, survival and protection needs in north west of Syria.

About (Şafak Derneği) Shafak Organization

As response to the Syrian conflict and deteriorating humanitarian situation in 2011, a number of young volunteers joint together to deliver aid. Shafak is a humanitarian organization (founded in 2011; registered in Turkey as Şafak Derneği in 2013) and well-established with projects such as provision of food, humanitarian aid, in-kind donations and cash assistance to beneficiaries with its main operations in Idleb and Northern Aleppo. The organization’s response is not only focused on emergency response, but on the immediate implementation of long-impact health, livelihood and education sector projects in its operational areas. Over the

past years, Shafak has been working with a variety of international organizations – such as GOAL Global, Save the Children, CARE International, The Halo Trust, Concern World Wide , World Vision and others – as well as United Nation agencies including UNOCHA, UNICEF, UNFPA, IOM, and FAO.

The location of Shafak’s accounting records and management include the headquarter located in Gaziantep, Turkey, which is closely located to the Syrian-Turkish border. The accounting records are prepared and composed in the field offices in Idleb and Aleppo Governorates, and afterwards safely transferred to the headquarter in Gaziantep.

Records and reports and relevant documents that prepared in Shafak’s offices in Idleb and Aleppo Governorates in Syria will be audited in the SHAFK’s office in Gaziantep, Turkey.

II. TITLE

Audit of the Fund Accountability Statement and "Close out Audit for the USAID resources managed by Shafak Organization under the 7 projects mentioned above in the background section for the period from 01.01.2020 to 31.12.2020"

In the case of closeout audits, the title must specify that it is a closeout audit, as in:

“Closeout Audit of the USAID Resources Managed by Shafak Organization under `the following Programs:

1. In *July 2019*, CARE International in Turkey sub-granted the (**Emergency and Regular Food Assistance and Livelihood Support to Idleb and Aleppo**) funded by USAID, for the time period from July 01, 2019 to September 30, 2020 (Sub Grant Agreement Number: TUR-FSL-US2GG-TR0009 – Shafak Internal Project Code: PC: 251).
2. In *July 2019*, Global Communities sub-granted the (**Emergency Food Security in Syria (Investing in Nutrition in Syria, Promoting Infrastructure and Resources in the Economy “INSPIRE”**) funded by USAID, for the time period from July 23, 2019 to June 30, 2021 (Sub Grant Agreement Number: 24632-SA-19-01 – Shafak Internal Project Code: PC: 261).).
3. In *July 2020*, CARE International in Turkey sub-granted the (**Responding to Emergency, Survival and Protection needs in Northwest Syria (RESPONS)**) funded by USAID, for the time period from July 01, 2020 to June 31, 2021 (Sub Grant Agreement Number: TUR-FSL&EMG-US2P2-TR0042 – Shafak Internal Project Code: PC: 328).
4. In *August 2020*, Goal Global in Turkey sub-granted the (**Food for Peace in Northwest Syria**) funded by USAID, for the time period from August 01, 2020 to May 31, 2021 (Sub Grant Agreement Number: 72FFP20GR0026/SHAFAK/2020/01 – Shafak Internal Project Code: PC: 329).

5. In *September 2020*, Global Communities sub-granted the (**Response Operations for the Syria Emergency III, “INSPIREIII”**) funded by USAID, to Shafak Organization (sub-recipient) for the time period from September 01, 2020 to March 31, 2021 (Sub Grant Agreement Number: 24632-SA-20-02 – Shafak Internal Project Code: PC: 330).
6. In *October 2020*, International Rescue Committee sub-granted the (**Strengthening IDP Resilience in North West Syria Through Integrated Protection and Cash Support**) funded by USAID, to Shafak Organization (sub-recipient) for the time period from October 01, 2020 to September 30, 2021 (Sub Grant Agreement Number: 720FDA20CA00042– Shafak Internal Project Code: PC: 331).
7. In *October 2020*, CARE International in Turkey sub-granted the (**Responding to Emergency, Survival and Protection needs in Northwest Syria (RESPONS - OFDA)**) funded by USAID, to Shafak Organization (sub-recipient) for the time period from October 01, 2020 to July 31, 2021 (Sub Grant Agreement Number: TUR-WASH&SHELTER&CASH-US2R2-TR0035– Shafak Internal Project Code: PC: 335).

III. OBJECTIVES

The objective of this engagement is to conduct a financial audit of the USAID resources managed by the sub-recipient under the three sub-grants received under the aforementioned projects from 01.01.2020 to 31.12.2020 in accordance with:

- USAID Financial Audit Guide for Foreign Organizations (hereafter Guide);
- U.S. Generally Accepted Government Auditing Standards³³ (GAGAS or the Yellow Book); hereafter referred to as GAGAS, issued by the Comptroller General of the United States Government Accountability Office; and, as applicable GAGAS incorporates the American Institute of Certified Public Accountants (AICPA), Professional Standards that include Statements on Auditing Standards (SASs). The SASs include an “AU-C” identifier which represents section(s) in the Codification of SASs. The Codification was designed for clarity and converged the standards with the International Standards on Auditing (ISAs). See [AICPA Clarified Statements on Auditing Standards](https://www.aicpa.org/research/standards/auditattest/clarifiedsas.ht) (<https://www.aicpa.org/research/standards/auditattest/clarifiedsas.ht>)
- International Standards on Auditing (ISA) issued by the International Auditing and Assurance Standards Board (IAASB), in conjunction with GAGAS; and
- The International Standards of Supreme Audit Institutions (ISSAIs) issued by the International Organization of Supreme Audit Institutions (INTOSAI) for public-sector audits, in conjunction with GAGAS.

- The financial audit must include a specific audit of all the recipient's USAID-funded programs. The fund accountability statement is the basic financial statement to be audited when indirect cost rates are not used. All amounts in the financial audit report must be stated in U.S. dollars. The auditors should indicate the exchange rate(s) used in the notes to the fund accountability statement.

A. Audit of USAID Funds

Auditors must design steps and procedures in accordance with GAGAS. A financial audit of the funds provided by USAID must be performed in accordance with GAGAS, or other approved standards where applicable, and accordingly includes such tests of the accounting records as deemed necessary under the circumstances. The specific objectives of the audit of the USAID funds are to:

- Express an opinion on whether the fund accountability statement for the USAID-funded awards presents fairly in all material respects in relation to the recipient's financial statements as a whole, and in revenues received, costs incurred, and commodities and technical assistance directly procured by USAID for the period audited in conformity with the terms of the agreements and generally accepted accounting principles or other comprehensive basis of Accounting.
- Evaluate and obtain a sufficient understanding of the Safak internal controls related to the USAID-funded programs, assess control risk, and identify reportable conditions, including material internal control weaknesses. This evaluation must include the internal controls related to required cost-sharing contributions.
- Perform tests to determine whether the recipient complied, in all material respects, with agreement terms (including cost-sharing/matching contributions, if applicable) and applicable laws and regulations related to USAID-funded programs. All material instances of noncompliance and all illegal acts that have occurred or are likely to have occurred must be identified. Such tests must include the compliance requirements related to any required cost-sharing contributions.

In addition:

- Determine if the recipient has taken adequate corrective action on prior audit report recommendations.
- Review cost-sharing/matching contributions to determine whether cost-sharing/matching contributions were provided and accounted for by the recipient in accordance with the terms of the agreements. The auditors will review the cost-sharing/matching table to determine if the computation is fairly presented in accordance with the basis of accounting used by the recipient to prepare the schedule. The auditors should question all cost-sharing/matching contributions that are either ineligible or unsupported costs.
- Perform an audit of the indirect cost rate(s) if the recipient has been authorized to charge indirect costs to USAID using provisional rates and USAID has not yet negotiated final rates with the recipient. If so, the fund accountability statement should be reconciled to the USAID funds included in the general purpose financial statements by a note to the fund accountability statement. If the recipient does not have a USAID authorized indirect cost rate, this fact must be disclosed in the report.
- The audit of the general purpose financial statements must be performed in accordance with GAGAS. The objective of this audit is to express an opinion on whether the general purpose financial statements present fairly, in all material respects, the results of its operations for the year then ended, in conformity with generally accepted accounting principles.

IV. AUDIT SCOPE

The auditor must use the following steps as the basis for preparing audit programs. They are not all-inclusive or restrictive in nature and do not relieve the auditor from exercising due professional care and judgment. The steps must be modified to fit local conditions and specific program design, implementation procedures, and agreement provisions, which may vary from program to program. Any limitations in the scope of work must be communicated as soon as possible to the USAID cognizant Operating Unit.

A. Pre-Audit Document Review

Following is a list of documents applicable to different USAID programs. The auditor must review the applicable documents considered necessary to perform the audit:

1. The agreement between USAID and the recipient.
2. The sub-agreements between the recipient and other implementing entities, as applicable.
3. Contracts and subcontracts with third parties, if any.
4. The budgets, implementation letters, and written procedures approved by USAID.
5. USAID Automated Directives System **Chapter 636, Program Funded Advances**.
6. **2 CFR 200 Subpart F** on audit and **2 CFR 700** on Cost Principles.
7. Federal Acquisition Regulation (FAR), Part 31, Contract Cost Principles and Procedures.
8. **USAID Acquisition Regulation (AIDAR)**, which supplement the FAR.
9. Mandatory Standard Provisions for Non-U.S. Nongovernmental Grantees (**ADS Chapter 303, Grants and Cooperative Agreements to Non-Governmental Organizations**).
10. Standard Provisions Annex for Agreements with Foreign Governments (**ADS Chapter 350, Grants to Foreign Governments**).
11. All program financial and progress reports; charts of accounts, organizational charts; accounting systems descriptions; procurement policies and procedures; and receipt, warehousing and distribution procedures for materials, as necessary to successfully complete the required work.
12. Any previous audits, financial reviews, etc., that directly relate to the objectives of the audit.

B. Fund Accountability Statement

The auditor must examine the fund accountability statement³⁴ for USAID programs including the budgeted amounts by category and major items; the revenues received from USAID for the period covered by the audit; the costs reported by the recipient as incurred during that period; and the commodities and technical assistance directly procured by USAID for the recipient's use. The fund accountability statement must include all USAID funds identified by each specific program or agreement. The revenues received from USAID less the costs incurred, after considering any reconciling items, must reconcile with the balance of cash-on-hand or in bank accounts.³⁵ The fund accountability statement must not include cost-sharing/matching contributions provided from the recipient's own funds or in-kind.

³⁴A "fund accountability statement" is a financial statement that presents USAID recipient's revenues, costs incurred, cash balance of funds (after considering reconciling items), and commodities directly procured by USAID that were provided by USAID agreements. The opinion on the fund accountability statement must comply with Statement on Auditing Standard SAS No. 62 (AU623).

If the recipient does not receive any advances from USAID, i.e., it operates on a reimbursement basis, then the recipient will not hold any balances of USAID funds.

The audit firm may not prepare or assist the recipient in preparing the fund accountability statement when the same audit firm will then perform an audit. If a third party prepares or assists the recipient in preparing the fund accountability statement from the books and records maintained by the recipient, then the recipient must accept the responsibility for the statement's accuracy before the audit commences.

The fund accountability statement must separately identify those revenues and costs applicable to each specific USAID agreement. The audit must evaluate program implementation actions and accomplishments to determine whether specific costs incurred are allowable, allocable, and reasonable under the agreement terms and applicable cost principles, and to identify areas where fraud and illegal acts have occurred or are likely to have occurred as a result of inadequate internal control. At a minimum, the auditors must:

1. Review direct and indirect costs billed to and reimbursed by USAID and costs incurred but pending reimbursement by USAID, identifying and quantifying any questioned costs. All costs that are not supported with adequate documentation or are not in accordance with the agreement terms must be reported as questioned. Questioned costs that are pending reimbursement by USAID must be identified in the notes to the fund accountability statement as not (yet) reimbursed by USAID.
2. Questioned costs must be presented in the fund accountability statement in two separate categories. Ineligible costs are costs that are explicitly questioned because they are unreasonable, prohibited by the agreements or applicable laws and regulations, or not program related. In addition, if a recipient was required to place USAID funds in an interest-bearing account but did not, then the imputed interest that would have been earned is also classified as an ineligible cost. Unsupported costs are not supported with adequate documentation or did not have required prior approvals or authorizations. All questioned costs resulting from instances of noncompliance with agreement terms and applicable laws and regulations must be included as findings in the report on compliance. Also, the notes to the fund accountability statement must briefly describe the questioned costs and must be cross-referenced to any corresponding findings in the report on compliance.

3. Review general and program ledgers to determine whether costs incurred were properly recorded. Reconcile direct costs billed to, and reimbursed by, USAID to the program and general ledgers.
4. Review the procedures used to control the funds, including their channelling to contracted financial institutions or other implementing entities. Review the bank accounts and the controls on those bank accounts. Perform positive confirmation of balances, as necessary.
5. Determine whether advances of funds were justified with documentation, including reconciliations of funds advanced, disbursed, and available. The auditors must ensure that all funding received by the recipient from USAID was appropriately recorded in the recipient's accounting records and that those records were periodically reconciled with information provided by USAID.
6. Determine whether program income was added to funds used to further eligible project or program objectives, to finance the non-federal share of the project or program, or deducted from program costs, in accordance with USAID regulations, other implementing guidance, or the terms and conditions of the award.
7. Review procurement procedures to determine whether sound commercial practices including competition were used, reasonable prices were obtained, and adequate controls were in place over the qualities and quantities received.
8. Review direct salary charges to determine whether salary rates are reasonable for that position, in accordance with those approved by USAID when USAID approval is required, and supported by appropriate payroll records. Determine if overtime is charged to the program and whether it is allowable under the terms of the agreements. Determine whether allowances and fringe benefits received by employees are in accordance with the agreements and applicable laws and regulations. The auditors must question unallowable salary charges in the fund accountability statement.
9. Review travel and transportation charges to determine whether they are adequately supported and approved. Travel charges that are not supported with adequate documentation or not in accordance with agreements and regulations must be questioned in the fund accountability statement.
10. Review commodities (e.g., supplies, materials, vehicles, equipment, food products, tools, etc.) procured by the recipient as well as those directly procured by USAID for the recipient's use. The auditors must determine whether commodities exist or were used for their intended purposes in accordance with the terms of the agreements, and whether control procedures exist and have been placed in operation to adequately safeguard the commodities. As part of the procedures to determine if commodities were used for intended purposes, the auditors must perform end-use reviews for an appropriate sample of all commodities based on the control risk assessment (see section **IV.D. "Internal Controls of this Statement of Work"**).

End-use reviews would normally include site visits to verify that commodities exist or were used for their intended purposes in accordance with the terms of the agreements. When conducting end-use reviews, the auditors must ensure that commodities are marked in accordance with grant or contract requirements. The cost of all commodities whose existence or proper use in accordance with the terms of the agreements cannot be verified and must be questioned in the fund accountability statement.

(The auditor should determine the cost of commodities based on supporting documentation available from the recipient or USAID, as appropriate).

11. Review technical assistance and services procured by the recipient. The auditors must determine whether technical assistance and services were used for their intended purposes in accordance with the terms of the agreements. The cost of technical assistance and services not properly used in accordance with the terms of the agreements must be questioned in the fund accountability statement.

If the recipient contracted the technical assistance and services through a U.S. contractor, the auditors are still responsible for determining whether technical assistance and services were used for their intended purposes in accordance with the terms of the agreements. However, the auditors are not responsible for performing additional audit steps for the costs incurred under the technical assistance and services agreements, if either USAID or a cognizant U.S. Government agency is responsible for contracting for audits of these costs.

12. For final closeout audits, review unliquidated advances to the recipient and pending reimbursements by USAID. Ensure that the recipient has returned any excess cash to USAID. Also, ensure that all assets (inventories, fixed assets, commodities, etc.) procured with program funds were disposed of in accordance with the terms of the agreements. The auditors must determine whether an annex to the fund accountability statement showing the balances and details of final inventories of nonexpendable property acquired under the agreements is presented accurately in all material respects in relation to the financial statements. This inventory must indicate which items were titled to the U.S. Government and which were titled to other entities. These closeout audit procedures must be performed for any award that expires during the period audited.

The fund accountability statement must separately disclose the financial information (revenues, costs, commodities and technical assistance) for each agreement, and must identify the USAID Operating Unit that provided funding for each agreement. Questioned costs and internal control and compliance findings of any audits of subrecipients must be reported in the recipient's financial audit using the same treatment and procedures as the recipient's own questioned costs and findings.

The auditors must generally express a single opinion on the fund accountability statement that includes more than one agreement with USAID. Auditors must not express separate opinions on fund accountability statements of each agreement or program unless specifically requested to do so by the USAID Operating Unit.

C. Cost-Sharing/Matching Contribution Schedule

USAID awards may require contributions by the recipient. USAID and recipient awards may establish a life-of-project budget or an annual budget for the cost-sharing/matching contributions. In either case, the review consists principally of inquiries of recipient personnel and analytical procedures applied to financial data supporting the cost-sharing/matching contribution table.

For an agreement with a life-of-project budget for cost-sharing/matching contributions, it is not possible to determine whether the contributions have been made as required until the agreement ends. Nonetheless, USAID and the recipient need reliable information to monitor actual cost-sharing/matching contributions throughout the life of the agreement.

The auditors will review the cost-sharing/matching contributions schedule to determine if the schedule is fairly presented in accordance with the basis of accounting used by the recipient to prepare the schedule. The auditors must question all cost-sharing/matching contributions that are either ineligible or unsupported costs. An ineligible cost is unreasonable, prohibited by the agreements or applicable laws and regulations, or not program related. An unsupported cost lacks adequate documentation or does not have required prior approvals or authorizations. All questioned costs must be briefly described in the notes to the cost sharing/matching contributions. In addition, material questioned costs must be included as findings in the report on compliance. Notes to the cost-sharing/matching contributions schedule must be cross-referenced to the corresponding findings in the report on compliance. Also, significant deficiencies in internal control related to cost-sharing/matching contributions must be set forth as findings in the report on internal control. In addition, for closeout audits, the auditors will review the cost-sharing/matching contributions schedule to determine if the recipients provided such contributions in accordance with the terms of the agreement. If actual contributions were less than budgeted contributions, the shortfall will be identified in the appropriate column of the cost sharing/matching contributions schedule.

D. Internal Controls

The auditors must review and evaluate the recipient's internal controls related to USAID programs to obtain a sufficient understanding of the design of relevant control policies and procedures and whether those policies and procedures have been placed in operation. The auditor's understanding of the internal controls must be documented in the audit documentation files.

Auditors must prepare the report required by the Guide (**Appendix 2**), identifying any significant deficiencies or material weaknesses in the design or operation of internal control. A material weakness is a deficiency, or combination of deficiencies, in internal controls, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness but that is important enough to merit attention by those charged with governance. Any significant deficiencies or material weaknesses must be set forth in the report as "findings". Any other matters related to internal controls – such as suggestions for improving operational or administrative efficiency, effectiveness, or control deficiencies that are not significant

deficiencies or material weaknesses – may be reported in a separate management letter to the recipient and referred to in the report on internal control. A copy of the management letter should be provided to the cognizant USAID Operating Unit along with the audit report.

The major internal control components to be studied and evaluated include, but are not limited to, the controls related to each revenue and expense account on the fund accountability statement. The auditors must:

1. Obtain an understanding of the design of the internal control related to USAID programs and determine whether they have been placed in operation.
2. Assess inherent risk, control risk, and determine the detection risk. Inherent risk is the susceptibility of an assertion, such as an account balance, to a misstatement that could be material, either individually or when aggregated with other misstatements, assuming that there are no related controls. Control risk is the risk that a material misstatement (either individually or when aggregated with other misstatements) could occur in a relevant assertion and will not be prevented or detected on a timely basis by the entity's internal controls. Detection risk is the risk that the auditor will not detect a material misstatement that exists in an assertion. Detection risk is based upon the effectiveness of an auditing procedure and the auditor's application of that procedure.

3. Summarize the risk assessments for each assertion in the audit documentation file. The risk assessments must consider the following broad categories under which each assertion should be classified: (a) existence or occurrence; (b) completeness; (c) rights and obligations; (d) valuation or allocation; and (e) presentation and disclosure. At a minimum, the audit documentation files must identify the name of the account or assertion, the account balance or the amount represented by the assertion, the assessed level of inherent risk (high, moderate, or low), the assessed level of control risk (high, moderate, or low), the combined risk (high, moderate, or low), and a description of the nature, extent, and timing of the tests performed based on the combined risk. These summary audit documentation files must be cross-indexed to the supporting audit documentation files that contain the detailed analysis of the fieldwork. If control risk is evaluated at less than the maximum level (high), then the basis for the auditor's conclusion must be documented in the audit documentation files.
4. Evaluate the control environment, the adequacy of the accounting systems, and control procedures. Emphasis must be placed on the policies and procedures that pertain to the recipient's ability to record, process, summarize, and report financial data consistent with the assertions embodied in each account of the fund accountability statement. This evaluation must include, but not be limited to, the control systems for:
 - a. Ensuring that charges to the program are proper and supported;
 - b. Managing cash on hand and in bank accounts;
 - c. Procuring goods and services;
 - d. Managing inventory and receiving functions;
 - e. Managing personnel functions such as timekeeping, salaries, and benefits;
 - f. Managing and disposing of commodities (such as vehicles, equipment, and tools, as well as other commodities) purchased either by the program or directly by USAID; and
 - g. Ensuring compliance with agreement terms and applicable laws and regulations that collectively have a material impact on the fund accountability statement. The results of this evaluation must be contained in the audit documentation section described in section **IV.E.** of this Statement of Work and presented in the compliance report.
5. Evaluate internal control established to ensure compliance with cost sharing/matching contribution requirements, if applicable, including both provision and management of the contributions.
6. Include in the study and evaluation other policies and procedures that may be relevant if they pertain to data the auditors use in applying auditing procedures. This may

include, for example, policies and procedures that pertain to non-financial data that the auditor uses in analytical procedures.

E. Compliance with Agreement Terms and Applicable Laws and Regulations

In fulfilling the audit requirement to determine compliance with agreement terms and applicable laws and regulations related to USAID programs, the auditors must follow the reporting standards contained in GAGAS for reporting on compliance which incorporate the AICPA Professional Standards. The auditor's report on compliance must set forth as findings all material instances of noncompliance, defined as instances that could have a direct and material effect on the fund accountability statement, and/or the financial statements, as applicable. Nonmaterial instances of noncompliance must be included in a separate management letter to the recipient and referred to in the report on compliance. A copy of the management letter should be provided to the cognizant USAID Operating Unit along with the audit report.

The auditor's report must include relevant information about identified or suspected fraud based on sufficient, appropriate evidence obtained that a fraud or illegal act either has occurred or is likely to have occurred. In reporting material fraud, illegal acts, and abuse or other noncompliance, the auditors must place their findings in proper

Perspective. In presenting material irregularities, illegal acts, or other noncompliance, auditors must follow the reporting standards contained in GAGAS. If the auditors conclude that sufficient evidence of any known or likely fraud or illegal acts exists, regardless of whether material to the financial statements, they must contact the USAID cognizant Operating Unit or OIG and exercise due professional care in pursuing indications of possible fraud and illegal acts to avoid interfering with potential future investigations or legal proceedings.

In planning and conducting the tests of compliance the auditors must:

- 1.** Identify the agreement terms and pertinent laws and regulations and determine which of those, if not observed, could have a direct and material effect on the fund accountability statement. The auditors must:
 - a.** List all standard and program-specific provisions contained in the agreements that cumulatively, if not observed, could have a direct and material effect on the fund accountability statement;
 - b.** Assess the inherent and control risk that material noncompliance could occur for each of the compliance requirements;
 - c.** Determine the nature, timing and extent of audit steps and procedures to test for errors, fraud, and illegal acts that provide reasonable assurance of detecting both

intentional and unintentional instances of noncompliance with agreement terms and applicable laws and regulations that could have a material effect on the fund accountability statement; and

- d. Prepare a summary audit documentation file that adequately identifies each of the specific compliance requirements included in the review, the results of the inherent, control and (detection) risk assessments for each compliance requirement, the audit steps used to test for compliance with each of the requirements based on the risk assessment, and the results of the compliance testing for each requirement. The summary document should be cross-indexed to detail audit documentation that support the facts and conclusions contained in the summary document.
2. Determine if payments have been made in accordance with agreement terms and applicable laws and regulations.
3. Determine if funds have been expended for purposes not authorized or not in accordance with applicable agreement terms. If so, the auditor must identify these costs as questioned in the fund accountability statement.
4. Identify any costs not considered appropriate, classifying and explaining why these costs are questioned.
5. Determine whether commodities, whether directly procured by the recipient or directly procured by USAID for the recipient's use, exist or were used for their intended purposes in accordance with the agreements. Ensure that commodities are marked in accordance with grant or contract requirements. If not, the cost of such commodities must be questioned.
6. Determine whether any technical assistance and services, whether procured by the recipient or directly procured by USAID for the recipient's use, were used for their intended purposes in accordance with the agreements. If not, the cost of such technical assistance and services must be questioned.
7. Determine if the amount of cost-sharing/matching funds was calculated and accounted for as required by the agreements or applicable cost principles.
8. Determine if the cost-sharing/matching funds were provided according to the terms of the agreements and quantify any shortfalls.
9. Determine whether those who received services and benefits were eligible to receive them.
10. Determine whether the recipient's financial reports (including those on the status of cost-sharing contributions) and claims for advances and reimbursement contain information that is supported by the books and records.

11. Determine whether the recipient held advances of USAID funds in interest-bearing accounts, and whether the recipient remitted to USAID any interest earned on those advances, with the exception of up to \$500 a year that the recipient may retain for administrative expenses. If the recipient was required to place USAID funds in an interest-bearing bank account but did not, then the auditor should determine the amount of interest that was foregone by the recipient, and this amount should be classified as ineligible costs.

F. Follow-Up on Prior Audit Recommendations

If applicable, the auditors must review the status of actions taken on findings and recommendations reported in prior audits of USAID-funded programs. Auditors should evaluate whether the audited entity has taken appropriate corrective action and prepare a Summary Schedule of Prior Audit Findings (SSPAF) to address findings and recommendations from previous engagements that could have a material effect on the financial statements as per **2 CFR 200.511**. When planning the audit, auditors should ask management of the audited entity to identify previous audits, attestation engagements, financial reviews, and other studies that directly relate to the objectives of the audit, including whether related recommendations have been implemented. Auditors should use this information in assessing risk and determining the nature, timing, and extent of current audit work, including determining the extent to which testing the implementation of the corrective actions is applicable to the current audit objectives.

The auditors must describe the scope of their work on prior audit recommendations in the summary section of the audit report. The auditors should refer to the most recent recipient audit report for the same award (for a follow-up audit) or other USAID awards (for an initial audit). When corrective action has not been taken and the deficiency remains unresolved for the current audit period, the auditors need to briefly describe the prior finding and status and show the page reference to where it is included in the current report. If there were no prior findings and recommendations, the auditors must include a note to that effect in this section of the audit report.

G. Indirect Cost Rates

The auditors must determine the actual indirect cost rates for the year if the recipient has used provisional rates to charge indirect costs to USAID. The audit of the indirect cost rates must include tests to determine whether the:

1. Distribution or allocation base includes all costs that benefited from indirect activities,
2. Distribution or allocation base is in compliance with the governing USAID Negotiated Indirect Cost Rate Agreement (NICRA), if applicable,
3. Indirect cost pool includes only costs authorized by the USAID agreements and applicable cost principles,
4. Indirect cost rates obtained by dividing the indirect cost pool by the base are accurately calculated, or
5. Costs included in this calculation reconcile with the total expenses shown in the recipient's audited general purpose financial statements.

The results of the audit of the indirect cost rate must be presented in a schedule of computation of indirect cost rate. This schedule should contain: a listing of costs included in each indirect cost pool, a list of cost exclusions based on cost principles, the distribution base, and the calculation and the resultant indirect cost rate calculation. The costs in the schedule should reconcile with the total expenses shown in the recipient's general purpose financial statement as per guidance from **2 CFR 200**.

H. General Purpose Financial Statements

Where indirect costs are authorized, an audit of the general purpose financial statements is needed to ensure sound financial management and provide reasonable assurance that all costs have been correctly included in the indirect cost rate calculation. Auditors should examine the recipient's general purpose income statement on an organization-wide basis, balance sheet, and if applicable, the statement of cash flows. The objective of this audit is to express an opinion on whether those statements are presented fairly in all material respects in accordance with generally accepted accounting principles.

I. Other Audit Responsibilities

The auditors must perform the following steps:

1. Hold entrance and exit conferences with the recipient. The cognizant USAID Operating Unit must be notified of these conferences in order that USAID representatives may attend, if deemed necessary.
2. During the planning stages of an audit, communicate information to the auditee regarding the nature and extent of planned testing and reporting on compliance with laws and regulations and internal control over financial reporting. Such communication

should state whether the auditors plan to provide opinions on compliance with laws and regulations and internal control over financial reporting. This communication should be in the form of an engagement letter.

3. Institute quality control procedures to ensure that sufficient appropriate evidence is obtained through inspection, observation, inquiries, and confirmations to afford a reasonable basis for an opinion regarding the agreement (s) under audit. While auditors may use their standard procedures for ensuring quality control, those procedures must, at a minimum, ensure that:
 - a. Audit reports and audit documentation are reviewed by an auditor, preferably at the partner level, who was not involved in the audit. This review must be documented.
 - b. All quantities and monetary amounts involving calculations are footed and cross-footed.
 - c. All factual statements, numbers, conclusions and monetary amounts are cross-indexed to supporting audit documentation.
4. The auditor must ascertain, before preparing its proposal for the audit engagement (or if this is not possible, at the earliest opportunity during the engagement itself), whether the recipient ensured that audits of its subrecipients were performed to ensure accountability for USAID funds passed through to subrecipients. If subrecipient audit requirements were not met, the auditors should immediately notify the cognizant USAID Operating Unit and consider whether they can audit the subrecipient costs themselves. If, after consultation with the cognizant USAID Operating Unit, the auditors conclude that a restriction on the scope of the audit exists and the restriction cannot be removed, then the auditors should consider modifying their opinion and any costs that have not been audited as required must be questioned as unsupported costs.
5. Obtain a management representation letter. See **Appendix 4** of the Guide for an illustrative management representation letter.

V. AUDIT REPORTS

The recipient should submit to the cognizant USAID Operating Unit a portable document format (PDF) copy of the audit report in English and a PDF copy of the report in the recipient country's official language, if considered appropriate. The format and content of the audit reports should closely follow this Statement of Work and the illustrative reports in **Appendix 2** of the USAID Financial Audit Guidelines. The audit report must specify the correct award number(s) of each award covered by the audit.

The report must contain:

1. Title page (close-out audits must be clearly titled),
2. Table of contents,
3. Transmittal letter, and
4. Summary, which includes:
 - a. Background section with:
 - i. A general description of the USAID programs audited,
 - ii. Period covered,
 - iii. Program objectives,
 - iv. Clear identification of all entities mentioned in the report,
 - v. Follow-up of prior audit recommendation section,
 - vi. Cost-sharing/matching contributions explanation,
 - vii. Indirect cost rate details;
 - b. Objectives and scope of the financial audit and clear explanation of the procedures performed and any scope limitations;
 - c. Brief summary of audit results on the:
 - i. Fund accountability statement,
 - ii. Questionable costs,
 - iii. Internal control,
 - iv. Compliance with agreement terms and applicable laws,
 - v. Indirect cost rates,
 - vi. Status of prior audit recommendations, and if applicable,
 - vii. General purpose financial statements on an organization-wide basis;
 - d. A brief summary of the results of the review of cost-sharing/matching contributions; and
 - e. A brief summary of the recipient's management comments regarding its view on the audit and results and findings.
5. The auditor's report includes the following:
 - a. The auditor's report on the Fund Accountability Statement, identifying any material questioned costs not fully supported with adequate records or not eligible under the terms of the agreements (see **Appendix 2** of the USAID Financial Audit Guidelines). The report must be in conformance with the standards for reporting in GAGAS and must include the auditor's opinion on whether the fund accountability statement presents fairly, in all material respects, program revenues, costs incurred, and commodities and technical assistance directly procured by USAID for the year then ended in accordance with the terms of the agreements and in conformity with generally accepted accounting principles or other basis of accounting as well as the following report components.

- b. A report on internal control including significant deficiencies and material weaknesses in the recipient's internal control. Deficiencies related to improving operational or administrative efficiency or internal control, or control deficiencies that are not significant deficiencies or material weaknesses – may be communicated through a separate management letter that should be sent with the audit report (see **Appendix 2** of the USAID Financial Audit Guidelines).
- c. A report on the recipient's compliance with agreement terms and applicable laws and regulations related to USAID-funded programs. Nonmaterial instances of noncompliance should be communicated to the recipient in a separate management letter that should be sent with the audit report. All questioned costs resulting from instances of noncompliance must be included as findings in the Report on compliance (see Appendix 2 of the USAID Financial Audit Guidelines).
- d. A report and a table on the cost-sharing/matching contributions identifying the budgeted amounts required by the agreements; any cost-sharing/matching contribution shortfalls; and notes to the cost-sharing/matching contributions providing an explanation on the basis for questioned costs and shortfalls, if applicable. The notes must be cross-referenced to the corresponding findings, if the questioned costs are material, in the report on compliance (see **Appendix 2** of the USAID Financial Audit Guidelines).
- e. A report on the audit of the indirect cost rate(s), if the recipient has been authorized to charge indirect costs to USAID using provisional rates and USAID has not yet negotiated final rates (**Appendix 2**) with the recipient, along with a report on the audit of the general purpose financial statements (see **Appendix 2** of the USAID Financial Audit Guidelines).

Firms are expected to exercise independent professional judgment throughout the audit engagement, including in reporting on questioned costs. Findings that involve monetary effect must:

1. Be quantified and included as questioned costs in the fund accountability statement, the Auditor's Report on Compliance, and cost sharing/matching contributions schedule (cross-referenced) if applicable.
2. Be reported without regard to whether the conditions giving rise to them were corrected.
3. Be reported whether the recipient does or does not agree with the findings or questioned costs.

4. Contain enough relevant information to expedite the audit resolution process (e.g., number of items tested, size of the sample, error rate, corresponding U.S. dollar amounts, etc.).

The reports must also contain, after each recommendation, pertinent views of responsible recipient officials concerning the auditor's findings and actions taken by the recipient to implement the recommendations. If possible, the auditor should obtain written comments. When the auditors disagree with management comments opposing the findings, conclusions or recommendations, they must explain their reasons following the comments. Conversely, the auditors should modify their report if they find the comments valid.

Any evidence of fraud or illegal acts that have occurred, or are likely to have occurred, must be included in a separate written report if deemed necessary by USAID. This report must include an identification of all questioned costs as a result of fraud or illegal

acts, without regard to whether the conditions giving rise to the questioned costs have been corrected or whether the recipient does or does not agree with the findings and questioned costs.

You may contact the cognizant USAID Operating Unit for any additional information or clarification on the Guide.

VI. RELATIONSHIPS AND RESPONSIBILITIES

The client for this contract is the [*Shafak Organization*]. The Head of programs is *Omar Atik*.

The audit firm will work in coordination with the USAID cognizant Operating Unit. The liaison for audit concerns will be *Mohamad Abdulhai the Head of Finance*, the CEO, or his designee, and the liaison for information and assistance from the USAID Operating Unit will be the USAID cognizant Controller or his/her designee.

The USAID Operating Unit may meet with the public accounting firm at the beginning of the audit to explain any financial/compliance areas of concern that they want emphasized and provide any advice concerning the performance of the audit. The USAID Operating Unit should provide the following information to the auditors for the entrance conference:

1. A list of all payments made for assets, equipment, materials, and technical assistance purchased by USAID from third parties for the period being audited with copies of vouchers with supporting documentation.
2. A list of all advances and recoveries made during the audit period.
3. A list of all disbursements made to the recipient.

The USAID Operating Unit 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. The USAID Operating Unit may also attend the exit conference for the same purpose. However, the USAID Operating Unit comments on the draft report and at the exit conference will not be binding on the public accounting firm.

The public accounting firm must properly maintain and store the working papers for a period of three years from the completion of the audit. During this three-year period the audit firm must immediately provide the working papers when requested by the USAID Operating Unit or USAID OIG. Public accounting firms that are nonresponsive or do not provide timely responses to questions raised by the USAID Operating Unit or USAID OIG will be temporarily or permanently excluded from performing additional USAID audits.

VII. TERMS OF PERFORMANCE

The audit must begin as soon as practicable after the signing of the audit contract, and from the audit start date, the audit firm must submit to USAID: a draft indexed audit report in English within 45 calendar days, and a final audit report within 60 calendar days. The audit firm must submit to the USAID Operating Unit [1] copy of the final report in English. Also, the firm must submit the original copies of the final report in which 1 paper copy in English and [1] paper copy of the final report in the official language of the recipient country (Turkish language) to Shafak, in which both copies must be signed and submitted in PDF version as well.

It is the responsibility of the recipient to ensure that all records are available, all accounting entries and adjustments are made, and all other necessary steps are taken to make it possible for the audit firm to perform the work necessary to be able to present the final audit report within 120 calendar days.

Payment modalities should be determined by Shafak Organization.

Bid validity:

I confirm that the above costs are an accurate reflection of the costs that will be charged to SHAFAK according to the information provided in this request for quotation:

Signed:

Print
name:

Position:

Company
Name:

Date:

Address:

APPENDIX 2: DECLARATION OF PERSONAL AND LEGAL OBLIGATIONS

To be completed by all bidders.

To: **ŞAFAK DERNEĞİ**

We, _____ (*Bidders name*)

Confirm that

- a. We are fully compliant with the minimum terms and conditions of the Employment Law and with all other relevant employment legislation, as well as all relevant Health & Safety Regulations in the countries of registration and operations (list relevant countries).

AND

- b. We have procedures in place to ensure that our subcontractors, if any are used for this contract, apply the same standards and will apply any standards stated in this quotation and any subsequent contract with SHAFAK.

AND

- c. Consistent with numerous United Nations Security Council resolutions including S/RES/1269 (1999), S/RES/1368 (2001) and S/RES/1373 (2001), SHAFAK is firmly committed to the international fight against terrorism, and in particular, against the financing of terrorism. It is the policy of SHAFAK to seek to ensure that none of its funds are used, directly or indirectly, to provide support to individuals or entities associated with terrorism. In accordance with this policy, we undertake to use reasonable efforts to ensure that it does not provide support to individuals or entities associated with terrorism.

I certify that the information provided above is accurate and complete to the best of my knowledge and belief. I understand that the provision of inaccurate or misleading information in this declaration may lead to my organisation being excluded from participation in future bids.

Signed: (Director) _____

Date: _____

Print Name: _____

Company Name: _____

Address: _____