



Office of Inspector General

December 20, 2016

C.D. Glin
President and CEO
United States African Development Foundation
1400 I Street NW, Suite 1000
Washington, DC 20005-2248

Dear President C.D. Glin:

The Office of Inspector General (OIG) is transmitting the management letter prepared by the certified public accounting firm of Brown & Company CPAs, Management Consultants, PLLC (Brown & Company) in relation to the audit of the financial statements as of September 30, 2016 and 2015, of the United States African Development Foundation (USADF) (0-ADF-17-002-C). OIG contracted with this independent auditor to conduct the financial statement audit.

During the audit, Brown & Company noted a control deficiency over reconciling and reporting USADF's Funds Held Outside of Treasury account. This control deficiency is the subject of Brown & Company's management letter. The management letter comment and related recommendations—all of which have been discussed with the appropriate members of your management team—are intended to improve USADF's internal controls and result in other operating efficiencies. Brown & Company is responsible for the management letter and comment.

In carrying out our oversight responsibilities, we conducted a review of Brown & Company's letter, comment, and related documentation. Our review disclosed no instances in which Brown & Company did not comply with applicable standards. Our review was not intended to enable us to express, and we do not express, an opinion or provide any form of assurance on the appropriateness of the response or the effectiveness of any corrective actions described in appendix B of the management letter.

We appreciate the cooperation and courtesies your staff extended to Brown & Company's employees during the audit. If you have questions concerning this letter or would like to discuss it, please contact Rohit Chowbay at 202-712-1317.

Sincerely,

/s/

Alvin A. Brown
Deputy Assistant Inspector General for Audit
Office of Inspector General

U.S. AFRICAN DEVELOPMENT FOUNDATION

**INDEPENDENT AUDITOR'S
MANAGEMENT LETTER**

**FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2016**

U.S. AFRICAN DEVELOPMENT FOUNDATION
SEPTEMBER 30, 2016
FY 2016 MANAGEMENT LETTER COMMENT

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BROWN & COMPANY

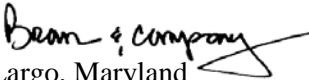
CERTIFIED PUBLIC ACCOUNTANTS AND MANAGEMENT CONSULTANTS, PLLC

To the Director of
U.S. African Development Foundation
Washington, D.C.

In planning and performing our audit of the financial statements of the U.S. African Development Foundation (USADF) as of and for the year ended September 30, 2016, on which we have issued our report dated November 7, 2016, in accordance with U.S. generally accepted government auditing standards, we considered USADF's internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of USADF's internal control. Accordingly, we do not express an opinion on the effectiveness of USADF's internal control. This report is based on our knowledge as of the date of our report on the financial statements, obtained in performing our audit thereof, and should be read with that understanding.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control. However, during the audit, we noted certain matters involving the internal control and other operating matters that are presented for your consideration. This letter does not affect our report dated November 7, 2016 on the financial statements. The management letter comment is summarized in Appendix A. Although we included management's response in Appendix B, such response was not subjected to the auditing procedures applied in our audit of the financial statements. Accordingly, we do not express an opinion or provide any form of assurance on the appropriateness of the response or the effectiveness of any corrective actions described therein.

This communication is intended solely for the information and use of the management of USADF, OMB, OIG and U.S. Congress, and is not intended to be and should not be used by anyone other than these specified parties.


Largo, Maryland
December 19, 2016

**U.S. AFRICAN DEVELOPMENT FOUNDATION
SEPTEMBER 30, 2016
FY 2016 MANAGEMENT LETTER COMMENT**

ML-16-1 USADF Needs To Improve Controls Over Funds Held Outside of Treasury

Condition:

USADF (the agency) needs to improve internal controls over Funds Held Outside of Treasury (FHOT). The agency did not have the bank statements as of June 30, 2016 for its three (3) foreign bank accounts to perform the FHOT reconciliation. Those accounts have been dormant and the last bank statements were received in 2014.

In addition, the agency was not able to confirm three foreign account balances with the banks. USADF estimated that the foreign bank account balances, net, as of August 31, 2016 totaled \$168,570.

Criteria:

The Office of Management and Budget Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*, requires federal managers to follow the standards of the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and the International Organization for Standardization (ISO) to incorporate internal control as part of the larger risk management process.

The responsibilities of managing risk are shared throughout the federal agency from the highest levels of executive leadership to service delivery staff executing Federal programs.

Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting. Reliability of financial reporting means that management can reasonably make the following assertions:

- All reported transactions actually occurred during the reporting period, and all assets exist as of the reporting date (existence and occurrence);
- All assets and transactions that should be reported have been included, and no unauthorized transactions or balances are included (completeness);

- All assets are legally owned by the agency (rights);
- All assets have been properly valued, and where applicable, all costs have been properly allocated (valuation); and
- All assets have been safeguarded against fraud and abuse.

Cause:

The agency's internal control policies and procedures for FHOT limit its ability to close dormant foreign bank accounts and allow those accounts to become dormant. Therefore, the foreign bank accounts are inactive. To reactivate the accounts, the banks are required to obtain authorization from a designated official at the USADF headquarters who is authorized to make decisions about the accounts.

Effect:

The USADF headquarters has no evidence that dormant account funds exist and USADF Official was monitoring those accounts. Therefore, the FHOT account balance could be misstated. It could lead to fraud and lack of the agency's accountability.

Recommendations:

1. We recommend that USADF Chief Financial Officer (CFO) revise the FHOT policies and procedures that address the internal control, monitoring and reporting for dormant foreign accounts.
2. We recommend that USADF CFO or designated official reactivate or close the dormant accounts.
3. We recommend that USADF CFO obtain the most current bank statements to reconcile its FHOT accounts with the foreign accounts of the banks.

Management's Response:

The USADF Management concurred with recommendations.

The USADF Management's full response is provided in Appendix B.

**U.S. AFRICAN DEVELOPMENT FOUNDATION
SEPTEMBER 30, 2016**



December 15, 2016
Gail Jenifer, Member
Brown & Company Certified Public Accountants and
Management Consultants, PLLC
1101 Mercantile Lane, Suite 122
Largo, Maryland 20774

Subject: Management's Response to the Draft FY 2016 Management Letter

Dear Ms. Jenifer:

US African Development Foundation (USADF)'s Management has reviewed the draft Management Letter for the Fiscal Year (FY) 2016 Financial Statements Audit. USADF Finance & Administration concurs with recommendations contained in the draft FY 2016 Management Letter, which ensure in multiple ways to minimize the recurrence of this problem. The following is Management's response to the FY 2016 recommendations.

ML-16-1 USADF Needs To Improve Controls Over Funds Held Outside of Treasury

Recommendations:

1. We recommend that USADF Chief Financial Officer (CFO) revise the FHOT policies and procedures that address the internal control, monitoring and reporting for dormant foreign accounts.
2. We recommend that USADF CFO or designated official reactivate or close the dormant accounts.
3. We recommend that USADF CFO obtain the most current bank statements to reconcile its FHOT accounts with the foreign accounts of the banks.

Management's Response:

1. USADF Management wants to emphasize that the agency has always accounted for the fund balances in its dormant accounts as of the day of the last activities.
2. USADF is in the process of drafting and finalizing its policy on dormant accounts. The policy will be ready by January 2017.

3. Dormant accounts have now been reactivated which will enable the agency to close them by the end of March 2017; and we have received updated bank statements from these accounts.

/s/

C.D. Glin, President & CEO