



# OFFICE OF INSPECTOR GENERAL

## U.S. Agency for International Development

### MEMORANDUM

**DATE:** April 30, 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 Audit Division (IG/A/EFA), David A. McNeil /s/

**SUBJECT:** Financial Audit of Norwegian People's Aid Under Award AID-FFP-G-17-00036 for the Year Ended December 31, 2018 (3-000-24-055-R)

This memorandum transmits the final audit report on the financial audit of U.S. Agency for International Development (USAID) awards No. AID-FFP-G-17-00036 managed by Norwegian People's Aid (NPA) for the year ended December 31, 2018. NPA contracted with the independent audit 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 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 NPA's schedule of expenditures of USAID awards; the effectiveness of its internal control; or its compliance with the award, laws, and regulations.<sup>1</sup>

The audit objectives were to (1) express an opinion on whether the schedule of expenditures of USAID awards presents fairly in all material respects, the revenues received, costs incurred, and technical assistance directly procured with USAID funding for the period audited in conformity with the terms of the awards; (2) evaluate and obtain a sufficient understanding of the recipient's internal controls related to the USAID funded programs, assess control risk, and identify reportable conditions, including material internal control weaknesses; (3) determine whether the recipient complied, in all material respects, with agreement terms and applicable laws and regulations related to USAID-funded programs. All material instances of noncompliance and all illegal acts that have occurred or are likely to have occurred will be identified.; and (4) determine if the recipient has taken adequate corrective action on prior audit report recommendations. To answer the audit objectives, GRF performed audit procedures to (1) review direct and indirect costs billed to and reimbursed by USAID and costs

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<sup>1</sup> 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.

incurred but pending reimbursement, and identified and quantified any questioned costs; (2) review and evaluate 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; and (3) identify the agreement terms and pertinent laws and regulations and determine which of those, if not observed, could have a direct and material effect on the schedule of expenditures of USAID awards, and assess the inherent and control risk that material noncompliance could occur for each of the compliance requirements. GRF examined total expenditures of \$ 839,520 for the audited period.

GRF concluded that the schedule of expenditures of USAID awards referred to above presents fairly, in all material respects, the costs incurred and reimbursed by USAID and pass-through entities for the year ended December 31, 2018. However, GRF identified \$13,267 in unsupported direct questioned costs. GRF identified two significant deficiencies in internal controls. GRF did not identify any deficiencies in internal control over compliance that were considered material weaknesses. 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/Management/Office of Acquisition and Assistance/Cost Audit and Support Division/Contract Audit Management Branch determine the allowability of the \$13,267 in questioned 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/Management/Office of Acquisition and Assistance/Cost Audit and Support Division/Contract Audit Management Branch determine if the recipient addressed the issues noted. GRF noted that one prior year's audit recommendation was cleared, and two remained open. The report titled "Independent Auditor's Report on Findings and Recommendations" is GRF's formal management letter resulting from its compliance examination.

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.<sup>2</sup> .

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<sup>2</sup> 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](mailto:oignotice_ndaa5274@usaid.gov) .