



MEMORANDUM

DATE: May 2, 2019

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

FROM: Acting Director, IG/A/EFA, Steven Shea /s/

SUBJECT: Audit of Handicap International Federation Under Multiple USAID Agreements for the Fiscal Year Ended December 31, 2016 (3-000-19-004-R)

This memorandum transmits the final audit report on the recipient contracted audit of Handicap International Federation (HIF) for fiscal year (FY) ended December 31, 2016. HIF contracted with Gelman, Rosenberg & Freedman to conduct the recipient contracted 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 2009¹.

Gelman, Rosenberg & 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 & Freedman is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on HIF's fund accountability statement; the effectiveness of its internal control; or its compliance with the awards, 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 HIF's internal controls; (3) determine whether HIF complied with awards' terms and applicable laws and regulations; (4) report on the cost sharing schedule and determine if

¹ On June 30, 2017, USAID OIG rescinded its *Guidelines for Financial Audits Contracted by Foreign Recipients*, recognizing the Agency's role to impose requirements on its implementing partners and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

the cost sharing schedule was presented fairly; and (5) express an opinion on the statement of indirect rate calculation. To answer the audit objectives Gelman, Rosenberg & Freedman contracted with the offices of Ernst & Young, located in Lyon, France. The audit firm's procedures included examining underlying documentation which supported the financial transactions recorded as expenditures against the U.S. Government awards and evaluating the effectiveness of the design and operation of the internal controls.

Gelman, Rosenberg & Freedman concluded that: (1) the fund accountability statement presented fairly, in all material respects, program revenues received, costs incurred and reimbursed by the applicable United States Funding agencies or pass-through entities for the year ended December 31, 2016 in accordance with the terms of the agreements and in conformity with the accrual basis of accounting with the exception of U.S.-funded property and equipment that is expensed when purchased; (2) the auditor did not identify any deficiencies that were considered material weaknesses in internal control; (3) the auditor disclosed no material instances of noncompliance that are required to be reported under generally accepted government auditing standards; (4) the auditor reported that nothing came to their attention that caused them to believe HIF did not fairly present the cost-sharing schedule, in all material respects in accordance with the basis of accounting used to prepare the cost-sharing schedule; and (5) the statement of indirect rate calculation was prepared from financial statements prepared by the another auditor that expressed an unmodified opinion. In Gelman, Rosenberg & Freedman's opinion, the statement of indirect rate calculation is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The report on the fund accountability statement disclosed that HIF's audited expenditures were \$13,042,904, of which USAID's audited expenditures were \$6,976,055 for the fiscal year ended December 31, 2016. HIF submitted a management letter, which was included in the report.

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").