



OFFICE OF INSPECTOR GENERAL

U.S. Agency for International Development

MEMORANDUM

DATE: June 5, 2024

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: Audit of the Expenditure Schedule of USAID Awards of Norwegian Church Aid Under Multiple Awards for the Year Ended December 31, 2022 (3-000-24-065-R)

This memorandum transmits the final audit report on the expenditure schedule of the U.S. Agency of International Development (USAID) awards of Norwegian Church Aid (NCA) under multiple awards for the year ended December 31, 2022. NCA 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 USAID's Financial Audit Guide for Foreign Organizations. In April 2023, a war began between the Sudanese Armed Forces and the paramilitary Rapid Support Forces, rival factions of the military government of Sudan. NCA's primary administrative office in Khartoum was destroyed in the fighting, resulting in the loss of a substantial amount of documentation and records. As a result of these circumstances, the management of NCA was unable to retrieve certain supporting documentation for purposes of the audit. 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 schedule of expenditures 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

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; (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 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, and (d) reviewed the status of actions taken on findings and recommendations reported in prior audits of USAID funded programs and evaluated whether NCA has taken appropriate corrective action. The schedule of expenditures disclosed that USAID's audited expenditures were \$ 1,338,037 for the fiscal year ended December 31, 2022.

GRF concluded that the schedules of expenditures of Exhibit D – Schedule of Expenditures of USAID Pass-Through Award # FRB2C/FR24/NCA (Prime Award # 720BHA21GR00180), Exhibit E – Schedule of Expenditures of USAID Pass-Through Award # 24-20G09/2020/12/NCA (Prime Award # 720BHA21GR00001), Exhibit G – Schedule of Expenditures of USAID Award # 720FDA19GR00280, and Exhibit H – Schedule of Expenditures of USAID Award # 720FDA18GR00212 present fairly, in all material respects, the costs incurred and reimbursed by USAID and pass-through entities for the year ended December 31, 2022, in accordance with the terms of the agreements.

GRF did not express an opinion on Exhibit A – Summary Schedule of Expenditures of USAID Awards, Exhibit B – Schedule of Expenditures of USAID Pass-Through Award #R4.SUBAGR.20682.55129.02.00 (Prime Award # 720BHA22CA00055), Exhibit C – Schedule of Expenditures of USAID Award # 720BHA21GR00321, and Exhibit F – Schedule of Expenditures of USAID Pass-Through Award # SU.20.SUBAGR.401875.000.55129.02.00 (Prime Award # 72FFP20GR00011). GRF was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

GRF identified unsupported questioned costs for \$1,259,792, two significant deficiencies in internal control that were also reported as material instances of non-compliance which are required to be reported in accordance with GAGAS. GFR reported that the prior audit recommendation remains open. GRF's "Independent Auditor's Report on Current Year Findings and Recommendations" report is its formal management letter from its compliance examination.

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. Determine the allowability of \$1,259,792 in unsupported questioned costs on page III-3 of the audit report and recover any amount that is unallowable.

Recommendation 2. Verify that NCA corrects the two 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 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.