



OFFICE OF INSPECTOR GENERAL

U.S. Agency for International Development

MEMORANDUM

DATE: January 15, 2025

TO: Sheree F. Marshall
Supervisory Auditor
USAID/Bureau for 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: Financial Audit of IMPACT Initiatives Under Multiple USAID Agreements for the Year Ended December 31, 2023 (3-000-25-006-R)

This memorandum transmits the final audit report on the U.S. Agency for International Development (USAID) resources managed by IMPACT Initiatives under multiple awards for the year ended December 31, 2023. IMPACT contracted with Gelman, Rosenberg & Freedman CPAs & Advisors (GRF) to conduct the audit. GRF stated that it performed the audit in accordance with generally accepted government auditing standards (GAGAS), Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), and USAID's Financial Audit Guide for Foreign Organizations. GRF is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on IMPACT Initiatives' schedule of expenditures of USAID awards (SEA), 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 SEA presents fairly in all material respects, the revenues received, and costs incurred for the period audited in conformity with the terms of the agreements and the accrual basis of accounting; (2) evaluate and obtain a sufficient understanding of the recipient's internal controls related to the USAID-funded programs, assess control risk, and identify reportable conditions, including material internal control weaknesses; (3) perform tests to determine whether IMPACT Initiatives

¹ We reviewed the audit 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 audit firm's supporting working papers; they are not designed to enable us to directly evaluate the quality of the audit performed.

complied, in all material respects, with agreement terms and applicable laws and regulations related to USAID funded programs; and (4) determine if IMPACT Initiatives has taken adequate corrective action on prior audit report recommendations. To answer the audit objectives, GRF (a) reviewed direct and indirect costs billed to and reimbursed by USAID and pass-through agencies and costs incurred but pending reimbursement, and identified and quantified any questioned costs; (b) reviewed and evaluated IMPACT Initiatives' internal controls related to USAID programs to obtain a sufficient understanding of the design of relevant control policies and procedures and whether those policies and procedures have been placed in operation; (c) identified the agreement terms and pertinent laws and regulations and determined which of those, if not observed, could have a direct and material effect on the fund accountability statements, and assessed the inherent and control risk that material noncompliance could occur for each of the compliance requirements; and (d) reviewed the status of actions taken on findings and recommendations reported in prior audits of USAID funded programs and evaluated whether IMPACT Initiatives has taken appropriate corrective action. GRF examined total USAID expenditures of \$16,103,390 for the period audited.

GRF concluded that the SEA presents fairly, in all material respects, the costs incurred and reimbursed by USAID and pass-through entities for the year ended December 31, 2023, in accordance with the terms of the agreements and GRF did not identify any questioned costs. GRF did, however, identify two significant deficiencies in the reports on internal control and on compliance with agreement terms and applicable laws and regulations. The significant deficiencies pertain to (1) Preparation of Audit Information and Schedule of Expenditures of USAID Awards, and (2) Timesheet Allocation Misalignments. Further, GRF noted that IMPACT Initiatives' general purpose financial statements for the year ended December 31, 2023, audited by another firm, expressed an unmodified opinion in its report dated June 26, 2024. Finally, GRF reported that of the two prior years' recommendations, one was cleared and the other was elevated to a finding. We are not making a recommendation for the two significant deficiencies noted in the report; notwithstanding, we suggest that USAID/Bureau for Management/Office of Acquisition and Assistance/Cost, Audit and Support Division, Contract Audit Management Branch determine if IMPACT Initiatives addressed the issues identified.

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.