



OFFICE OF INSPECTOR GENERAL

U.S. Agency for International Development

MEMORANDUM

DATE: November 19, 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, 2023 (3-000-25-016-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, 2023. The audit report was obtained from the Federal Audit Clearinghouse. Mercy Corps contracted with the independent audit firm Grant Thornton LLP to conduct the audit. Grant Thornton stated that it performed its audit in accordance with U.S. Government auditing standards issued by the Comptroller General of the United States and in accordance with Title 2 Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. Grant Thornton 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.¹

Grant Thornton's audit objectives were to: (1) audit Mercy Corps' consolidated financial statements comprising the statements of financial position as of June 30, 2023, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements; (2) obtain reasonable assurance about whether Mercy Corps' financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report

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.

that includes Grant Thornton's opinion; (3) obtain reasonable assurance about whether material noncompliance with the compliance requirements identified as subject to audit in the Office of Management and Budget Compliance Supplement occurred, whether due to fraud or error, and express an opinion on Mercy Corps' compliance based on Grant Thornton's audit; and (4) 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 and material effect on each of the Mercy Corps' major federal programs for the year ended June 30, 2023. To answer the audit objectives, Grant Thornton: (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. Such procedures 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 \$409,631,363, of which the U.S. Agency for International Development's (USAID) audited expenditures amounted to \$331,728,931.

Grant Thornton expressed an unmodified opinion on the financial statements and on compliance for major programs. Further, Grant Thornton reported that it did not find any deficiencies in internal control it considered to be material weaknesses in internal control over financial reporting and on internal control over major programs. Finally, Grant Thornton 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. Grant Thornton did, however, report that it found two deficiencies in internal control it considered to be significant deficiencies in internal control over financial reporting. Although we are not making a recommendation for the two significant deficiencies noted in the report, we suggest that USAID's Bureau for Management, Office of Acquisition and Assistance determine whether Mercy Corps addressed the issues noted.

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.²

² 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.