



# OFFICE OF INSPECTOR GENERAL

## U.S. Agency for International Development

### MEMORANDUM

**DATE:** February 1, 2024

**TO:** USAID/Management/Office of Acquisition and Assistance/Cost, Audit and Support Division/Contract Audit Management Branch, Agency/Bureau/Office, Sheree F. Marshall

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

**SUBJECT:** Financial Audit of USAID Resources Managed by Acción Contra el Hambre in Multiple Countries Under Multiple Awards, for the Year Ended December 31, 2021 (3-000-24-028-R)

This memorandum transmits the final audit report on the U.S. Agency for International Development (USAID) resources managed by Acción Contra el Hambre (ACH) in multiple countries under multiple awards. ACH contracted with the independent certified public accounting firm Gelman, Rosenberg & Freedman (GRF) to conduct the audit. The audit firm stated that it performed its audit in accordance with generally accepted government auditing standards (GAGAS) and the USAID 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 ACH's schedule of expenditures of USAID awards; the effectiveness of its internal control; or its compliance with the award, laws, and regulations.<sup>1</sup>

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 and obtain a sufficient understanding of the ACH's internal controls related to the U.S. Government-funded programs; (3) perform tests to determine whether ACH complied, in all material respects, with agreement terms and applicable laws and regulations related to U.S. Government-funded programs; (4) determine if ACH has taken adequate corrective action on prior audit report recommendations; (5) perform an audit of the indirect cost rate; and (6) determine whether the general purpose financial statements were audited in accordance with GAGAS and whether those audited financial statements express an opinion on whether the general-purpose financial statements present fairly, in all material respects, the results of its operations for the year then ended.

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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.

To answer the audit objectives, GRF (1) reviewed direct and indirect costs billed to and reimbursed by U.S. Government and passthrough agencies and costs incurred but pending reimbursement, and identified and quantified any questioned costs; (2) reviewed and evaluated the ACH's internal controls related to U.S. Government 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) reviewed the status of actions taken on findings and recommendations reported in prior audits of U.S. Government-funded programs, and evaluated whether the ACH has taken appropriate corrective action; (5) performed tests of the indirect cost rates to determine whether the distribution or allocation base includes all costs that benefitted from indirect activities; and (6) examined ACH'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 the applicable accounting principles. ACH reported total expenditures of \$41,381,636 in the fund accountability statement related to USAID funds during the audited period.

The audit firm concluded the schedule of expenditures of USAID awards presented fairly, in all material respects, program revenues and costs incurred under the award for the period audited. GRF reported no questioned costs; no material weaknesses in internal control; and no instances of noncompliance required to be reported under government auditing standards. The financial statements of ACH for the year ended December 31, 2021, were audited by other auditors, whose report dated September 15, 2022, expressed an unmodified opinion on those statements. GRF stated that the Statement of Indirect Rate Calculation is presented fairly, in all material respects, in relation to the general purpose financial statements as a whole. GFR cleared three of five areas of concern that they had reported previously. GRF also reported to ACH management in Section IV of the report on certain matters involving internal control and its operations and instances of noncompliance.

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 [oignotice\\_ndaa5274@usaid.gov](mailto:oignotice_ndaa5274@usaid.gov).