



# OFFICE OF INSPECTOR GENERAL

## U.S. Agency for International Development

### MEMORANDUM

**DATE:** August 13, 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:** Financial Audit of USAID Resources managed by Humanitarian Outcomes Ltd. for the period from 15 September 2022 to 30 September 2023 (3-000-24-070-R)

This memorandum transmits the final audit report on the U.S. Agency for International Development (USAID) resources managed by Humanitarian Outcomes Ltd. (HO) for the period from 15 September 2022 to 30 September 2023. HO contracted with the independent certified public accounting firm of Crowe U.K. LLP (Crowe) to conduct the audit. Crowe stated that it performed its audit in accordance with generally accepted government auditing standards (GAGAS) and USAID's Financial Audit Guide for Foreign Organizations. Crowe is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on HO's fund accountability statement, 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 for the USAID-funded awards presents fairly, in all material respects, 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 and obtain a sufficient understanding of HO internal control related to the USAID funded programs, assess control risk, and identify reportable conditions, including material internal control weaknesses; (3) perform tests to determine whether HO complied, in all material respects, with agreement terms and applicable laws and regulations related to USAID funded programs; and (4) determine whether HO has taken adequate action on prior audit report recommendations. To answer the audit objectives, Crowe (1) obtained the

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<sup>1</sup> We reviewed the audit 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 audit firm's supporting working papers; they are not designed to enable us to directly evaluate the quality of the audit performed.

schedule of expenditure prepared by Humanitarian Outcome Ltd. This was reconciled to underlying accounting records, bank statements and reports to USAID; (2) reviewed HO's internal controls related to USAID programs to obtain sufficient understanding of the design of relevant control policies and procedures and whether those policies and procedures have been in operation during the audited period; (3) performed tests to determine whether HO complied, in all material respects, with agreement terms and applicable laws and regulations related to USAID-funded programs; and (4) Crowe found no prior recommendation to review, HO has not previously had an audit of a USAID funded program. Crowe reported total USAID audited expenditures of \$1,145,230 for the FY ended 30 September 2023.

Crowe concluded that except for the \$11,022 in ineligible questioned cost, the schedule of expenditures of USAID awards presents fairly, in all material respects, program revenues, costs incurred and reimbursed, and commodities and technical assistance directly procured by USAID or pass-through entities for the year then ended in accordance with the terms of the agreements. Crowe identified one significant deficiency in internal controls and one instance of material 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 \$11,022 in questioned costs and recover any amount determined to be unallowable. In addition, although we are not making a recommendation for significant deficiency 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 issue noted on page 24 of the audit report. Crowe noted other matters involving internal control and its operation that were reported to the management of HO in a separate letter dated 26 June 2024.

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

**Recommendation 1:** Verify that Humanitarian Outcomes Ltd corrects the instance of material noncompliance detailed on page 21 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.<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).