



## OFFICE OF INSPECTOR GENERAL U.S. Agency for International Development

### MEMORANDUM

**DATE:** August 24, 2023

**TO:** USAID/Management/Office of Acquisition and Assistance/Cost, Audit and Support Division, Contract Audit Management Branch, Acting Supervisory Auditor, Maya Cole

**FROM:** Director of External Financial Audits Division (IG/A/EFA), David McNeil /s/

**SUBJECT:** Financial Audit of USAID Resources Managed by Solidarités International in Multiple Countries Under Multiple Awards, for the Year Ended December 31, 2021 (3-000-23-044-R)

This memorandum transmits the final audit report on the U.S. Agency for International Development (USAID) resources managed by Solidarités International in multiple countries under multiple awards for the Year Ended December 31, 2021. Solidarités International contracted with the independent certified public accounting firm, Gelman Rosenberg & Freedmen (GRF), to conduct the audit. GRF stated that it performed its audit in accordance with generally accepted government auditing standards (GAGAS) issued by the Comptroller General of the United States and USAID's Financial Audit Guide for Foreign Organizations. GRF is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on Solidarités International's schedule of expenditures of USAID awards; the effectiveness of its internal control; or its compliance with the awards, laws, and regulations.<sup>1</sup>

The audit objectives were to (1) express an opinion on whether Solidarités International's schedule of expenditures for the period audited was presented fairly, in all material respects; (2) evaluate Solidarités International's internal controls; (3) determine whether Solidarités International complied with award terms and applicable laws and regulations; (4) review Solidarités International's indirect cost rate; (5) review the implementation status of Solidarités International's prior period recommendations; and (6) determine whether Solidarités International has been authorized to charge indirect costs to USAID awards using a provisional rate, whether the general purpose financial statements were audited in accordance with GAGAS, and whether the audited schedule of expenditures expressed an opinion on whether the general purpose financial statements present fairly, in all material respects the results of its

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<sup>1</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.

operations for the year then ended, in conformity with GAGAS. To answer the audit objectives, GRF (1) reviewed direct and indirect costs billed to and reimbursed by USAID and costs incurred but pending reimbursement, identified and quantified any questioned costs, and reviewed general and program ledgers to determine whether costs incurred were properly recorded, and reconciled direct costs billed to, and reimbursed by USAID to the program and general ledgers; (2) reviewed and evaluated Solidarités International's internal controls related to USAID programs to obtain a sufficient understanding of the design of relevant control policies and procedures and whether those policies and procedures have been placed in operation; (3) identified the agreement terms and pertinent laws and regulations and determined which of those, if not observed, could have a direct and material effect on the schedule of expenditures of USAID awards, and assessed the inherent and control risk that material noncompliance could occur for each of the compliance requirements; (4) determined whether Solidarités International has used provisional rates to charge indirect costs to USAID and performed tests of the actual indirect cost rates; (5) reviewed and evaluated the implementation status of the prior period recommendations; and (6) examined Solidarités International's audited general purpose financial statements to determine whether an opinion is expressed as to whether those statements are presented fairly in all material respects in accordance with generally accepted accounting principles. Solidarités International reported expenditures of \$67,693,026 in USAID funds during the audited period.

GRF concluded the schedule of expenditures presented fairly, in all material respects, program revenues and costs incurred under the awards for the period audited in accordance with the accrual basis of accounting with the exception of property and equipment purchased with U.S. Government funding; identified no questioned costs; no material weaknesses or significant deficiencies in internal control; and no instances of material noncompliance. Further, GRF expressed an unmodified opinion on the schedule of computation of indirect cost rate, stated that of three prior period findings, two were resolved and one remained unresolved, and confirmed that Solidarités International's general purpose financial statements for the year ended December 31, 2021, were audited by other auditors who, in their report dated June 20, 2022, expressed an unmodified opinion on those financial statements. GRF identified a certain matter involving compliance that it reported to Solidarités International's management in its report on findings and recommendations dated September 28, 2022.

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"). In addition, USAID OIG has determined that this transmittal memo and the enclosed report are not subject to notification and reporting requirements under Section 5274 of the National Defense Authorization Act.<sup>2</sup>

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<sup>2</sup> The James M. Inhofe National Defense Authorization Act for Fiscal Year 2023 Pub. L. No. 117-263, § 5274. Please direct related inquiries to [oinotice\\_ndaa5274@usaid.gov](mailto:oinotice_ndaa5274@usaid.gov).