

OFFICE OF INSPECTOR GENERAL

U.S. Agency for International Development

UKRAINE: Audit of Costs Incurred by Internews Ukraine from January 1, 2018, to December 31, 2022

Audit Report 3-000-25-008-U

February 27, 2025





OFFICE OF INSPECTOR GENERAL

U.S. Agency for International Development

MEMORANDUM

DATE: February 27, 2025

TO: USAID/Ukraine Mission, Controller, Robin Sharma

FROM: Deputy Assistant Inspector General for Audits, Inspections, and Evaluations, Khadija Walker /s/

SUBJECT: Ukraine: Audit of Costs Incurred by Internews Ukraine from January 1, 2018, to December 31, 2022 (3-000-25-008-U)

Enclosed is the final report on the audit of claimed costs incurred by Internews Ukraine for the period of January 1, 2018, to December 31, 2022.¹ The purpose of Internews Ukraine's Responsible Accountable Democratic Assembly program is to strengthen the legislature to become more accountable, representative, independent, and to improve civic engagement in the legislative process. The Office of Inspector General (OIG) contracted with the independent certified public accounting and consulting firm, Premier Group Services, Inc. (Premier Group) to conduct a performance audit to determine allowability, allocability, and reasonableness of Internews Ukraine claimed costs incurred for this program. The contract required the audit firm to perform the audit in accordance with generally accepted government auditing standards.

In carrying out its oversight responsibilities, OIG reviewed the audit firm's report and related audit documentation and discussed the findings with the firms' representatives. The audit firm is responsible for the enclosed auditor's report and the conclusions. That said, we found no instances in which the audit firm failed to comply, in all material respects, with applicable standards.

The objectives of this audit were to:

- I. Express an opinion on whether costs incurred by Internews Ukraine under the subject

¹ Pursuant to the Pub. L. No. 117-263 § 5274, USAID OIG provides nongovernmental organizations and/or businesses specifically identified in this report 30 days from the date of report publication to submit a written response to USAID OIG. Any comments received will be posted on <https://oig.usaid.gov/>. Please direct inquiries to oinotice_ndaa5274@usaid.gov.

awards for the period audited are fairly presented and in conformity with the terms of regulatory and award requirements and generally accepted accounting principles.

2. Identify as unsupported, unreasonable, or ineligible, any questioned costs incurred in implementing the USAID activities for the period audited in conformity with the terms of the regulatory and award requirements and generally accepted accounting principles.
3. Evaluate Internews Ukraine's contract bidding and procurement processes to determine whether they complied with all regulatory and award requirements.
4. Evaluate and obtain sufficient understanding of Internews Ukraine's internal controls, assess control risk, and identify reportable conditions, including material internal control weaknesses.
5. Perform tests to determine whether Internews Ukraine complied in all material respects with regulatory and award requirements related to USAID-funded programs and projects.
6. Determine to the extent specified herein if Internews Ukraine has delivered, accounted for, and made proper disposition of commodities and supplies purchased under the contract or furnished by USAID.
7. Determine to the extent specified herein if Internews Ukraine has requested from USAID the necessary approval for the issuance of subawards according to regulatory and award requirements.
8. Determine whether Internews Ukraine has taken corrective actions on prior audit report recommendations.

To answer the audit objectives, Premier Group obtained a sufficient understanding of Internews Ukraine internal control environment, identified significant provision of laws and regulations to design relevant compliance-related procedures and examined the following Internews Ukraine incurred cost elements: Personnel, Fringe Benefits, Travel, Supplies Equipment. Contractual and Other Direct Costs. Premier Group conducted interviews, walkthroughs and requested copies of any prior audits, reviews and evaluations related to Internews Ukraine's work under the USAID contract.

Premier Group concluded that Internews Ukraine met the requirements under the USAID contract related to all eight of the audit objectives. Internews Ukraine complied with the standards set by their awards, and costs incurred were allowable, allocable, and reasonable. Additionally, the audit did not identify any material weaknesses in internal control over financial reporting. However, the audit identified one instance of reportable noncompliance with applicable laws and regulations regarding the compensation of employees using a fixed monthly salary rather than an hourly wage system.

To address the noncompliance identified, OIG adopts Premier Group recommendation to the USAID/Ukraine Mission, Controller:

Recommendation I. Require Internews Ukraine to adopt a policy that mandates compensation for services under U.S federal awards, reflect actual hours worked.

We are issuing this final audit report without the agency's official written response due to the agency's unavailability to provide management comments. We will reissue this report if and when we receive comments at a later date. All recommendations will be considered open and unresolved.

We appreciate the assistance provided to our staff and the audit firm's employees during the engagement.



INTERNEWS UKRAINE
15 RYZKA STREET, KYIV, UKRAINE 04112

UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT (USAID)
OFFICE OF INSPECTOR GENERAL (OIG)
INCURRED COST AUDITS OF USAID UKRAINE RESOURCES
CONTRACT NUMBER: GS00F100GA
PERIOD JANUARY 1, 2018, TO DECEMBER 31, 2022

DATE: JANUARY 27, 2025

Prepared by
Premier Group Services, Inc.
7404 Executive Place, Suite 325
Lanham, MD 20706

TABLE OF CONTENTS

EXECUTIVE SUMMARY	2
BACKGROUND	4
USAID Overview.....	4
Internews Ukraine Overview	4
OBJECTIVE, SCOPE, AND METHODOLOGY	4
Objective.....	4
Scope & Methodology	5
AUDIT RESULTS.....	6
NOTIFICATION OF FINDINGS AND RECOMMENDATIONS (NFRs), INTERNEWS UKRAINE’S RESPONSES, AND AUDITOR’S CONCLUSIONS	8
CONCLUSION.....	9
INDEPENDENT AUDITOR’S REPORT ON THE INCURRED COSTS.....	10
INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL.....	13
INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE	15
STATUS OF PRIOR AUDIT FINDINGS.....	17
SUPPLEMENTAL SCHEDULES	18
Schedule A – Schedule of Allowable Costs by USAID Contract.....	18
Schedule A-1 – Schedule of Allowable Costs – USAID Contract No. AID-121-A-14-00001	18
Schedule B – Reconciliation of Booked to Billed Costs.....	20

EXECUTIVE SUMMARY

Mr. David A. McNeil
Director, External Financial Audit Division
U.S. Agency for International Development (USAID)
Office of Inspector General (OIG)
1300 Pennsylvania Avenue, NW
Washington, DC 20523

Dear Mr. McNeil:

This report presents our results of the incurred cost audit of Internews Ukraine for the calendar period of January 1, 2018, to December 31, 2022. Our audit fieldwork was performed between September 15, 2023, and January 27, 2025, and our results, reported herein, are as of January 27, 2025.

Our audit objective was to determine whether the costs incurred from January 1, 2018, to December 31, 2022, were allowable, allocable, and reasonable in accordance with Internews Ukraine's cooperative agreement with USAID and applicable government acquisition regulations.

We tested the significant claimed cost elements: Personnel, Fringe, Travel, Supplies, Equipment, Contractual, Other Direct Costs (ODCs), etc. This report summarizes our testing results as per the Federal Acquisition Regulation (FAR), Agency for International Development Acquisition Regulation (AIDAR), Department of State Standardized Regulations (DSSR) for travel-related expenses, 2 CFR 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, Task order/Award Terms, and Other relevant regulations/policies.

We conducted this incurred cost audit in accordance with Government Auditing Standards issued by the Comptroller General of United States. Those standards require that we plan and perform the audit to obtain sufficient and appropriate evidence to provide a reasonable basis for our findings and recommendations based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Incurred Costs:

We found no questioned costs related to our testing of Direct Costs charged to USAID. See Schedule A-1 for direct costs, by USAID contract, incurred from January 1, 2018, to December 31, 2022.

Reconciliation of Booked to Billed Costs:

This incurred cost audit included performing a reconciliation, by USAID contract, between the total adjusted cumulative allowable costs booked to date and the total cumulative amount billed

from January 1, 2018, to December 31, 2022, and reporting any over/under-billing amounts. Based on the results of the reconciliation, Internews Ukraine did not overbill or underbill USAID.

Report Schedules:

We have provided the following schedules for further detail:

- Schedule A – Schedule of Allowable Costs by Contract. This schedule summarizes by USAID contract the claimed costs that are considered allowable and reimbursable.
- Schedule B – Reconciliation of Booked to Billed Costs. This schedule summarizes by USAID contract, the total adjusted cumulative cost booked to date, compares it to the cumulative amount billed and reports any over/under billing amounts.

Allowability, Allocability, and Reasonableness of Incurred Costs

Overall, Internews Ukraine has reported its incurred costs in accordance with the applicable regulations set forth in the FAR, the AIDAR, and/or the DSSR, and USAID contracts which relate to allowability, allocability, and reasonableness of incurred costs.

Based on the incurred cost audit procedures performed and the results obtained, we have met our audit objective.

Sincerely,

Premier Group Services, Inc.

Lanham, MD
January 27, 2025

BACKGROUND

USAID Overview

The U.S. Agency for International Development (USAID) is an independent Federal agency headquartered in Washington, DC, with presence in 87 countries. Established in November 1961, USAID is the lead Federal agency that works to end extreme global poverty and enable resilient, democratic societies to realize their potential. USAID is headed by an Administrator and receives overall foreign policy guidance from the Secretary of State.

USAID OIG's mission is to safeguard and strengthen U.S. foreign assistance through timely, relevant, and impactful oversight of the entities under their jurisdiction.

Internews Ukraine Overview

Internews Ukraine, hereinafter referred to as Internews Ukraine, is a Local Governance incorporated in the State of Kyiv, in Ukraine, that specializes in focusing on addressing weaknesses in VRU's legislative processes while concurrently identifying and taking advantage of opportunities where the VRZU can improve as an effective, democratic institution. Their missions include bringing together media and people, media and knowledge, and global challenges. From January 1, 2018, to December 31, 2022, Internews Ukraine had the following USAID contracts:

Contract Number	Contract Name	Period of Performance	Total Amount Claimed
AID-121-A-14-00001	RADA Next Generation Activity	October 10, 2021, to September 30, 2026	\$9,999,196.00

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

The objectives of the incurred cost audit in detail were to:

- Express opinion on whether costs incurred by Internews Ukraine under the subject awards for the period audited are fairly presented and in conformity with the terms of regulatory and award requirements and Generally Accepted Accounting Principles (GAAP) or other comprehensive basis of accounting.
- Identify as unsupported, unreasonable, or ineligible, any questioned costs incurred in implementing the USAID activities for the period audited in conformity with the terms of the regulatory and award requirements and GAAP or other comprehensive basis of accounting (including the cash receipts and disbursements basis and modifications of the cash basis).
- Evaluate Internews Ukraine's contract bidding and procurement processes to determine whether they complied with all contract requirements of regulatory and award requirements.

- Evaluate and obtain a sufficient understanding of Internews Ukraine’s internal controls, assess control risk, and identify reportable conditions, including material internal control weaknesses.
- Perform tests to determine whether Internews Ukraine complied in all material respects with regulatory and award requirements related with USAID-funded programs and projects. All material instances of noncompliance and all indications of illegal acts that have occurred or are likely to have occurred must be identified and reported to OIG.
- Determine to the extent specified herein if Internews Ukraine has delivered, accounted for, and made proper disposition of commodities and supplies purchased under the contract or furnished by USAID.
- Determine to the extent specified herein if Internews Ukraine has requested from USAID the necessary approval for the issuance of subawards according to regulatory and award requirements.
- Determine whether Internews Ukraine has taken corrective actions on prior audit report recommendations.

Scope & Methodology

We conducted our incurred cost audit in accordance with Government Auditing Standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Incurred Costs: We examined Internews Ukraine’s incurred cost elements: Personnel, Fringe, Travel, Supplies, Equipment, Contractual, and Other Direct Costs (ODCs). We reviewed the FAR, AIDAR, DSSR, 2 CFR 200, Task Order/Award Terms, and Other relevant regulations/policies to ensure that all costs incurred under the USAID contracts were reasonable, allocable, and allowable.

Internal Controls: Through inspection of documents, inquiry of personnel, and observation of procedures, we obtained a sufficient understanding of Internews Ukraine and its environment, including its internal control, to assess the risk of material misstatement of the books and records of Internews Ukraine, whether due to error or fraud, and to design the nature, timing, and extent of further audit procedures.

Compliance with Laws and Regulations: We identified the significant provisions of laws and regulations to design relevant compliance-related procedures for the audit. We looked at those provisions (a) for which compliance could be objectively determined and (b) that had a direct and material effect on the Activity. Our audit included steps to allow us to detect all material instances of noncompliance, defined as instances that could have a direct and material effect on the incurred costs.

Follow-Up to Prior Audit Recommendations: We inquired of management as to whether or not any prior audit or compliance reviews had been performed with respect to the USAID contracts.

AUDIT RESULTS

Our testing results, by cost element claimed from January 1, 2018, to December 31, 2022, are presented below:

1. Personnel:

We reviewed all time and attendance records, payroll, personnel, and/or other records to determine if an employee was a valid employee who worked on the contract/award effort. We compared the total hours charged to each project with the payroll summary to ensure they matched and that the hours were within the approved level of effort (LOE) for each staff member.

We examined whether labor costs, including any changes or overtime, were properly approved and in line with FAR requirements or contract provisions. We also verified that salary rates and increases were approved by the USAID Contracting Officer (CO) when necessary and were supported by payroll records. Additionally, we compared the CO/Agreement Officer (AO)-approved staffing pattern to the staff list from Internews Ukraine to ensure staffing changes complied with regulatory and contractual requirements.

From our testing, we found no questioned costs within Personnel Costs.

2. Direct Fringe:

We reviewed all records related to fringe benefits, including payroll, personnel files, and other relevant documentation, to determine whether the fringe benefits provided were appropriate for each employee working on the contract/award effort. We compared the fringe benefits allocated to each employee with the payroll summary and benefits records to ensure consistency. Additionally, we verified that the benefits provided were within the approved level of entitlement for each staff member and in compliance with the organization's policies and any applicable regulatory requirements.

From our testing, we found no questioned costs within Direct Fringe Costs.

3. Travel Costs:

We reviewed vendor invoices, employee expense reports, airline tickets, etc., and verified agreement with amounts recorded and claimed. Additionally, we verified that travel expenses were properly approved and were in compliance with Federal Travel Regulations and/or Department of State Standard Travel Regulations (DSSR) requirements.

From our testing, we found no questioned costs within Travel Costs.

4. Equipment and Supplies Costs:

We reviewed equipment procured by Internews Ukraine, as well as equipment directly procured by USAID for Internews Ukraine's use. This included examining vendor purchase orders and related invoices to ensure that the amounts matched what was recorded and claimed. We also checked whether the equipment existed and was used for its intended purpose,

according to the contract terms, and whether proper controls were in place to safeguard the equipment. Additionally, we conducted end-use reviews for a sample of commodities based on our assessment of control risks.

From our testing, we found no questioned costs within Equipment and Supplies Costs.

5. Subcontractor Costs:

We reviewed subcontractor invoices and verified that hours and hourly rates charged agreed to subcontract agreements and amounts recorded and claimed. Additionally, we performed analytical procedures on the claimed amounts to verify their mathematical accuracy, ensure consistency with historical amounts via comparative/trend analysis, and review for unallowable costs via nomenclature reviews. Also, we verified that subcontractor travel expenses were in compliance with Federal Travel Regulations and/or Department of State Standard Travel Regulations (DSSR).

Furthermore, we performed subcontractor-assist audit procedures regarding the following subcontractors:

Subcontractor	Subcontract Amount
American Councils	\$946,796.00
Agency of Educational Policy Development	\$279,300.00
Centre of Policy and Legal Reform	\$617,248.00
International Republican Institute	\$1,086,259.00
The Westminster Foundation for Democracy	\$1,285,992.00

These limited procedures included the following:

- Documenting our understanding of Internews Ukraine’s subcontractor monitoring procedures in effect during the audit year.
- Documenting how Internews Ukraine selected the subcontractor for the subaward.
- Requesting the latest audit reports of the subcontractor and noting any audit findings.
- Reviewing the original subcontract agreement in order to determine if the subcontract agreement contains the appropriate flow-down clauses from Internews Ukraine’s prime contract with USAID.
- Determine whether selected invoices from the subcontractor are in compliance with any indirect rate ceilings in the subcontract.
- Determine whether Internews Ukraine verified that the subcontractor has an adequate accounting system.

From our testing and subcontractor-assist audit procedures, we found no questioned costs within subcontractor costs.

6. Other Direct Costs:

We reviewed vendor purchase orders, and related vendor invoices and verified agreement with amounts recorded and claimed. Additionally, we verified that contract requirements were complied with.

From our testing, we found no questioned costs within Other Direct Costs.

7. Reconciliation of Booked to Billed Costs:

This incurred cost audit included reconciling, by USAID contract, between the total adjusted cumulative allowable costs booked and the total cumulative amount billed from January 1, 2018, to December 31, 2022, and reporting any over/under-billing amounts. Based on the results of the reconciliation, Internews Ukraine did not overbill or underbill USAID. See Schedule B for Internews Ukraine's billings by USAID contract from January 1, 2018, to December 31, 2022.

Our audit results are summarized in the following reports and schedules:

Incurred Costs: We issued an unqualified opinion on the fairness of the presentation of the Incurred Costs [See Independent Auditor's Report on the Incurred Costs, Page 10].

We determined that an adequate accounting system was in place to account for and classify costs incurred properly.

Internal Controls: Our audit detected no significant deficiencies in Internews Ukraine's Internal Control.

Compliance with Laws and Regulations: Our audit detected one finding of non-compliance that must be reported.

Follow-Up to Prior Audit Recommendations: We requested copies of prior audits, reviews, and evaluations related to Internews Ukraine's work under the contract. Per communication with Internews Ukraine and USAID, no prior audit findings could have a material effect on the incurred costs.

Schedule A – Schedule of Allowable Costs by Contract: This schedule summarizes by USAID contract the claimed costs that are considered allowable and reimbursable.

Schedule B – Reconciliation of Booked to Billed Costs: This schedule summarizes by USAID contract, the total adjusted cumulative cost booked to date, compares it to the cumulative amount billed and reports any over/under billing amounts.

NOTIFICATION OF FINDINGS AND RECOMMENDATIONS (NFRs), INTERNEWS UKRAINE'S RESPONSES, AND AUDITOR'S CONCLUSIONS

Finding 1: Internews Ukraine compensates its employees based on a fixed monthly salary rather than an hourly rate.

Condition: Internews Ukraine compensates its employees using a fixed monthly salary rather than an hourly wage system.

Cause: This practice complies with Ukraine's labor code, which allows organizations to structure their accounting systems according to their needs. However, Internews Ukraine also receives funding from USAID and, as such, should adhere to 2 CFR 200, which outlines the requirements

for recipients of federal funds, including that compensation for personal services should be based on actual time worked.

Criteria: 2 CFR 200.430 (compensation – personal services): U.S. federal regulation requiring that compensation for services, including salaries, be based on records accurately reflecting the work performed. This typically requires timekeeping systems that reflect hours worked, especially when federal funding is involved.

Effect: By not adopting an hourly payment structure, there is a risk of discrepancies in compensation relative to hours worked. For example, March 2024 has 31 days but only 21 working days, while April 2024 has 30 days but 22 working days. As a result, the fixed salary approach may lead to inconsistencies in labor costs, with employees potentially being overcompensated during months with fewer working days.

Recommendation: we recommend that Internews Ukraine adopt an "hourly rate x hours worked" model. This will improve accuracy and compliance in their accounting records, particularly for charges related to USAID funds, and ensure alignment with 2 CFR 200.430 requirements for compensation based on actual time worked.

Internews Ukraine's response: Internews Ukraine argues that calculating hourly rates monthly is not practical, given that the number of working days fluctuates each month. Instead, they calculate the ratio of hours worked to salary annually, aligning with Article 50 of the labor code of Ukraine. 2022, the standard working time was 1987 hours over 249 working days. They state that this method ensures that actual hours worked do not exceed the annual standard set by Ukraine labor law.

Auditor's Conclusions: While we acknowledge that Internews Ukraine's practices align with the labor code of Ukraine, as a recipient of USAID funds, we believe they should adhere to 2 CFR 200.430. This regulation mandates that compensation for services under federal awards must reflect actual hours worked, requiring accurate timekeeping and hourly-based compensation structures. Since Internews Ukraine receives federal funds in U.S. dollars, it is necessary to comply with U.S. federal guidelines rather than solely relying on local Ukrainian labor laws.

CONCLUSION

We conclude that Internews Ukraine has prepared its incurred cost submissions in accordance with applicable government acquisition regulations of the FAR, the AIDAR, and the DSSR regarding allowability, allocability, and reasonableness of incurred costs. We also determined that Internews Ukraine did not over or underbill USAID from FY2018 to FY2022. From our testing, we found no questioned costs. Based on the incurred cost audit procedures performed and the results obtained, we have met our audit objective.

INDEPENDENT AUDITOR’S REPORT ON THE INCURRED COSTS

Opinion

We have audited the incurred cost of Internews Ukraine's for USAID Award Number AID-121-A-14-00001, which comprise Personnel, Fringe, Travel, Supplies, Equipment, Contractual, and Other Direct Costs (ODCs). from January 1, 2018, to December 31, 2022.

In our opinion, the incurred costs referred to above present fairly, in all material respects, costs reimbursed by the U.S. Agency for International Development (USAID) for the period January 1, 2018, to December 31, 2022, in accordance with the terms of the contract or in conformity with the accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Incurred Costs section. We are required to be independent of Internews Ukraine and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Management’s Responsibility for the Incurred Costs

Management is responsible for the preparation and fair presentation of the incurred costs in accordance with the requirements specified by the U.S. Agency for International Development (USAID), and accounting principles generally accepted in the United States of America. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of incurred costs that are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibilities for the Audit of the Incurred Costs

Our objectives are to obtain reasonable assurance about whether the incurred costs as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with the U.S. Government Auditing Standards issued by the Comptroller General of the United States will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the incurred cost submissions.

In performing an audit in accordance with the generally accepted auditing standards and the Government Auditing Standards, issued by the Comptroller General of the United States, we:

- Plan and perform the audit to obtain reasonable assurance about whether the incurred costs are free of material misstatement.
- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the incurred costs, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the incurred costs.
- Obtain an understanding of internal control and perform tests of internal controls 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 Internews Ukraine’s internal control. Accordingly, no such opinion is expressed.
- Perform procedures to determine whether Internews Ukraine has complied with applicable laws, regulations, and the terms and conditions of USAID contracts that could have a direct and material effect.
- Follow up on prior audit findings.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the incurred costs.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

We believe that our audit provides a reasonable basis for our opinion.

Other Reports Required by Government Auditing Standards

In accordance with U.S. Government Auditing Standards, we have also issued our reports, dated January 27, 2025, on our consideration of Internews Ukraine’s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, and the terms and conditions of the USAID contracts. Those reports are an integral part of an audit performed in accordance with U.S. Government Auditing Standards and should be read in conjunction with this Independent Auditor’s Report in considering the results of our audit.

Restriction on Use

This report is intended solely for the information, and use of Internews Ukraine management, the Government Accountability Office, Congress, and the U.S. Agency for International Development (USAID) and is not intended to be and should not be used by anyone other than these specified parties.

Premier Group Services, Inc.

Lanham, MD

January 27, 2025

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL

We have audited Internews Ukraine incurred costs for January 1, 2018, to December 31, 2022, and have issued our report thereon dated January 27, 2025. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit of the incurred costs for the period of January 1, 2018, to December 31, 2022, we considered Internews Ukraine's internal control over financial reporting by obtaining an understanding of the design effectiveness of Internews Ukraine's internal control, determining whether controls had been placed in operation, assessing control risk, and performing tests of Internews Ukraine's controls as a basis for designing our auditing procedures for the purpose of expressing our opinion on the incurred costs, but not to express an opinion on the effectiveness of Internews Ukraine's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Internews Ukraine's internal control over financial reporting. We limited our internal control testing to those controls necessary to achieve the objectives described in the GAO's Standards for Internal Controls in the Federal Government.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's incurred costs will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purposes described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses or significant deficiencies.

Our audit detected no significant matters involving Internews Ukraine's Internal Control and its operations.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and the result of that testing and not to provide an opinion on the effectiveness of Internews Ukraine's internal control. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Internews Ukraine's internal control. Accordingly, this communication is not suitable for any other purpose.

Restriction on Use

This report is intended solely for the information, and use of Internews Ukraine management, the Government Accountability Office, Congress, and the U.S. Agency for International Development (USAID) and is not intended to be and should not be used by anyone other than these specified parties.

Premier Group Services, Inc.

Lanham, MD

January 27, 2025

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE

We have audited the incurred costs of Internews Ukraine for the period of January 1, 2018, to December 31, 2022, and have issued our report thereon dated January 27, 2025. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the Government Auditing Standards, issued by the Comptroller General of the United States.

The management of Internews Ukraine is responsible for complying with laws, regulations, contracts, and grant requirements applicable to its U.S. Agency for International Development (USAID)-funded program. We performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of incurred cost amounts, and certain other laws and regulations specified in the Uniform Guidance 2 CFR 200. We limited our tests of compliance to these provisions, and we did not test compliance with all laws and regulations applicable to Internews Ukraine.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Internews Ukraine's incurred costs are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and significant provisions of contracts, noncompliance with which could have a direct and material effect on the determination of incurred cost amounts, and certain other laws and regulations. We limited our tests of compliance to these provisions, and we did not test compliance with all laws and regulations applicable to Internews Ukraine. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests of compliance disclosed one finding of noncompliance or other matters that are required to be reported herein under Government Auditing Standards or Uniform Guidance 2 CFR 200.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on Internews Ukraine's compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Internews Ukraine's compliance. Accordingly, this communication is not suitable for any other purpose.

Restriction on Use

This report is intended solely for the information, and use of Internews Ukraine management, the Government Accountability Office, Congress, and the U.S. Agency for International Development (USAID) and is not intended to be and should not be used by anyone other than these specified parties.

Premier Group Services, Inc.

Lanham, MD

January 27, 2025

STATUS OF PRIOR AUDIT FINDINGS

We also requested copies of prior audits, reviews, and evaluations related to Internews Ukraine's activities under the USAID contract. Per communication with Internews Ukraine, there were no prior audit findings that could have a material effect on the incurred costs.

SUPPLEMENTAL SCHEDULES

Schedule A – Schedule of Allowable Costs by USAID Contract

USAID Contract	Schedule	JANUARY 1, 2018, TO DECEMBER 31, 2022, Total Costs	Questioned Costs – Ineligible*	Questioned Costs – Unsupported**	Accepted JANUARY 1, 2018, TO DECEMBER 31, 2022, Costs	Finding
AID-121-A-14-00001	A-1	\$1,602,565.49	-	-	\$1,602,565.49	1
Total USAID Contracts		\$1,602,565.49	-	-	\$1,602,565.49	1

Schedule A-1 – Schedule of Allowable Costs – USAID Contract No. AID-121-A-14-00001

Contract Number: AID-121-A-14-00001
 Contract Name: RADA Next Generation
 Contract Type: Cooperative Agreement.
 Funding Amount: \$9,999,196.00

Cost Element	JANUARY 1, 2018, TO DECEMBER 31, 2022, Total Costs	Questioned Costs - Ineligible	Questioned Costs - Unsupported	JANUARY 1, 2018, TO DECEMBER 31, 2022, Accepted Costs	Finding
Direct Costs					
Personnel	\$456,789.19	-	-	\$456,789.19	
Fringe	-	-	-	-	
Travel	\$20,409.10	-	-	\$20,409.10	
Supplies	\$43,270	-	-	\$43,270	
Equipment	-	-	-	-	
Subcontractor	\$923,218.94	-	-	\$923,218.94	
Other Direct Cost	\$158,877.67	-	-	\$158,877.67	
Total Direct Costs	\$1,602,565.49	-	-	\$1,602,565.49	1

* Ineligible costs: Costs that are explicitly questioned because they are unreasonable, prohibited by the FAR or applicable laws and regulations, or not program related.

** Unsupported costs: Costs that are not backed with adequate documentation or did not have required prior approvals or authorizations.

Schedule B – Reconciliation of Booked to Billed Costs

Contract Number	JANUARY 1, 2018, TO DECEMBER 31, 2022, Total Allowable Costs	Less Contract Limitations/Rebates /Credits	Total Adjusted Allowable Costs	JANUARY 1, 2018, TO DECEMBER 31, 2022, Billed Amount	Over/Under
AID-121-A-14-00001	\$1,602,565.49	-	\$1,602,565.49	\$1,602,565.49	-
Total Costs	\$1,602,565.49	-	\$1,602,565.49	\$1,602,565.49	-