



## MEMORANDUM

**DATE:** June 8, 2018

**TO:** USAID/Management/Office of Acquisition and Assistance/Cost, Audit, and Support Division, Branch Chief, David A. McNeil

**FROM:** Director of External Financial Audits, Abdoulaye Gueye /s/

**SUBJECT:** Audit of Oxfam GB Under Multiple USAID Agreements for the Fiscal Year Ended March 31, 2016 (3-000-18-013-R)

This memorandum transmits the final audit report on the recipient contracted audit of Oxfam GB (OGB) for fiscal year ended March 31, 2016. OGB contracted with Gelman, Rosenberg & Freedman to conduct the audit. The contract required Gelman, Rosenberg & Freedman to perform the audit in accordance with generally accepted government auditing standards and the U.S. Agency for International Development (USAID), Office of Inspector General's *Guidelines for Financial Audits Contracted by Foreign Recipients* issued in February 2009<sup>1</sup>.

Gelman, Rosenberg and Freedman states that it performed its audit in accordance with generally accepted government auditing standards and the Office of Inspector General's *Guidelines for Financial Audits Contracted by Foreign Recipients*. Gelman, Rosenberg & Freedman is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on OGB's fund accountability statement; the effectiveness of its internal control; or its compliance with the awards, laws, and regulations<sup>2</sup>.

The audit objectives were to (1) express an opinion on whether the fund accountability statement for the period audited was presented fairly, in all material respects; (2) evaluate OGB's internal controls; (3) determine whether OGB complied with awards' terms and applicable laws and regulations; and (4) express an opinion on the statement of indirect rate calculation. To answer the audit objectives, the audit firm: (a) performed audit procedures to evaluate the effectiveness of internal controls considered relevant to prevent or detect material noncompliance applicable to OGB's U.S. Government Awards; and (b) examined supporting documentation for financial transactions, which were selected based on a random sample as well as on the materiality of the transaction. The report on the fund accountability statement disclosed that OGB's audited expenditures

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<sup>1</sup> On June 30, 2017, USAID OIG rescinded its *Guidelines for Financial Audits Contracted by Foreign Recipients*, recognizing the Agency's role to impose requirements on its implementing partners and contractors as a management function. This contracted audit, however, was initiated before that date and follows the *Guidelines*.

<sup>2</sup> We reviewed the audit firm's report for conformity with professional reporting standards. Our desk reviews are typically performed to identify any items needing clarification or issues requiring management attention. Desk reviews are limited to review of the audit report itself and excludes review of the auditor's supporting working papers; they are not designed to enable us to directly evaluate the quality of the audit performed.

were \$11,381,300, which consisted solely of USAID expenditures for the fiscal year ended March 31, 2016.

Gelman, Rosenberg and Freedman concluded that: (1) the fund accountability statement presented fairly, in all material respects, costs incurred and reimbursed by USAID, the U.S. Department of State and federal pass through entities, for the year ended March 31, 2016 in accordance with the terms of the agreements and in conformity with the accrual basis of accounting except for (a) property and equipment that is expensed when purchased; and (b) \$19,663 of ineligible direct questioned costs related to USAID awards; (2) the auditor identified two significant deficiencies in internal control that are required to be reported under U.S. Government Auditing Standards; (3) the auditor disclosed two material instances of noncompliance that are required to be reported under *U.S. Government Auditing Standards*; (4) the statement of the indirect rate calculation was prepared from financial statements prepared by other auditors in a separate report that expressed an unmodified opinion. In Gelman, Rosenberg and Freedman's opinion, the statement of the indirect rate calculation is fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole. Gelman, Rosenberg and Freedman also questioned \$3,933 in indirect costs, and the audit firm's management letter was included in the report.

To address the issues identified in the audit report, we recommend that USAID's Office of Acquisition and Assistance Cost, Audit and Support Division:

**Recommendation 1.**

Determine the allowability of \$19,663 in USAID ineligible direct questioned costs and recover any amount that is unallowable detailed on pages I-9, I-17, and IV-5 of the audit report.

**Recommendation 2.**

Verify that Oxfam GB corrects the two significant deficiencies in internal control detailed on pages 5 and II-1 of the audit report.

**Recommendation 3.**

Verify that Oxfam GB corrects the two material instances of noncompliance detailed on pages 5, III-1 and III-2 of the audit report.

We ask that you provide your written notification of actions planned or taken to reach a management decision. We appreciate the assistance extended to audit staff during the engagement.

OIG does not routinely distribute independent public accounting reports beyond the immediate addressees because a high percentage of these reports contain information restricted from release under the Trade Secrets Act, 18 U.S.C. 1905 and Freedom of Information Act Exemption Four, 5 U.S.C. 552(b)(4) ("commercial or financial information obtained from a person that is privileged or confidential").

If you have any questions related to this report, please contact Steve Shea, Assistant Director, at (202) 712-1386 or [sshea@usaid.gov](mailto:sshea@usaid.gov).

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