

OFFICE OF INSPECTOR GENERAL

U.S. Agency for International Development

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

Audit Report 3-000-25-009-U

February 28, 2025





OFFICE OF INSPECTOR GENERAL

U.S. Agency for International Development

MEMORANDUM

DATE: February 28, 2025

TO: USAID/Bureau for Management/Office of Acquisition & Assistance, Director, Jami J. Rodgers

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

SUBJECT: Ukraine: Audit of Costs Incurred by Internews Network from January 1, 2018, to December 31, 2022 (3-000-25-009-U)

Enclosed is the final report on the audit of claimed costs incurred by Internews Network for the period of January 1, 2018, to December 31, 2022.¹ Internews Network's Ukraine Media Program supported independent media in the country, including refugee camp radio stations, local news outlets, and individual reporters. The Program aimed to strengthen the civically relevant role of media in democratic processes and expand citizen's access to quality information.

The Office of Inspector General (OIG) contracted with the independent certified public accounting and consulting firm of Premier Group Services, Inc. (Premier Group) to conduct a performance audit to determine allowability, allocability, and reasonableness of Internews Network claimed costs incurred. 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 firm's 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.

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.

The objectives of this audit were to:

1. Express an opinion on whether costs incurred by Internews Network 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.
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 Network'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 Network's internal controls, assess control risk, and identify reportable conditions, including material internal control weaknesses.
5. Perform tests to determine whether Internews Network 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 Network 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 Network has requested from USAID the necessary approval for the issuance of subawards according to regulatory and award requirements.
8. Determine whether Internews Network has taken corrective actions on prior audit report recommendations.

To answer the audit objectives, Premier Group obtained a sufficient understanding of Internews Network's internal control environment, identified significant provisions of laws and regulations to design relevant compliance-related procedures, followed up on prior audit recommendations and examined the following Internews Network's incurred cost elements: Direct Labor, Local Labor, Program Management Units Management Travel, Burdened Subawards, Contractual Services, Field Grant, Cost Share – Subgrant, Equipment, Supplies, Other Direct Costs and Value-Added-Tax.

The audit firm concluded that Internews Network generally met requirements under the USAID contract related to all eight of the audit objectives. Specifically, for example, that Internews Network complied with the standards set by their award and that costs incurred were allowable, allocable, and reasonable. The audit firm did identify one significant deficiency in Internews' internal controls regarding controls to identify and prevent conflicts of interest, particularly during the procurement and contracting process.

To address the deficiency identified, OIG adopts Premier Group recommendations to USAID's Director, Office of Acquisition & Assistance:

Recommendation 1. Require Internews Network to strengthen enforcement and monitoring mechanisms to ensure conflict of interest policies and procedures are effectively implemented.

Recommendation 2. Require Internews Network to provide targeted training to relevant personnel on identifying and managing conflicts of interest in procurement processes, emphasizing compliance with conflict of interest policies.

Recommendation 3. Require Internews Network to clearly communicate conflict of interest policies to all staff and contractors to ensure widespread understanding and adherence.

Recommendation 4. Require Internews Network to exclude the vendor with an existing conflict of interest from participation in vendor selection for future procurement activities.

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 NETWORK

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**UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT (USAID)
OFFICE OF INSPECTOR GENERAL (OIG)
INCURRED COST AUDITS OF USAID UKRAINE RESOURCES
CONTRACT NUMBER: 72012118CA00001
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

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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 Network (hereinafter referred to as Internews) 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 incurred costs from January 1, 2018, to December 31, 2022, were allowable, allocable, and reasonable in accordance with the Auditee's contract with USAID and applicable government acquisition regulations.

We tested the significant claimed cost elements: Direct Labor, Local Labor, PMU Management, Travel, Burdened Subawards, Consultant, Contractual Services, Field Grant, Cost Share – Subgrant, Equipment, Supplies, Other Direct Costs, and VAT. 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 the United States. Those standards require that we plan and perform the audit to obtain sufficient, 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.

Indirect Costs:

We identified no questioned costs related to our review of Indirect Costs billed to USAID. See Schedule A-1.2 for indirect costs, by USAID contract, incurred from January 1, 2018, to December 31, 2022.

Direct Costs:

We identified 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 – December 31, 2022.

Reconciliation of Booked to Billed Costs:

This incurred cost audit included performing a reconciliation, by USAID contract number 72012118CA00001, 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 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 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 for the calendar period of January 1, 2018, to December 31, 2022.

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 a presence in 87 countries. Established in November 1961, USAID is the leading 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 Network (Internews) Overview

Internews Network (hereinafter referred to as Internews) is a media development organization, incorporated in the State of California in Arcata. Their missions include supporting independent media in multiple countries, from radio stations in refugee camps, to hyper-local news outlets, to individual activists and reporters. From January 1, 2018, to December 31, 2022, Internews had the following USAID contracts:

Contract Number	Contract Name	Contract Period	Total Amount Funded
72012118CA00001	The Media Program in Ukraine	October 1, 2017 – September 30, 2025	\$75,000,000

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

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

- Express opinion on whether costs incurred by Internews under the subject award 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's contract bidding and procurement processes to determine whether they complied with all contract requirements regulatory and award requirements.
- Evaluate and obtain a sufficient understanding of Internews's internal controls, assess control risk, and identify reportable conditions, including material internal control weaknesses.
- Perform tests to determine whether Internews complied in all material respects with regulatory and award requirements related to 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 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 has requested from USAID the necessary approval for the issuance of subawards according to regulatory and award requirements.
- Determine whether Internews 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’ incurred cost elements: Direct Labor, Local Labor, PMU Management, Travel, Burdened Subawards, Consultant, Contractual Services, Field Grant, Cost Share – Subgrant, Equipment, Supplies, Other Direct Costs, and VAT. 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 and its environment, including its internal control, to assess the risk of material misstatement of the books and records of Internews, 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 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. Direct Labor, Local Labor and PMU Management:

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 to ensure staffing changes complied with regulatory and contractual requirements.

From our testing, we found no questioned costs within Direct Labor, Local Labor, and PMU Management.

2. Travel, Transport, Per Diem:

We reviewed vendor invoices, employee expense reports, transportation tickets, hotel receipts, car rental confirmations, etc., and verified the agreement with amounts recorded and claimed. In addition, 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, Transport, Per Diem Cost.

3. Other Direct Cost and VAT:

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

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

4. Equipment and Supply Costs:

We reviewed equipment procured by Internews, as well as equipment directly procured by USAID for Internews' 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 Costs.

5. Contracts and Procurement – Consultant, Contractual Services, Burdened Subawards, Field Grants and Cost Share - Subgrant:

We reviewed contractual invoices and verified the charge agreed to the service 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. In addition, we verified the contracts, grant and procurement expenses were in compliance with the Internews' policies and procedures for procurement, 2 CFR 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and Agency for International Development Acquisition Regulation (AIDAR).

Additionally, we performed subcontractor-assist audit procedures regarding the selected contracts and procurement samples. These limited procedures included the following:

- Documenting our understanding of Internews' subcontractor monitoring procedures in effect during the audit year.
- Documenting how Internews 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'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 verified that the subcontractor has an adequate accounting system.

From our testing and subcontractor assist audit procedures, we found no questioned costs within Consultant, Contractual Services, Burdened Subawards, Field Grants and Cost Share - Subgrant.

6. Indirect Costs:

We reviewed and recalculated the rate of indirect cost charged and compared with the NICRA rate, to assess that the costs charged to USAID are in accordance with the indirect cost rate agreement.

From our testing, we noted that the indirect charged did not exceed the indirect cost rate agreement.

7. Reconciliation of Booked to Billed Costs:

This incurred cost audit included performing a reconciliation, by USAID contract, between the total adjusted cumulative incurred costs booked and the total cumulative amount billed from January 1, 2018 – December 31, 2022, and reporting any over/ under-billing amounts. Based on the results of the reconciliation, Internews did not overbill or underbill USAID. See Schedule B for Internews's billings by USAID contract from January 1, 2018 – 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 11].

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

Internal Controls: Our audit detected one significant deficiency in Internews’ Internal Control [See Notification of Findings and Recommendations (NFRs), Internews’s Responses, And Auditor’s Conclusions, Page 8].

Compliance with Laws and Regulations: Our audit detected no instance of non-compliance that is required to be reported.

Follow-Up to Prior Audit Recommendations: We requested copies of prior audits, reviews, and evaluations related to Internews’s work under the contract. Per communication with Internews 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’S RESPONSES, AND AUDITOR’S CONCLUSIONS

Finding 1:

Condition: Several Contracts were incurred with a vendor who is employed as a board member of a recipient entity affiliated with Internews Network, resulting in a potential conflict of interest.

Cause: The cause of this issue may be insufficient internal controls to identify and prevent conflicts of interest, particularly during the procurement and contracting process. There may also have been inadequate procedures in place to ensure that vendor relationships were free of personal or organizational conflicts, or a lack of due diligence in vetting vendor affiliations.

Criteria: 2 CFR 200.318(c)(1) No employee, officer, agent, or board member with a real or apparent conflict of interest may participate in the selection, award, or administration of a contract supported by the Federal award. A conflict of interest includes when the employee, officer, agent, or board member, any member of their immediate family, their partner, or an organization that employs or is about to employ any of the parties indicated herein, has a financial or other interest in or a tangible personal benefit from an entity considered for a contract.

Effect: Contracting with a vendor who is a board member of a recipient entity creates a potential conflict of interest, which can undermine the integrity of the procurement process. This could result in questioned costs, the appearance of favoritism, non-compliance with federal regulations regarding conflict of interest, and potential reputational damage. Moreover, it increases the risk of unfair contracting practices and could lead to further regulatory scrutiny.

Recommendations: We recommend that Internews Network:

- Strengthen enforcement and monitoring mechanisms to ensure conflict of interest (COI) policies and procedures are effectively implemented.
- Provide targeted training to relevant personnel on identifying and managing conflicts of interest in procurement processes, emphasizing compliance with COI policies.
- Clearly communicate COI policies to all staff and contractors to ensure widespread understanding and adherence.
- Exclude the vendor from participation in vendor selection for future procurement activities.

Internews Network's Response: Internews Network maintains a robust ethics program with explicit policies and procedures that specifically address conflict of interest regulations outlined in 2 CFR 200.318(c)(1). As part of this program, all staff members are required to complete annual ethics training, which includes a specific section on conflicts of interest. This training provides definitions and real-life examples to educate staff on this crucial topic. In addition, staff members are required to disclose any known or potential conflicts of interest both annually during the organization-wide ethics training and immediately upon identifying any potential conflicts.

When real or potential conflicts of interest are identified, they are documented and reviewed by the Headquarters Human Resource Department and/or Internews' Ethics Committee. During the review process, HQ staff or the Ethics Committee assessed whether the conflict of interest can be mitigated with compensating controls or if it is so significant that risks cannot be mitigated with any controls. If conflicts cannot be mitigated or resolved, it may require the termination of the involved Internews staff member. During the review of The Media Programs, Internews entered into contracts with an individual who had disclosed a potential conflict of interest due to their board member position with a subgrant recipient of Internews Network. Internews Networks' internal policies were followed, and this conflict was documented and assessed.

During the review process, it was determined that adequate compensating controls could mitigate any potential risk. These controls included:

- Removing the individual from decision-making abilities regarding awards and other financial transactions with the subgrant.
- Conducting an analysis during procurement to ensure the board position with the subgrant recipient did not impact the individual's level of effort and required functions at Internews.
- Requesting the individual to recuse themselves from any decision-making that involves Internews Network in their role as a board member with the subgrant recipient.

Internews Network confirms that the compensating controls have worked as intended, and there have been no approvals or interactions from the individual in any related party transactions or procurement processes.

CONCLUSION

We conclude that Internews 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 did not over or underbill USAID from FY2018 to FY2022. From our testing, we found one instance

regarding Internews' control of conflict of interest. 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 costs of Internews Network (Internews) for USAID Award number 72012118CA00001 which comprise Direct Labor, Local Labor, PMU Management, Travel, Burdened Subawards, Consultant, Contractual Services, Field Grant, Cost Share – Subgrant, Equipment, Supplies, Other Direct Costs, and VAT, for the period of 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 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' internal control. Accordingly, no such opinion is expressed.
- Perform procedures to determine whether Internews 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'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 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 Network (Internews) 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's internal control over financial reporting by obtaining an understanding of the design effectiveness of Internews' internal control, determining whether controls had been placed in operation, assessing control risk, and performing tests of Internews'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's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Internews' 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 one significant matter involving Internews’ Internal Control and its operations [See Notification of Findings And Recommendations (NFRs), Internews’ Responses, And Auditor’s Conclusions, Page 8].

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’ internal control. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Internews’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 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 Network (Internews) 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 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Internews’ 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. 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 no instances 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’ compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Internews’ 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 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' activities under the USAID contract. Per communication with Internews, 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	Total Costs Incurred	Questioned Costs – Ineligible*	Questioned Costs – Unsupported**	Adjusted Total Costs Incurred	Finding
72012118CA00001	A-1	\$29,730,990.71	-	-	\$29,730,990.71	NA
Total Incurred Costs					\$29,730,990.71	

Schedule A-1 – Schedule of Allowable Costs – USAID Contract No. 72012118CA000001

Contract Number:	72012118CA00001
Contract Name:	The Media Program in Ukraine
Contract Type:	Reimbursement
Funding Amount:	\$75,000,000

Cost Element	Total Costs Incurred	Questioned Costs - Ineligible	Questioned Costs - Unsupported	Total Costs Incurred	Finding
Direct Costs					
Direct Labor	\$824,517.72	-	-	\$824,517.72	NA
Local Labor	\$3,517,274.25	-	-	\$3,517,274.25	NA
PMU Management	\$29,265.12	-	-	\$29,265.12	NA
Travel, Transport, Per Diem	\$129,034.77	-	-	\$129,034.77	NA
Consultant	\$220,406.35	-	-	\$220,406.35	NA
Contractual Services	\$397,178.39	-	-	\$397,178.39	NA
Burdened Subawards	\$15,984,077.12	-	-	\$15,984,077.12	NA
Field Grants	\$1,752,105.64	-	-	\$1,752,105.64	NA
Equipment	\$189,074.30	-	-	\$189,074.30	NA
Supplies	\$44,372.51	-	-	\$44,372.51	NA
Other Direct Costs	\$1,427,611.50	-	-	\$1,427,611.50	NA
VAT	\$12,869.77	-	-	\$12,869.77	NA
Total Direct Costs	\$24,527,787.44	-	-	\$24,527,787.44	NA
Total Fringe per NICRA	\$380,949.97			\$380,949.97	NA
Total Overhead per NICRA	\$1,746,921.42			\$1,746,921.42	NA
Total G&A per NICRA	\$2,670,822.88			\$2,670,822.88	NA
Indirect Costs	\$4,798,694.27	-	-	\$4,798,694.27	NA
Total Cost	\$29,326,481.71			\$29,326,481.71	NA
Cost Share - Subgrant	\$404,509.00	-	-	\$404,509.00	NA
Total Costs	\$29,730,990.71	-	-	\$29,730,990.71	NA

Schedule A-1.2 – Schedule of Indirect Costs – USAID Contract No. 72012118CA00001

Indirect Cost Category	Direct Costs (A)	Indirect Amount Charged (B)	Actual % (B/A)	NICRA Indirect Rate % (C)	Recalculation (A*C)	Difference (A*C) – (B) ¹
Fringe Benefits		\$380,949.97	1.55%	43.31%	\$10,622,984.74	\$10,242,034.77
Overhead	\$24,527,787.44	\$1,746,921.42	7.12%	35.54%	\$8,717,175.66	\$6,970,254.24
Gen & Admin		\$2,670,822.88	10.89%	10.61%	\$2,602,398.25	-\$68,424.63
Total		\$4,798,694.27				\$17,143,864.37

* 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.

¹ The positive difference indicates that the entity incurred lower indirect costs during the review period (Indirect Amount Charged (B)) compared to the designated indirect cost limit (Recalculation (A*C)) based on the approved NICRA rates.

Schedule B – Reconciliation of Booked to Billed Costs

Contract Number	JANUARY 1, 2018 - DECEMBER 31, 2022 Total Incurred Costs	Less Contract Limitations/Rebates/ Credits	Total Adjusted Allowable Costs	JANUARY 1, 2018 - DECEMBER 31, 2022 Billed Amount	Over/Under
72012118CA00001	\$29,730,990.71	-	-	\$29,730,990.71	-
Total Costs	\$29,730,990.71			\$29,730,990.71	