



MEMORANDUM

DATE: May 16, 2019

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

FROM: Acting Director for External Financial Audit Division, Steven Shea /s/

SUBJECT: Audit of War Child Canada Under USAID Award AID-OFDA-G-13-00039 for the Fiscal Year Ended December 31, 2014 (3-000-19-006-R)

This memorandum transmits the final audit report on the recipient contracted audit of War Child Canada (WCC) for the fiscal year (FY) ended December 31, 2014. WCC 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's (USAID), *Guidelines for Financial Audits Contracted by Foreign Recipients*¹.

The audit firm states that it performed its audit in accordance with generally accepted government auditing standards and USAID's *Guidelines for Financial Audits Contracted by Foreign Recipients*. The audit firm is responsible for the enclosed auditor's report and the conclusions expressed in it. We do not express an opinion on WCC'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 WCC's internal controls; (3) determine whether WCC complied with award terms and applicable laws and regulations; and (4) report on the cost sharing schedule and determine if the cost sharing schedule was presented fairly. To answer the audit objectives, Gelman, Rosenberg & Freedman: (a) performed audit procedures to evaluate the effectiveness of internal controls considered relevant to preventing or detecting noncompliance with requirements applicable to WCC'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 WCC's audited expenditures were \$1,281,620 and USAID's audited expenditures were \$937,795 for the fiscal year ended December 31, 2014.

¹ On June 30, 2017, USAID OIG rescinded its *Guidelines for Financial Audits Contracted by Foreign Recipients*, recognizing the Agency's role to impose requirements on its implementing partners and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 audit concluded that: (1) the fund accountability statement presented fairly, in all material respects, costs incurred and reimbursed by USAID and the U. S. Department of State for the year ended December 31, 2014, in accordance with the terms of the agreement and in conformity with the accrual basis of accounting with the exception of property and equipment that is expensed when purchased and except for \$29,928 in unsupported direct questioned costs applicable to USAID; (2) the audit firm identified three material instances of noncompliance with U.S. Government Regulations on Terrorism, Sub-Recipient Selection and Cost Share Expenses. In addition, although we are not making a recommendation for the significant deficiencies noted in the report, we suggest that USAID's Office of Acquisition and Assistance Cost, Audit and Support Division determine if the recipient addressed the issues noted.

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 \$29,928 in unsupported direct questioned costs on pages I-10 and V-4 of the audit report and recover any amount that is unallowable.

Recommendation 2. Verify that War Child Canada corrects the three material instances of noncompliance detailed on pages 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").