



OFFICE OF INSPECTOR GENERAL

U.S. Agency for International Development

MEMORANDUM

DATE: January 17, 2025

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: Financial Audit of Acción Contra el Hambre Under Multiple USAID Agreements, for the Year Ended December 31, 2023 (3-000-25-008-R)

This memorandum transmits the final audit report on the financial audit of Acción Contra el Hambre (ACH) under multiple United States Agency for International Development (USAID) agreements, for the year ended December 31, 2023. The ACH contracted with the independent audit firm Gelman, Rosenberg & Freedman (GRF) to conduct the audit. The audit firm stated that it performed its audit in accordance with generally accepted government auditing standards (GAGAS) and USAID Financial Audit Guide 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 ACH's schedule of expenditures of USAID awards; the effectiveness of its internal control; or its compliance with the award, laws, and regulations.¹

The audit objectives were to (1) express an opinion on whether the schedule of expenditures of USAID awards for the period audited, was presented fairly, in all material respects; (2) evaluate the ACH's internal controls; (3) determine whether ACH complied with award terms and applicable laws and regulations; (4) determine whether ACH has taken adequate corrective action on prior audit report recommendations; (5) review the cost-sharing contributions to determine whether the cost-sharing contributions were provided and accounted for by ACH in accordance with the terms of the agreements and review the cost-sharing schedule to determine whether the computation is fairly presented in accordance with the basis of accounting used by ACH to prepare the schedule; (6) perform an audit of the indirect cost rate;

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.

and (7) determine whether the general purpose financial statements were audited in accordance with GAGAS and whether those audited financial statements express an opinion on whether the general purpose financial statements present fairly, in all material respects. To answer the audit objectives, the audit firm (1) reviewed direct and indirect costs billed to and reimbursed by USAID and passthrough agencies and costs incurred but pending reimbursement; (2) reviewed and evaluated the ACH's 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; (3) 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 schedule of expenditures of USAID awards, and assessed the inherent and control risk that material noncompliance could occur for each of the compliance requirements; (4) reviewed the status of actions taken on findings and recommendations reported in prior audits of USAID funded programs, and evaluated whether the recipient has taken appropriate corrective action; (5) reviewed the cost-sharing schedule; (6) performed tests of the indirect cost rates to determine whether the distribution or allocation base includes all costs that benefitted from indirect activities; and (7) examined ACH's audited general purpose financial statements to determine whether an opinion is expressed as to whether those statements are presented fairly in all material respects in accordance with the applicable accounting principles. GRF audited USAID expenditures of \$47,271,689 for the period audited.

The audit firm concluded the schedule of expenditures of USAID awards presented fairly, in all material respects, the costs incurred and reimbursed by the USAID and pass-through entities for the period audited except for 4 significant deficiencies in internal control which were also considered to be instances of noncompliance that are required to be reported under Government Auditing Standards. The audit firm did not identify any questioned costs or material weaknesses in internal control. In addition, nothing came to the audit firm's attention that caused them to believe that ACH 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, GRF reported that a prior year audit recommendation has not been cleared. Although we are not making a recommendation for the significant deficiencies noted in the report, we suggest that USAID's Office of Acquisition and Assistance, Cost, Audit and Support Division, Contract Audit Management Branch determine if the recipient addressed the issues noted. The audit firm included its formal management letter in Section IV, Independent Auditor's Report on Current Year Findings and Recommendations, of the audit report (pages IV-1 through IV-4).

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.