



# OFFICE OF INSPECTOR GENERAL

## U.S. Agency for International Development

### MEMORANDUM

**DATE:** October 21, 2024

**TO:** Sheree F. Marshall  
Supervisory Auditor  
USAID/Management/Office of Acquisition and Assistance/Cost, Audit, and Support Division, Contract Audit Management Branch

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

**SUBJECT:** Single Audit of Mercy Corps And Affiliates for the Year Ended June 30, 2022 (3-000-25-002-T)

This memorandum transmits the final audit report on the single audit of Mercy Corps and Affiliates (Mercy Corps) for the year ended June 30, 2022. The audit report was obtained from the Federal Audit Clearinghouse. Mercy Corps contracted with the independent audit firm KPMG LLP (KPMG) to conduct the audit. KPMG stated that it performed its audit in accordance with U.S. Government accounting standards issued by the Comptroller General of the United States and in accordance with Title 2 CFR Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. KPMG is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on Mercy Corps' schedule of expenditures for Federal awards; the effectiveness of its internal control; or its compliance with the awards, laws, and regulations.<sup>1</sup>

KPMG's audit objectives were to: (1) obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report including its opinion; (2) consider Mercy Corps' internal control over financial reporting to design audit procedures that are appropriate in the circumstances to express an opinion on the consolidated financial statements; and (3) audit Mercy Corps' compliance with the types of compliance requirements identified as subject to audit in the Office of Management and Budget Compliance Supplement that could have a direct

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<sup>1</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.

and material effect on each of Mercy Corps' major Federal programs for the year ended June 30, 2022. To answer the audit objectives, KPMG: (1) exercised professional judgment and maintained professional skepticism throughout the audit; (2) identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks which included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements; (3) obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Mercy Corps' internal control; (4) evaluated the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by Mercy Corps, and evaluated the overall presentation of the consolidated financial statements; and (5) concluded whether, in its judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Mercy Corps' ability to continue as a going concern for a reasonable period of time.. Mercy Corps' audited expenditures of Federal awards was \$280,872,155, of which the U.S. Agency for International Development's (USAID) audited expenditures amounted to \$255,571,765.

KPMG expressed an unmodified opinion on the financial statements and on compliance for major programs. Further, KPMG reported that it did not find any deficiencies in internal control it considered to be material weaknesses and significant deficiencies in internal control over financial reporting and on internal control over major programs. Finally, KPMG did not identify any audit findings required to be reported in accordance with 2 CFR 200.516(a), and did not identify any questioned costs in its Federal awards audit for Mercy Corps. KPMG issued a management letter to Mercy Corps.

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"). In addition, USAID OIG has determined that this transmittal memo and the enclosed report are not subject to notification and reporting requirements under Section 5274 of the National Defense Authorization Act.<sup>2</sup>

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<sup>2</sup> The James M. Inhofe National Defense Authorization Act for Fiscal Year 2023 Pub. L. No. 117-263, § 5274. Please direct related inquiries to [oignotice\\_ndaa5274@usaid.gov](mailto:oignotice_ndaa5274@usaid.gov).