



*Office of Inspector General*

## **MEMORANDUM**

**DATE:** March 26, 2018

**TO:** USAID/Management/Office of Acquisition and Assistance/Cost, Audit, and Support Division, Branch Chief, David A. McNeil

**FROM:** Acting Director of External Financial Audits, Abdoulaye Gueye /s/

**SUBJECT:** Audit of Solidarités International Under Multiple USAID Agreements for the Fiscal Year Ended December 31, 2016 (3-000-18-010-R)

This memorandum transmits the final audit report on the recipient contracted audit of Solidarités International (SI) for fiscal year ended December 31, 2016. SI contracted with Gelman, Rosenberg & Freedman to conduct the audit. The contract required Gelman, Rosenberg & Freedman to perform the audit in accordance with generally accepted government auditing standards and the U.S. Agency for International Development (USAID), Office of Inspector General's *Guidelines for Financial Audits Contracted by Foreign Recipients* issued in February 2009<sup>1</sup>.

Gelman, Rosenberg and Freedman states that it performed its audit in accordance with generally accepted government auditing standards and the Office of Inspector General's *Guidelines for Financial Audits Contracted by Foreign Recipients*. Gelman, Rosenberg and Freedman is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on SI's fund accountability statement; the effectiveness of its internal control; or its compliance with the award, laws, and regulations<sup>2</sup>.

The audit objectives were to (1) express an opinion on whether the fund accountability statement for the period audited was presented fairly, in all material respects; (2) evaluate SI's internal controls; (3) determine whether SI complied with award terms and applicable laws and regulations; and (4) express an opinion on the statement of the indirect rate calculation. To answer the audit objectives, the audit firm: (a) performed audit procedures to evaluate the effectiveness of internal controls considered relevant to prevent or detect material noncompliance applicable to SI's U.S. Government Awards; and (b) examined supporting documentation for financial transactions, which were selected based on a

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<sup>1</sup> On June 30, 2017, USAID OIG rescinded its *Guidelines for Financial Audits Contracted by Foreign Recipients*, recognizing the Agency's role to impose requirements on its implementing partners and contractors as a management function. This contracted audit, however, was initiated before that date and follows the *Guidelines*.

<sup>2</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.

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random sample as well as on the materiality of the transaction. The report on the fund accountability statement disclosed that SI's audited expenditures were \$5,128,500 and USAID's audited expenditures were \$3,838,289 for the fiscal year ended December 31, 2016.

Gelman, Rosenberg and Freedman concluded that: (1) the fund accountability statement presented fairly, in all material respects, costs incurred and reimbursed by USAID and the United States Department of State for the year ended December 31, 2016, in accordance with the terms of the agreements and in conformity with the accrual basis of accounting except for; (a) plant and equipment that is expensed when purchased; (b) \$10,751 in questioned costs of which \$2,335 is ineligible direct questioned costs related to USAID awards; (2) Gelman, Rosenberg and Freedman identified a significant deficiency in internal control over its compliance with anti-terrorism provisions; (3) the auditor's testing disclosed a material instance of noncompliance with SI's anti-terrorism provisions; and (4) the statement of indirect rate calculation was prepared from financial statements audited by other auditors who expressed an unmodified opinion. In the auditor's opinion, the statement of indirect rate calculation is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. Gelman, Rosenberg and Freedman identified \$8,422 in questioned costs related to the U.S. Department of State's awards.

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

**Recommendation 1.**

Determine the allowability of \$2,335 in USAID's ineligible direct questioned costs and recover any amount that is unallowable see pages I-6 and I-7 of the audit report.

**Recommendation 2.**

Verify that Solidarités International corrects the significant deficiency in internal control detailed on page IV-2 of the audit report.

**Recommendation 3.**

Verify that Solidarités International corrects the material instance of noncompliance detailed on page IV-2 of the audit report.

We ask that you provide your written notification of actions planned or taken to reach management decisions. We appreciate the assistance extended to audit staff during the engagement.

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").

If you have any questions related to this report, please contact Steve Shea, Assistant Director, at (202) 712-1386 or [sshea@usaid.gov](mailto:sshea@usaid.gov).

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