



OFFICE OF INSPECTOR GENERAL

U.S. Agency for International Development

MEMORANDUM

DATE: March 19, 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 USAID Resources Managed by Acción Contra el Hambre in Multiple Countries Under Multiple Awards, for the Year Ended December 31, 2022 (3-000-24-045-R)

This memorandum transmits the final audit report on the U.S. Agency for International Development (USAID) resources managed by Acción Contra el Hambre (ACH) under multiple awards for the fiscal year (FY) ended December 31, 2022. ACH contracted with the independent certified public accounting firm 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 ACH's schedule of expenditures of USAID awards; 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 schedule of expenditures of USAID awards for the period audited, was presented fairly, in all material respects; (2) evaluate the ACH's internal controls; (3) determine whether ACH complied with award terms and applicable laws and regulations (4) determine if ACH took adequate corrective action on prior audit report recommendations; (5) perform an audit of the indirect cost rate; and (6) 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 statements present fairly, in all material respects, the results of its operations for the year then ended. To answer the audit objectives, GRF's procedures included (but were not limited) to the following: (1) reviewed direct and indirect costs billed to and reimbursed by U.S. Government and passthrough agencies and costs incurred but pending

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.

reimbursement, and identified and quantified any questioned costs; (2) reviewed and evaluated ACH'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 schedule of expenditures of USAID awards, and assessed the inherent and control risk that material noncompliance could occur for each of the compliance requirements; (4) reviewed the status of actions taken on findings and recommendations reported in prior audits of U.S. Government-funded programs, and evaluated whether the ACH has taken appropriate corrective action; (5) performed tests of the indirect cost rates to determine whether the distribution or allocation base includes all costs that benefitted from indirect activities; and (6) examined ACH'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 the applicable accounting principles. GRF examined total USAID expenditures of \$ 47,202,902 for the period audited.

GRF concluded that the schedule of expenditures of USAID awards 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, or material weaknesses in internal control. However, GRF did identify a significant deficiency in internal control and material noncompliance with the preparation of audit information and the schedule of expenditures of USAID awards. GRF also noted that there were two prior year audit findings; one was ongoing, and the other was cleared.

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

Recommendation 1. Verify that Acción Contra el Hambre corrects the instances of material noncompliance, detailed on pages III-2 and III-3 of the 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.