



MEMORANDUM

DATE: February 3, 2021

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

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

SUBJECT: Financial Audit of Handicap International Federation Under Multiple USAID Awards for the Fiscal Year Ended December 31, 2017 (3-000-21-015-R)

This memorandum transmits the final audit report on the recipient contracted audit of Handicap International Federation (HIF) under multiple awards for the U.S. Agency for International Development (USAID) for the fiscal year ended December 31, 2017. HIF contracted with the independent certified public accounting firm Gelman, Rosenberg & Freedman to conduct the audit. The audit firm stated that it performed the audit in accordance with generally accepted government auditing standards and the USAID's Guidelines for Financial Audits Contracted by Foreign Recipients¹. The audit firm is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on HIF's fund accountability statement; the effectiveness of its internal control; or its compliance with the award, 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 HIF's internal controls; (3) determine whether HIF complied with awards' 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, Gelman, Rosenberg & Freedman contracted with the offices of Ernst & Young located in Lyon, France and relied upon their audit work and performed

¹On June 30, 2017, USAID OIG rescinded its "Guidelines for Financial Audits Contracted by Foreign Recipients," recognizing the Agency's role to impose requirements on its implementing partners and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

appropriate procedures in order to accept responsibility for Ernst & Young's federal award compliance examination report. Gelman, Rosenberg & Freedman's procedures included examining underlying documentation which supported the financial transactions recorded as expenditures against the U.S. government awards and evaluating the effectiveness of the design and operation of the internal controls. The report on the fund accountability statement disclosed that HIF's audited expenditures were \$22,466,433, of which USAID's audited expenditures were \$14,222,472.

Gelman, Rosenberg & Freedman concluded the fund accountability statement presented fairly, in all material respects, program revenues received, costs incurred and reimbursed by the applicable United States Funding Agencies or pass through entities for the year ended December 31, 2017 in accordance with the terms of the agreements and in conformity with the accrual basis of accounting except for, (a) property and equipment, that is purchased with U.S. government funds, which is expensed when purchased; and (b) USAID's direct questioned cost of \$6,157 (\$6,157 unsupported) and indirect questioned cost of \$1,498. The audit firm identified two significant deficiencies in internal control and two instances of noncompliance related to compliance with anti-terrorism provision and sub-recipient monitoring. In its review, nothing came to the auditor's attention that caused them to believe that HIF did not fairly present the cost sharing schedule, in all material respects, in accordance with the basis of accounting used to prepare the cost-sharing schedule; and the statement of indirect rate calculation was prepared from financial statements prepared by another auditor that expressed an unmodified opinion. In Gelman, Rosenberg & Freedman's opinion, the statement of indirect rate calculations is fairly stated, in all material respects, in relation to the basic financial statements taken as 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/Management/Office of Acquisition and Assistance/Cost, Audit, and Support Division determine the allowability of the \$ 6,157 in questioned direct cost and recover any amount determined to be unallowable. In addition, although we are not making a recommendation for the significant deficiencies and instances of noncompliance noted in the report, we suggest that USAID/Management/Office of Acquisition and Assistance/Cost, Audit, and Support Division determine if the recipient addressed the issues noted. The management letter was included in the audit report.

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").