



MEMORANDUM

DATE: January 28, 2020

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, Steven Shea/s/

SUBJECT: Audit of Tearfund Under Multiple USAID Agreements for the Fiscal Year Ended March 31, 2017 (3-000-20-006-R)

This memorandum transmits the final audit report on the recipient contracted audit of Tearfund for the fiscal year (FY) ended March 31, 2017. Tearfund contracted with the 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 the U.S. Agency for International Development (USAID) Office of Inspector General's (OIG) *Guidelines for Financial Audits Contracted by Foreign Recipients*.¹ GRF is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on Tearfund's fund accountability statement; the effectiveness of its internal control; or its compliance with the awards, laws, and regulations.²

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 Tearfund's internal controls; (3) determine whether Tearfund complied with award 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 statement of indirect rate calculation. To answer the audit objectives, the audit firm performed procedures

¹ On June 30, 2017, USAID OIG rescinded its "Guidelines for Financial Audits Contracted by Foreign Recipients", recognizing the Agency's role to impose requirements on its implementing partners and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

to evaluate the effectiveness of the design and operation of the internal controls that were considered relevant to preventing or detecting material noncompliance with the compliance requirements applicable to each of Tearfund's U.S. government awards. The audit firm's procedures included examining the underlying documentation which supported the financial transactions recorded as expenditures against the U.S. government awards. The auditor's examination was based upon a random sample of transactions, as well as, the materiality of certain transactions. The report on the fund accountability statement disclosed that Tearfund's audited expenditures were \$6,886,530, consisting solely of USAID's audited expenditures for the FY ended March 31, 2017.

GRF concluded that: (1) the fund accountability statement presents fairly, in all material respects, costs incurred and reimbursed by USAID, the U. S. Department of State and pass-through agencies for the year ended March 31, 2017, in accordance with the terms of the agreements and in conformity with the accrual basis of accounting, except for, plant and equipment, which is expensed when purchased with U.S. government funding, and total questioned ineligible costs of \$1,694 (\$1,469 direct and \$225 indirect) applicable to USAID; (2) it did not identify any material weaknesses in internal controls; (3) it did not identify any instances of material noncompliance that were required to be reported under generally accepted government auditing standards; (4) nothing came to GRF's attention that caused it to believe that Tearfund did not fairly present the cost sharing schedule, in all material respects, in accordance with the accrual basis of accounting; and (5) the financial statements were prepared by other auditors who expressed an unmodified opinion. In GRF's opinion, the statement of indirect rate calculation is fairly stated, in all material respects in relation to the financial statements taken a whole. Since the questioned costs did not meet the OIG's established threshold of \$25,000 for making a recommendation, we are not making a recommendation. Nevertheless, we suggest that USAID's Office of Acquisition and Assistance Cost, Audit and Support Division determine the allowability of \$1,469 in direct ineligible questioned cost and recover any amount determined to be unallowable.

We appreciate the assistance extended 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").