



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

MEMORANDUM

DATE: July 10, 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 A. McNeil /s/

SUBJECT: Financial Audit of USAID Resources Managed by RET International in Multiple Countries under Multiple Awards and one Close-out Audit for the Year Ended September 30, 2019 (3-000-23-025-R)

This memorandum transmits the final audit report on the recipient contracted audit of RET International (RETI) for the year ended September 30, 2019. RETI contracted with the independent certified public accounting firm Gelman, Rosenberg & Freedman (GRF) to conduct the audit. GRF stated that it performed its audit in accordance with the U.S. Agency for International Development's (USAID) Financial Audit Guide for Foreign Organizations and U.S. Generally Accepted Government Auditing Standards (GAGAS), issued by the Comptroller General of the United States Government Accountability Office. GRF is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on RETI'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 period audited, was presented fairly, in all material respects; (2) evaluate RETI's internal controls, assess control risk, and identify significant deficiencies, including material internal control weaknesses; (3) determine whether RETI complied, in all material respects, with the award terms including cost-sharing, and applicable laws and regulations that have a direct and material effect on the Fund Accountability Statement complied with award terms and applicable laws and regulations; and (4) analyze the indirect cost rate if RETI was authorized to charge indirect costs to USAID using provisional rates, 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

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.

statements present fairly, in all material respects, the results of its operations for the year ended September 30, 2019, conform with generally accepted accounting principles. To answer the audit objectives, GRF (1) reviewed direct and indirect costs billed to and reimbursed by USAID and costs incurred but pending reimbursement; (2) reviewed and evaluated RETI'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 fund accountability statement, and assessed the inherent and control risk that material noncompliance could occur for each of the compliance requirements; (4) determined whether RETI has used the provisional rate of 12.4% to charge indirect costs to USAID and where provisional indirect costs rates are authorized, examined the RETI'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. The report on the fund accountability statements disclosed that USAID's audited expenditures were \$1,158,224 for the year ended September 30, 2019.

GRF (1) concluded the fund accountability statements referred to above present fairly, in all material respects, program revenues, costs incurred and reimbursed, and commodities and technical assistance directly procured by USAID for the year ended September 30, 2019, in accordance with the terms of the agreements and in conformity with the accrual basis of accounting except for \$4,056 in total questioned costs (\$4,056 ineligible); (2) identified three deficiencies in internal control that it considered to be significant deficiencies; (3) disclosed three material instances of noncompliance; and (4) determined that RETI's U.S. Government grants contained funding for indirect costs at provisional rates. Further, GRF stated that indirect costs were charged to the U.S. Government awards in compliance with the provisions of the award agreements and are correctly reflected in the accompanying audited fund accountability statements using RETI's approved provisional rate of 12.4 percent. Finally, according to GRF, RETI's general purpose financial statements for the year ended September 30, 2019, were audited by other auditors who, in their report dated January 21, 2021, expressed an unmodified opinion on those financial statements. 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 \$4,056 in questioned ineligible costs and recover any amount determined to be unallowable. In addition, although we are not making a recommendation for significant deficiencies 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 RETI addressed the issues noted.

During our desk review, we noted one area for improvement, which GRF should address in future audit reports. We presented this area in a memo to USAID's Chief Financial Officer, dated July , 2023.

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

Recommendation I. Verify that RET International corrects the three instances of material noncompliance detailed on page III-1 and pages IV-1 through IV-4 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”). 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.²

² 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.