



OFFICE OF INSPECTOR GENERAL U.S. Agency for International Development

MEMORANDUM

DATE: January 21, 2022

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 Awards, for the Fiscal Year Ended December 31, 2018 (3-000-22-006-R)

This memorandum transmits the final audit report on Handicap International Federation under multiple awards for the fiscal year ended December 31, 2018, including fourteen awards which were closed during the fiscal year. The Handicap International Federation contracted with the independent certified public accounting firm Gelman, Rosenberg & Freedman to conduct the audit. In addition, the audit firm contracted with the independent certified public accounting firm Ernst & Young (the other auditor) to assist the audit firm in the audit of Handicap International Federation. The audit firm stated that it performed its audit in accordance with generally accepted government auditing standards and the U.S. Agency for International Development (USAID) Financial Audit Guidelines for Foreign Organizations. The audit firm is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on Handicap International Federation's fund accountability statements; the effectiveness of its internal control; or its compliance with the awards, laws, and regulations.¹

The audit objectives were to (1) express an opinion on whether the fund accountability statements for the period audited, were presented fairly, in all material respects; (2) evaluate the Handicap International Federation's internal controls; (3) determine whether Handicap International Federation complied with award terms and applicable laws and regulations; (4) determine if the cost-sharing schedule was presented fairly in accordance with the basis of accounting used to prepare the cost-sharing schedule; and (5) perform an audit of the indirect cost rates. To answer the audit objectives, the audit firm conducted an audit of the fund accountability statements of Handicap International Federation for the fiscal year ended December 31, 2018. The summary fund accountability statement disclosed that Handicap International Federation's audited expenditures were \$31,814,932, of which USAID's audited

¹ 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.

expenditures were \$19,148,349.

The audit firm concluded the fund accountability statements presented fairly, in all material respects, program revenues and costs incurred and reimbursed by the applicable U.S. Government Funding Agencies or pass-through for the period audited, in accordance with the terms of the agreements and in conformity with the accrual basis of accounting with the exception of property and equipment acquired by U.S. Government funding which is expensed when purchased. The audit firm identified \$27,674 in USAID's direct questioned costs (\$27,674 unsupported) and \$6,866 in USAID's indirect questioned costs (\$6,866 unsupported). The audit firm identified two significant deficiencies in internal control which are also considered to be instances of noncompliance. In addition, nothing came to the audit firm's attention that caused it to believe that Handicap International Federation 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. Further, the audit firm concluded that the information in the statement of indirect rate calculation was fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole. Although we are not making recommendations for the significant deficiencies and instances of noncompliance noted in the report, we suggest that USAID Office of Acquisition and Assistance, Cost, Audit and Support Division determine if the recipient addressed the issues noted. The audit firm included its management letter in Section IV of the audit report.

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

Recommendation 1. Determine the allowability of \$27,674 in USAID's direct questioned costs (\$27,674 unsupported) on pages I-41 and I-44 of the audit report and recover any amount that is unallowable.

We ask that you provide your written notification of actions planned or taken to reach management decision.

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").