



MEMORANDUM

DATE: June 4, 2020

TO: USAID/Management/Office of Acquisition and Assistance/Cost, Audit and Support Division, Acting Supervisory Auditor, Eleanor C. Jefferson

FROM: Director of External Financial Audits Division, David A. McNeil /s/

SUBJECT: Closeout Audit of DanChurchAid, Grant AID-OFDA-G-17-00055, for the Fiscal Year Ended December 31, 2017 (3-000-20-015-R)

This memorandum transmits the final audit report on the recipient contracted audit of DanChurchAid (DCA) for the fiscal year ended December 31, 2017. DCA contracted with the independent certified public accounting firm Gelman, Rosenberg & Freedman to conduct the recipient contracted audit. The audit firm stated that it performed its audit in accordance with generally accepted government auditing standards and OIG Guidelines for Financial Audits Contracted by Foreign Recipients.¹ The audit firm is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on DCA's fund accountability statement; the effectiveness of its internal control; or its compliance with the award, 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 DCA's internal controls; and (3) determine whether DCA complied with award terms and applicable laws and regulations. To answer the audit objectives, the audit firm: examined amounts in the fund accountability statement; performed audit procedures to evaluate the effectiveness of the design and operation of the internal controls considered relevant to preventing or detecting material noncompliance with the compliance requirements applicable to

¹ On June 30, 2017, USAID OIG rescinded its "Guidelines for Financial Audits Contracted by Foreign Recipients," recognizing the Agency's role to impose requirements on its implementing partners and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

DCA's U.S. Government award. The report on the fund accountability statement disclosed that DCA's and USAID's audited expenditures were \$4,486,397 for the fiscal year ended December 31, 2017.

Gelman, Rosenberg & Freedman concluded that: (1) the fund accountability statement presented fairly, in all material respects, costs incurred and reimbursed by the United States Agency for International Development (USAID) for the year ended December 31, 2017, in accordance with the terms of the agreements and in conformity with the accrual basis of accounting; and (2) the auditor identified material weaknesses in internal control and material instances of noncompliance related to financial controls, supporting documentation, and monitoring of subrecipients.

During our desk review, we noted several minor issues which the audit firm will need to address in future audit reports. We presented these issues in a memo to USAID's Office of Acquisition and Assistance, Cost, Audit and Support Division, dated June 4, 2020.

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

Recommendation 1. Verify that DanChurchAid corrects the material weaknesses in internal control detailed on pages II-I and IV-I of the audit report.

Recommendation 2. Verify that DanChurchAid corrects the instances of material noncompliance detailed on page III-I 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 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").