



MEMORANDUM

DATE: June 11, 2020

TO: USAID/Management/Office of Acquisition and Assistance/Cost, Audit and Support Division, Acting Supervisory Auditor, Eleanor C. Jefferson

FROM: Director of External Financial Audit Division, David A. McNeil /s/

SUBJECT: Closeout Audit of USAID Resources Managed by DanChurchAid, Under Grant 720FDA18GR00008, for the Fiscal Year Ended December 31, 2018 (3-000-20-016-R)

This memorandum transmits the final audit report on the recipient contracted audit of the U.S. Agency for International (USAID) resources managed by DanChurchAid (DCA), under grant number 720FDA18GR00008, for the fiscal year ended December 31, 2018. DCA contracted with the independent certified public accounting firm GRF CPAs and Advisors to conduct the recipient contracted audit. The audit firm stated that it performed its audit in accordance with generally accepted government auditing standards and USAID's Financial Audit Guide for Foreign Organizations. The audit firm is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on DCA's fund accountability statement; the effectiveness of its internal control; or its compliance with the award, laws, and regulations.¹

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 DCA's internal controls; and (3) determine whether DCA complied with award terms and applicable laws and regulations. To answer the audit objectives, the audit firm evaluated the effectiveness of the design and operation of internal controls considered relevant to preventing or detecting material noncompliance with the compliance requirements applicable to DCA's U.S. Government award, and examined underlying documentation which supported the financial

¹ 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.

transactions recorded as expenditures against the award. The report on the fund accountability statement disclosed that DCA's and USAID's audited expenditures were \$4,700,000 for the fiscal year ended December 31, 2018.

GRF CPAs and Advisors concluded that: (1) the fund accountability statement presented fairly, in all material respects, costs incurred and reimbursed by USAID for the year ended December 31, 2018, in accordance with the terms of the award and in conformity with the modified cash basis of accounting; (2) the auditor identified one material instance of noncompliance related to subrecipient's non-compliance with U.S. Government regulations on terrorism; and (3) the auditor did not identify any deficiencies that were considered material weaknesses in internal control. However, the auditor identified significant deficiencies related to banks, petty cash, and advance reconciliations of a subrecipient. Although we are not making a recommendation for 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 issue identified in the report, we recommend that USAID's Office of Acquisition and Assistance, Cost, Audit and Support Division:

Recommendation I. Verify that DanChurchAid corrects the instance of material noncompliance detailed on page III-I 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 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").