



## MEMORANDUM

**DATE:** August 25, 2020

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

**FROM:** Director of External Financial Audits Division (IG/A/EFA), David A. McNeil /s/

**SUBJECT:** Financial Audit of Ihsan Relief & Development Under Multiple USAID Agreements for the Fiscal Year Ended December 31, 2017 (3-000-20-025-R)

This memorandum transmits the final audit report on the recipient contracted audit of Ihsan Relief & Development for the fiscal year ended December 31, 2017. Ihsan Relief & Development contracted with the independent certified public accounting firm Gelman, Rosenberg & Freedman to conduct the audit. Gelman, Rosenberg & Freedman stated that it performed the audit in accordance with generally accepted government auditing standards and the Guidelines for Financial Audits Contracted by Foreign Recipients.<sup>1</sup> Gelman, Rosenberg & Freedman is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on Ihsan's fund accountability statement; the effectiveness of its internal control; or its compliance with the awards, laws, and regulations.<sup>2</sup>

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 Ihsan's internal controls; and (3) determine whether Ihsan Relief & Development complied with award terms and applicable laws and regulations. To answer the audit objectives the audit firm: (a) evaluated the effectiveness of the design and operation of the internal

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 On June 30, 2017, USAID OIG rescinded its "Guidelines for Financial Audits Contracted by Foreign Recipients," recognizing the Agency's role to impose requirements on its implementing partners and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

<sup>2</sup> 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.

controls; and (b) examined the underlying documentation which supported financial transactions recorded as expenditures against U.S. Government awards. The report on the fund accountability statement disclosed that Ihsan Relief & Development's audited expenditures were \$1,234,868, consisting solely of the U.S. Agency for International Development (USAID) funded awards for the year ended December 31, 2017.

The audit firm concluded that the fund accountability statement presents fairly, in all material respects, program revenues and costs incurred and reimbursed, and commodities and technical assistance directly procured by USAID or pass through entities for the year then ended 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 that is expensed when purchased. In addition, the audit firm did not identify any material weaknesses in internal control. However, it did identify one significant deficiency in internal control and one material instance of noncompliance related to U.S. Government Regulations on Terrorism. The audit firm did not identify any questioned costs. Although we are not making a recommendation for the significant deficiency noted in the report, we suggest that USAID/Management/Office of Acquisition and Assistance/Cost, Audit and Support Division determine if Ihsan Relief & Development addressed the issue noted.

During our desk review, we noted a minor issue which the audit firm will need to address in future audit reports. We presented this issue in a memo to the USAID Chief Financial Officer, dated August 25, 2020.

To address the issue identified in the report, we recommend that USAID/Management/Office of Acquisition and Assistance/Cost, Audit and Support Division:

**Recommendation 1.** Verify that Ihsan Relief & Development corrects the one instance of material noncompliance detailed on pages IV-1 and IV-2 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 during the engagement.

The 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").