



MEMORANDUM

DATE: May 3, 2018

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

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

SUBJECT: Audit of Danish Refugee Council Under Multiple USAID Agreements for the Fiscal Year Ended December 31, 2015 (3-000-18-011-R)

This memorandum transmits the final audit report on the recipient contracted audit of Danish Refugee Council (DRC) for fiscal year (FY) ended December 31, 2015. DRC contracted with Ernst & Young P/S to conduct the recipient contracted audit. The contract required Ernst & Young P/S to perform the audit in accordance with generally accepted government auditing standards (GAGAS) 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 2009¹.

Ernst & Young P/S states that it performed its audit in accordance with GAGAS and the Office of Inspector General's *Guidelines for Financial Audits Contracted by Foreign Recipients* except that the audit firm did not fully satisfy the continuing professional education requirements set forth in GAGAS and did not have an external peer review since no such program is offered in Denmark. Ernst & Young P/S is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on DRC's fund accountability statement; the effectiveness of its internal control; or its compliance with the awards, laws, and regulations².

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 DRC's internal controls; (3) determine whether DRC complied with awards' terms and applicable laws and regulations; (4) report on the cost sharing schedule and determine if the cost sharing schedule was presented fairly; and (5) express an opinion on the schedule of computation of indirect cost rate. To answer the audit objectives, the audit firm: (a)

¹ On June 30, 2017, USAID OIG rescinded its *Guidelines for Financial Audits Contracted by Foreign Recipients*, recognizing the Agency's role to impose requirements on its implementing partners and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*.

² 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.

performed detailed testing of costs; (b) tested the computation of indirect cost rate; (c) assessed internal controls related to purchases and salaries; (d) reviewed compliance with agreement terms and applicable laws and regulations; and (e) reviewed cost sharing contributions. The report on the fund accountability statement disclosed that DRC's audited expenditures were \$26,253,251, and USAID's audited expenditures were \$13,502,787 for the fiscal year ended December 31, 2015. DRC submitted a management letter.

Ernst & Young P/S concluded that: (1) the fund accountability statement presented fairly, in all material respects, program revenues received, costs incurred and reimbursed by USAID and the United States Department of State for the year ended December 31, 2015 in accordance with the terms of the agreement in conformity with the accrual basis of accounting; (2) the auditor did not identify any deficiencies that were considered material weaknesses in internal control; (3) the auditor disclosed no material instances of noncompliance that are required to be reported under U.S. *Government Auditing Standards*; (4) the auditor reported that nothing came to their attention that caused them to believe DRC 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/counterpart contributions schedule; and (5) the schedule of computation of indirect cost rate was prepared from financial statements prepared by the auditor that expressed an unmodified opinion. In the auditor's opinion, the schedule of computation of indirect cost rate is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. Ernst & Young P/S did not identify any findings or questioned costs.

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.

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