



MEMORANDUM

DATE: October 30, 2020

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

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

SUBJECT: Financial Audit of Norwegian People's Aid Under Multiple USAID Agreements for the Fiscal Year Ended December 31, 2016 (3-000-21-005-R)

This memorandum transmits the final audit report on the U.S. Agency for International Development (USAID) resources managed by Norwegian People's Aid (NPA) under multiple awards for the fiscal year ended December 31, 2016. NPA contracted with the independent certified public accounting firm Gelman, Rosenberg & Freedman to conduct the audit. The audit firm stated that it performed its audit in accordance with generally accepted government auditing standards and the Guidelines for Financial Audits Contracted by Foreign Recipients.¹ The audit firm is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on NPA's fund accountability statement; the effectiveness of its internal control; or its compliance with the award, laws, and regulations.²

The audit objectives were mainly to (1) express an opinion on whether the fund accountability statement for the period audited, was presented fairly, in all material respects; (2) evaluate NPA's internal controls; and (3) determine whether NPA complied with award terms and applicable laws and regulations. To answer the audit objectives, the audit firm examined evidence which supported the financial transactions recorded as expenditures in the fund accountability statement. The audit firm performed the subject financial audit that covered

¹ On June 30, 2017, USAID OIG rescinded its "Guidelines for Financial Audits Contracted by Foreign Recipients," recognizing the Agency's role to impose requirements on its implementing partners and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.

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.

total USAID expenditures of \$5,239,022 for the fiscal year ended December 31, 2016.

The audit firm concluded that: (1) the fund accountability statement presented fairly, in all material respects, costs incurred and reimbursed by USAID and pass-through entities for the year ended December 31, 2016, in accordance with the terms of the agreement and in conformity with the accrual basis of accounting except for plant and equipment that is expensed when purchased; (2) the audit firm identified total direct questioned costs of \$18,754 (\$10,555 ineligible, \$8,199 unsupported) and indirect questioned costs of \$1,303 composed of \$916 ineligible and \$387 Unsupported applicable to USAID. The audit firm identified \$50,815 in total questioned costs applicable to Department of State; (3) NPA had three significant deficiencies in internal control regarding payroll related issues, U.S. government regulations on terrorism, and journal entries; and (4) there were two instances of material noncompliance one due to payroll related issues, and the other with U.S. government regulations on terrorism. 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 determine the allowability of the \$18,754 in questioned costs and recover any amount determined to be unallowable. In addition, although we are not making a recommendation for the three significant deficiencies noted in the report, we suggest USAID's Office of Acquisition and Assistance, Cost, Audit and Support Division determine if the recipient addressed the issues noted. The audit firm submitted a management letter, which was included in the report.

During our desk review, we noted minor issues which the audit firm will need to address in future audit reports. We presented these issues in a memo to the CFO, dated October 30, 2020.

To address the issues identified in the report, we recommend that USAID's Office of Acquisition and Assistance, Cost, Audit and Support Division:

Recommendation I. Verify that Norwegian People's Aid corrects the two instances of material noncompliance (Finding 16-001 and Finding 16-002) detailed on pages III-1 through III-3 and pages IV-1 through IV-3 of the audit report.

We ask that you provide your written notification of actions planned or taken to reach a management decision.

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").