



OFFICE OF INSPECTOR GENERAL

U.S. Agency for International Development

MEMORANDUM

DATE: May 16, 2023

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

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

SUBJECT: Financial Audit of Tearfund Under Multiple USAID Agreements for the Fiscal Year Ended March 31, 2020 (3-000-23-021-R)

This memorandum transmits the final audit report on the recipient contracted audit of Tearfund for fiscal year ended March 31, 2020. Tearfund contracted with Gelman, Rosenberg & Freedman (GRF) to conduct the audit. GRF stated that it performed the audit in accordance with generally accepted government auditing standards (GAGAS) and the U.S. Agency for International Development (USAID) 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 Tearfund's fund accountability statement, the effectiveness of its internal control, or its compliance with the awards, laws, and regulations.¹

The audit objectives were to (1) express an opinion on whether the fund accountability statements for the U.S. Government funded awards present fairly in all material respects, the revenues received, costs incurred, and commodities and technical assistance directly procured by the U.S. Government; (2) evaluate Tearfund's internal controls; (3) perform tests to determine whether the recipient complied, in all material respects, with agreement terms, and applicable laws and regulations related to U.S. Government funded programs; (4) determine if the recipient has taken adequate corrective action on prior audit report recommendations; (5) review cost-sharing/matching contributions to determine whether cost-sharing/matching contributions were provided and accounted for by the recipient in accordance with the terms of the agreements; (6) perform an audit of the indirect cost rate if the recipient has been authorized to charge indirect costs to U.S. Government awards using provisional rates; and (7) 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, in conformity with

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.

GAGAS. To answer the audit objectives, GRF (a) reviewed direct and indirect costs billed to and reimbursed by USAID and pass-through agencies and costs incurred but pending reimbursement, and identified and quantified any questioned costs; (b) reviewed and evaluated the recipient'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; (c) 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 fund accountability statements, and assessed the inherent and control risk that material noncompliance could occur for each of the compliance requirements; (d) reviewed the cost-sharing/matching contributions schedule to determine if the schedule is fairly presented in accordance with the basis of accounting used by the recipient to prepare the schedule; and (e) determined whether the recipient has used provisional rates to charge indirect costs to USAID. GRF examined total USAID expenditures of \$16,828,615 in fiscal year 2020.

GRF concluded that the fund accountability statement presented fairly, in all material respects, program revenues and costs incurred under the awards for the period audited and questioned ineligible costs of \$2,355 (\$1,939 direct cost and \$416 related indirect costs). GRF did not identify any material weaknesses in internal control or any material instances of noncompliance. 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, however, we suggest that USAID determine the allowability of the \$1,939 in direct questioned costs and recover any amount determined to be unallowable. Also, the recommendations pertaining to USAID awards identified in the prior year's audit report have been resolved. GRF issued a management letter.

During our desk review, we noted two issues GRF should address in future audit reports. We presented the issues in a memorandum to the chief financial officer dated May 16, 2023.

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").