



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

### MEMORANDUM

**DATE:** February 6, 2024

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

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

**SUBJECT:** Financial Audit of War Child Canada Under Multiple USAID Awards for the Fiscal Year Ended December 31, 2021 (3-000-24-031-R)

This memorandum transmits the final audit report on the financial audit of multiple U.S. Agency for International Development (USAID) awards managed by War Child Canada (WCC), for the fiscal year ended December 31, 2021. WCC contracted with the independent audit firm Gelman, Rosenberg & Freedman (GRF) to conduct the audit. GRF stated that it performed its audit in accordance with U.S. Generally Accepted Government Auditing Standards and with 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 WCC'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 the schedule of expenditures of USAID awards for the period audited, was presented fairly, in all material respects; (2) evaluate the WCC's internal controls; (3) determine whether WCC complied with award terms and applicable laws and regulations; and (4) determine if WCC has taken adequate corrective measures on prior audit report recommendations. To answer the audit objectives, GRF performed audit procedures to (1) review general and program ledgers to determine whether costs incurred were properly recorded, and reconciled direct costs were billed to and reimbursed by USAID to the program and general ledgers; (2) review and evaluate WCC'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; and (3) identify the agreement terms and pertinent laws and regulations and determine which of those, if not observed, could have a direct and material

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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.

effect on the schedule of expenditures of USAID awards. GRF examined total expenditures of \$810,101 for 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 except for \$8,080 in total unsupported questioned costs, a significant deficiency and a compliance issue. Since the questioned costs did not meet the OIG's established threshold of \$25,000 for making a recommendation, we are not making a recommendation. Nevertheless, we suggest that USAID's Office of Acquisition and Assistance Cost, Audit and Support Division/Contract Audit Management Branch determine the allowability of the \$8,080 in unsupported questioned costs and recover any amount determined to be unallowable. In addition, although we are not making a recommendation for the significant deficiency noted in the report, we suggest that USAID's Office of Acquisition and Assistance Cost, Audit and Support Division/Contract Audit Management Branch determine if the recipient addressed the noted issues. Also, GRF noted certain matters involving internal control in WCC's operation and certain immaterial non-compliance instances reported to WCC management in the independent audit report on current year findings and recommendations, located in section IV of the audit report. In addition, GRF noted in section V of the audit report, that there were four prior year audit findings; one was ongoing and three were cleared.

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).