



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

### MEMORANDUM

**DATE:** July 18, 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, 2022 (3-000-24-069-R)

This memorandum transmits the final audit report on Handicap International Federation (HIF) under multiple awards for the fiscal year ended December 31, 2022. The HIF 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 HIF's fund accountability statements; the effectiveness of its internal control; or its compliance with the awards, laws, and regulations.<sup>1</sup>

The audit objectives were to (1) express an opinion on whether the schedules of expenditures of USAID awards present fairly in all material respects in relation to the recipient's financial statements as a whole, the revenues received, costs incurred, and commodities and technical assistance directly procured by USAID for the period audited in conformity with the terms of the agreements and generally accepted accounting principles; (2) evaluate the HIF's internal controls; (3) determine whether HIF complied with award terms and applicable laws and regulations; (4) determine if HIF 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; (6) perform an audit of the indirect cost rate; and (7) determine whether the general purpose financial statements were audited in accordance with GAGAS. 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-

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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.

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 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 \$ 23,248,848 for fiscal year ended December 31, 2022.

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, 2022. GRF identified \$ 11,220 in direct unsupported questioned costs. GRF identified three significant deficiencies in internal control that were also reported as instances of 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 \$ 11,200 in questioned costs and recover any amount determined to be unallowable. In addition, 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 HIF in the report on findings and recommendations. GRF reported that three prior audit findings were not cleared. In addition, nothing came to the audit firm's attention that caused it to believe that HIF 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. The general-purpose financial statements of Handicap International Federation for the year ended December 31, 2022, were audited by another auditor, whose report expressed an unmodified opinion. 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.

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).