



MEMORANDUM

DATE: July 14, 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 Audit Division, David A. McNeil /s/

SUBJECT: Financial Audit of Danish Refugee Council Under Multiple Awards, for the Fiscal Year Ended December 31, 2017 (3-000-20-023-R)

This memorandum transmits the final audit report on the recipient contracted audit of Danish Refugee Council (DRC) under multiple awards for the fiscal year ended December 31, 2017. DRC contracted with the independent certified public accounting firm of Ernst & Young to conduct the recipient contracted audit. The audit firm stated that it performed its audit in accordance with generally accepted government auditing standards (GAGAS) and OIG Guidelines for Financial Audits Contracted by Foreign Recipients.¹ However, it did not have a continuing education program that fully complies with GAGAS requirements and an external peer review because such program is not offered in Denmark. The audit firm is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on DRC'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 DRC's internal controls; (3) determine whether DRC complied with award terms and applicable laws and regulations; (4) determine if cost-sharing contributions were made and

¹ On June 30, 2017, USAID OIG rescinded its "Guidelines for Financial Audits Contracted by Foreign Recipients," recognizing the Agency's role to impose requirements on its implementing partners and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

accounted for by DRC in accordance with the terms of the agreements; and (5) express an opinion on the schedule of computation of the indirect cost rate. To answer the audit objectives, the audit firm reported that they assessed and tested the internal controls related to the project; compliance with applicable laws, regulations, the agreement's terms; and reviewed project expenditures. The report on the fund accountability statement disclosed that the U.S. Agency for International Development's (USAID) audited expenditures were \$28,248,051 for the fiscal year ended December 31, 2017. DRC submitted a management letter.

The audit firm concluded that the fund accountability statement presented fairly, in all material respects, program revenues, costs incurred and reimbursed, and commodities and technical assistance directly procured by 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. However, the audit firm identified ineligible questioned costs in the fund accountability statement. DRC's total USAID questioned costs were \$13,003. 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 the \$13,003 in questioned costs and recover any amount determined to be unallowable. The audit firm did not identify any material weaknesses in internal control or instances of material noncompliance with applicable laws, regulations, and agreement terms. The audit firm stated that based on their review, nothing came to their attention that caused them to believe that DRC did not fairly present the cost sharing contributions schedule, in all material respects, in accordance with the basis of accounting used to prepare the cost sharing contributions schedule. The audit firm concluded the financial statements presented fairly, in all material respects, the financial position of DRC as of December 31, 2017. Furthermore, the audit firm stated that the schedule of computation of indirect cost rate was fairly stated in all material respects in relation to the basic financial statements taken as whole.

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").