



MEMORANDUM

DATE: July 3, 2019

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 Division, Steve Shea /s/

SUBJECT: Closeout Audit of War Child Canada Under USAID Agreement Number AID-OFDA-G-13-00039 for the Fiscal Year Ended December 31, 2015 (3-000-19-010-R)

This memorandum transmits the final audit report on the recipient contracted audit of War Child Canada (WCC) under the U.S. Agency for International Development (USAID) Agreement Number AID-OFDA-G-13-00039 for fiscal year (FY) ended December 31, 2015. WCC contracted with independent certified public accounting firm Gelman, Rosenberg & Freedman (GRF) to conduct the audit. GRF stated that the contract required the audit firm to perform the audit in accordance with generally accepted government auditing standards and USAID's Guidelines for Financial Audits Contracted by Foreign Recipients¹.

GRF states that it performed its audit in accordance with generally accepted government auditing standards and USAID's Guidelines for Financial Audits Contracted by Foreign Recipients. GRF is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on WCC'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 WCC's internal controls; (3) determine whether WCC complied with award 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 the design and operation of internal controls considered relevant to prevent or detect material noncompliance applicable to each of WCC's U.S. Government Awards; and (b) examined supporting documentation for financial transactions, which were selected based on 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¹ On June 30, 2017, USAID OIG rescinded its "Guidelines for Financial Audits Contracted by Foreign Recipients", recognizing the Agency's role to impose requirements on its implementing partners and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.

random sample as well as on the materiality of the transaction. The report on the fund accountability statement disclosed that WCC's audited expenditures were \$2,693,502, of which USAID's audited expenditures were \$821,643 for the fiscal year ended December 31, 2015.

GRF concluded that: (1) the fund accountability statement presents fairly, in all material respects, costs incurred and reimbursed by USAID and the United States Department of State (DOS) for the year ended December 31, 2015, in accordance with the terms of the agreements and in conformity with the accrual basis of accounting except for plant and equipment that is expensed when purchased, and total unsupported questioned costs of \$39,437 (\$36,598 direct and \$2,839 indirect) applicable to USAID; (2) five significant deficiencies in internal control; (3) five instances of material noncompliance; and (4) nothing came to the audit firm's attention that caused GRF to believe that WCC did not fairly present the cost sharing schedule, in all material respects, in accordance with the accrual basis of accounting, except for \$11,734 in unsupported questioned costs applicable to USAID. Although, we are not making a recommendation for the five significant deficiencies noted in the report, we suggest that USAID's Office of Acquisition and Assistance Cost, Audit and Support Division determine if the recipient addressed the issues noted. The audit firm's management letter was included in the report.

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 1. Determine the allowability of \$36,598 in USAID unsupported direct questioned costs and recover any amount that is unallowable detailed on pages 3 and I-8, of the audit report.

Recommendation 2. Determine the allowability of \$11,734 in USAID unsupported questioned costs due to cost sharing and recover any amount that is unallowable detailed on pages V-4 and V-5, of the audit report.

Recommendation 3. Verify that War Child Canada corrects the five instances of material noncompliance detailed on pages III-1 through III-4 of the audit report.

We ask that you provide your written notification of actions planned or taken to reach 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").