



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

MEMORANDUM

DATE: October 16, 2023

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

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

SUBJECT: Financial Audit of Norwegian Church Aid Federal Awards for the Year Ended December 31, 2020 (3-000-24-001-R)

This memorandum transmits the final audit report on the recipient contracted audit of Norwegian Church Aid (NCA) under U.S. Agency of International Development (USAID) multiple awards for the year ended December 31, 2020. NCA 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 generally accepted government auditing standards and the USAID's Guidelines for Financial Audits Contracted by Foreign Recipients. GRF is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on NCA's fund accountability statement; the effectiveness of its internal control; or its compliance with the award, laws, and regulations.¹

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 NCA's internal controls; (3) determine whether NCA complied with award terms and applicable laws and regulations; and (4) determine if NCA has taken adequate corrective action on prior audit report recommendations. To answer the audit objectives, GRF; (a) reviewed direct and indirect costs billed to and reimbursed by USAID and pass-through entities and costs incurred but pending reimbursement, and identified and quantified any questioned costs; (b) reviewed and evaluated NCA'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 (c) identified the agreement

¹ We reviewed the audit 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 audit firm's supporting working papers; they are not designed to enable us to directly evaluate the quality of the audit performed.

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. The report on the fund accountability statement disclosed that USAID's audited expenditures were \$2,248,106 for the fiscal year ended December 31, 2020.

GRF concluded that the schedule of expenditures presents fairly, in all material respects, costs incurred and reimbursed by USAID and for the period audited, in accordance with the terms of the agreements. GRF identified questioned costs for \$24,538 (\$23,558 direct and \$980 indirect), four significant deficiencies in internal controls, and four instances of material 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. 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 \$23,558 (\$13,763 ineligible and \$9,795 unsupported) in questioned costs and recover any amount determined to be unallowable. Although we are not making a recommendation for the 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 NCA addressed the significant deficiencies on pages IV-2 to IV-3 of the audit report. GRF reported that the two prior report's recommendations remained open. To address the problems identified in the report, we recommend that USAID's Office of Acquisition and Assistance Cost, Audit and Support Division/Contract Audit Management Branch:

Recommendation I: Verify that NCA corrects the four instances of material noncompliance detailed on pages III-1 to III-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 oignotice_ndaa5274@usaid.gov.