



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

MEMORANDUM

DATE: January 9, 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 Audits Division (IG/A/EFA), David A. McNeil /s/

SUBJECT: Financial Audit of Handicap International Federation Under Multiple Awards, for the Fiscal Year Ended December 31, 2021 (3-000-24-019-R)

This memorandum transmits the final audit report on Handicap International Federation (HI Federation) under multiple awards for the fiscal year ended December 31, 2021, including five awards which were closed during the fiscal year 2021. The HI Federation contracted with the independent certified public accounting firm Gelman, Rosenberg & Freedman (GRF) to conduct the audit. The audit firm stated that it performed its audit in accordance with generally accepted government auditing standards and the U.S. Agency for International Development (USAID) Financial Audit Guide for Foreign Organizations. The audit firm is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on HI Federation's fund accountability statements; 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, were presented fairly, in all material respects; (2) evaluate the HI Federation's internal controls; (3) determine whether HI Federation complied with award terms and applicable laws and regulations; (4) determine if HI Federation has taken adequate corrective action on prior audit report recommendations; (5) determine if the cost-sharing schedule was presented fairly in accordance with the basis of accounting used to prepare the cost-sharing schedule; and (6) perform an audit of the indirect cost rate. To answer the audit objectives, GRF (1) reviewed direct and indirect costs billed to and reimbursed by USAID and pass-through agencies and costs incurred but pending reimbursement and identified any questioned cost (2) 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 (3) reviewed and evaluated the recipient's internal

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.

controls related to USAID programs to obtain a sufficient understanding of the design and relevant control policies and procedures and whether those policies and procedures have been in operation (4) 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 schedule of expenditures of USAID awards (5) reviewed the status of actions taken on findings and recommendations reported in prior audits of USAID funded programs, and evaluated whether the recipient has taken appropriate corrective action, (6) determined whether the recipient has used provisional rates to charge indirect costs to USAID and pass-through agencies, and (7) examined the recipient'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. GRF reported total USAID audited expenditures of \$15,658,922 for fiscal year ended December 31, 2021.

GRF concluded the fund accountability statements presented fairly, in all material respects, program revenues and costs incurred under the award for the period audited. GRF did not identify any questioned costs. GRF identified three significant deficiencies in internal control, and three material instances of noncompliance. 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 the recipient addressed the issues noted. GRF noted certain matters involving internal control and its operation, and immaterial non-compliance instances reported to the management of the HI Federation in the report on findings and recommendations. GRF reported that two prior audit findings were not cleared. In addition, nothing came to the audit firm's attention that caused it to believe that HI Federation did not fairly present the cost-sharing schedule, in all material respects, in accordance with the basis of accounting used to prepare the cost-sharing schedule. Furthermore, GRF concluded that the information in the statement of indirect rate calculation was fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

During our desk review, we noted an area for improvement which the audit firm should address in future audit reports. We presented these areas in a memo to USAID/Management/Office of Acquisition and Assistance/Cost, Audit and Support Division/Contract Audit Management Branch, dated January 9, 2024.

To address the issues 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 Handicap International Federation corrects the three instances of material noncompliance detailed on pages III-2 and III-3 of the audit report.

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