



MEMORANDUM

DATE: May 4, 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 Norwegian Refugee Council Under Multiple USAID Agreements for the Fiscal Year Ended December 31, 2016 (3-000-18-012-R)

This memorandum transmits the final audit report on the recipient contracted audit of Norwegian Refugee Council (NRC) for fiscal year ended December 31, 2016. NRC contracted with Gelman, Rosenberg & Freedman to conduct the recipient contracted 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 2009¹.

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 & Freedman is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on NRC'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 NRC's internal controls; (3) determine whether NRC complied with awards' terms and applicable laws and regulations; and (4) report on the cost sharing schedule and determine if the cost sharing schedule was presented fairly. 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 NRC's U.S. Government Awards; and (b) examined supporting documentation for financial transactions, which were selected based on a random sample as well as on the materiality

¹ On June 30, 2017, USAID OIG rescinded its *Guidelines for Financial Audits Contracted by Foreign Recipients*, recognizing the Agency's role to impose requirements on its implementing partners and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

of the transaction. The report on the fund accountability statement disclosed that NRC's audited expenditures were \$18,785,273 and USAID's audited expenditures were \$8,292,278 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, United States Department of State and United States Department of Health and Human Services 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; and (b) \$33,000 of ineligible direct costs related to USAID awards; (2) Gelman, Rosenberg & Freedman did not identify any deficiencies in internal control that were considered material weaknesses; (3) the auditor's testing disclosed no instances of noncompliance that are required to be reported under U.S. *Government Auditing Standards*; and (4) nothing came to their attention that caused Gelman, Rosenberg & Freedman to believe that NRC did not fairly present the cost sharing schedule, in all material respects, in accordance with the accrual basis of accounting. Gelman, Rosenberg and Freedman questioned \$2,897 in indirect costs.

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

Recommendation I.

Determine the allowability of \$33,000 in USAID ineligible direct questioned costs and recover any amount that is unallowable detailed on pages I-11 and I-63 of the audit report.

We ask that you provide your written notification of actions planned or taken to reach a management decision. 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.

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