



MEMORANDUM

DATE: July 2, 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 Acción Contra el Hambre Under Multiple USAID Agreements for the Fiscal Year Ended December 31, 2016 (3-000-18-016-R)

This memorandum transmits the final audit report on the recipient contracted audit of Acción Contra el Hambre (ACH) for fiscal year ended December 31, 2016. ACH contracted with Gelman, Rosenberg & Freedman to conduct the recipient contracted audit. The contract required Gelman, Rosenberg & Freedman to perform the audit in accordance with U.S. 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 U.S. 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 ACH's fund accountability statement; the effectiveness of its internal control; or its compliance with the award, 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 ACH's internal controls; (3) determine whether ACH complied with award terms and applicable laws and regulations; and (4) express an opinion on the statement of 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 ACH's U.S. Government Awards; and (b) examined supporting documentation for financial transactions, which were selected upon a random sample as well as on the materiality of the transaction. The report on the fund accountability statement disclosed that ACH's audited expenditures for the fiscal year ended December 31, 2016 were \$7,509,120 and USAID's audited expenditures were \$6,816,853.

¹ On June 30, 2017, USAID OIG rescinded its *Guidelines for Financial Audits Contracted by Foreign Recipients*, recognizing the Agency's role to impose requirements on its implementing partners and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

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Gelman, Rosenberg and Freedman concluded that: (1) the fund accountability statement presented fairly, in all material respects, costs incurred and reimbursed by USAID, the U.S. Department of State, or pass through funding agencies for the fiscal year ended December 31, 2016, in accordance with the terms of the agreements and in conformity with the accrual basis of accounting except for property and equipment that is purchased with U.S. Government funding such property is expensed when purchased; (2) Gelman, Rosenberg and Freedman did not identify any deficiencies in internal control that were considered material weaknesses; (3) the results of Gelman, Rosenberg and Freedman's testing did not disclose any instances of noncompliance that were required to be reported under U.S. Government Auditing Standards; and (4) the statement of indirect rate calculation was prepared from financial statements audited by other auditors who expressed an unmodified opinion. In Gelman, Rosenberg and Freedman's opinion, based upon the report of the other auditors, the statement of indirect rate calculation and statement of indirect expenses presents fairly, in all material respects, the indirect rate and indirect expenses of ACH as of December 31, 2016. Gelman, Rosenberg and Freedman identified \$542 in unsupported direct, and \$71 in unsupported indirect questioned costs related to USAID awards. Gelman, Rosenberg and Freedman's management letter was included in the audit report.

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.

Attachment: As stated

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