



MEMORANDUM

DATE: July 13, 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 Norwegian People's Aid Under Multiple USAID Agreements for the Fiscal Year Ended December 31, 2015
Report No. 3-000-18-017-R

This memorandum transmits the final audit report on the recipient contracted audit of Norwegian People's Aid (NPA) for fiscal year (FY) ended December 31, 2015. NPA contracted with Gelman, Rosenberg & Freedman to conduct the audit. The contract required Gelman, Rosenberg & Freedman to perform the audit in accordance with U.S. 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 2009¹.

Gelman, Rosenberg and Freedman states that it performed its audit in accordance with U.S. Government Auditing Standards and the Office of Inspector General's *Guidelines for Financial Audits Contracted by Foreign Recipients*. Gelman, Rosenberg and Freedman is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on NPA's fund accountability statement; the effectiveness of its internal control; or its compliance with the award, laws, and regulations².

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 NPA's internal controls; (3) determine whether NPA complied with award terms and applicable laws and regulations; and (4) express an opinion on the statement of the indirect rate calculation. To answer the audit objectives, Gelman, Rosenberg and Freedman: (a) performed audit procedures to evaluate the effectiveness of internal controls considered relevant to prevent or detect material noncompliance applicable to NPA's U.S. Government Awards; and (b) examined supporting documentation for financial transactions, which were selected upon a random sample as well as on the materiality of the transaction. The report on the fund accountability statement disclosed that NPA's

¹ On June 30, 2017, USAID OIG rescinded its *Guidelines for Financial Audits Contracted by Foreign Recipients*, recognizing the Agency's role to impose requirements on its implementing partners and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*.

² 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.

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audited expenditures for the FY ended December 31, 2015 were \$18,745,537 and USAID's audited expenditures were \$4,304,212.

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, U.S. Department of Defense and the applicable federal pass-through funding agencies for the year ended December 31, 2015, in accordance with the terms of the agreement and in conformity with the accrual basis of accounting except for: (a) property and equipment that is purchased with U.S. government funding, such property is expensed when purchased; (b) \$63,562 in unsupported direct questioned costs, and \$4,513 in unsupported indirect questioned costs; (2) for the FY ended December 31, 2015 Gelman, Rosenberg and Freedman identified one material weakness and seven significant deficiencies in internal control, (3) Gelman, Rosenberg and Freedman identified three material instances of noncompliance with U.S. Government Regulations, and (4) the statement of indirect rate calculation was prepared from financial statements audited by other auditors who expressed an unmodified opinion. In Gelman, Rosenberg and Freedman's opinion, the statement of indirect cost rate is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. Gelman, Rosenberg and Freedman's management letter was included in the audit report. Gelman, Rosenberg and Freedman questioned costs of \$180,448 applicable to the U.S. Department of State.

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

Recommendation 1.

Determine the allowability of \$63,562 in unsupported direct questioned costs on pages I-12, I-22, I-24 and I-75 of the audit report and recover any amount that is unallowable.

Recommendation 2.

Verify that Norwegian People's Aid corrects the one material weakness and seven significant deficiencies in internal control detailed on pages I2 and II-1 through II-3, of the audit report.

Recommendation 3.

Verify that Norwegian People's Aid corrects the three material instances of noncompliance detailed on pages I3 and III-1 through III-3 of the audit report.

We ask that you provide your written notification of actions planned or taken to reach management decisions. 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.

Attachment: As stated

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