

OFFICE OF INSPECTOR GENERAL
U.S. Agency for International Development

**UKRAINE: Audit of Costs
Incurred by Ednannia
(Joining Forces), from
January 1, 2018, to
December 31, 2022**

Audit Report 3-000-25-011-U
March 6, 2025



Office of Audits, Inspections, and Evaluations



OFFICE OF INSPECTOR GENERAL U.S. Agency for International Development

MEMORANDUM

DATE: March 6, 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 Ednannia (Joining Forces), from January 1, 2018, to December 31, 2022 (3-000-25-011-U)

Enclosed is the final audit report on the claimed costs incurred by Ednannia (Joining Forces) – Initiative Center to Support Social Action (Ednannia) for the period of January 1, 2018, to December 31, 2022. Ednannia’s work on their Ukraine Civil Society Sectoral Support Activity was to improve the operating environment for civil society and strengthen the institutional capacities of Civil Society Organizations.¹ 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 Ednannia claimed costs incurred.² The contract required Premier Group to perform this 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.

The objectives of the audit were to:

1. Express an opinion on whether costs incurred by Ednannia 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.

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 oignotice_ndaa5274@usaid.gov.

² The contract provided for similar performance audits for a total of 11 different USAID recipients, the results of which are reported and transmitted separately.

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

To answer the audit objectives, Premier Group obtained a sufficient understanding of Ednannia's internal control environment, identified significant provision of laws and regulations to design relevant compliance-related procedures, followed up on prior audit recommendations, and examined the following Ednannia's incurred cost elements: Personnel, Fringe Benefits, Travel, Other Direct Costs, Commodities and Inventory, and Contractual and Procurement. Premier Group conducted interviews and walkthroughs; and reviewed agency actions to address any prior audit recommendations for Ednannia's incurred costs audits.

Premier Group concluded that Ednannia generally met requirements under the USAID contract related to seven of the eight audit objectives. The audit firm did not identify any material weaknesses in internal control over financial reporting or find any reportable noncompliance with applicable laws, regulations and contracts. However, Premier Group concluded that Ednannia has not taken corrective action on a prior year audit recommendation that could have a material effect on incurred costs. Additionally, Premier Group questioned costs billed to USAID in the amount of \$27.16 resulting from a discrepancy in amounts booked in the General Ledger to costs billed to USAID,

To address the weaknesses in USAID's reconciliation process that were identified in Premier Group's report, we recommend: USAID/Ukraine's Controller:

Recommendation I. Require Ednannia to perform a thorough review of both the General Ledger and the incurred cost submission to identify the root cause of the \$27.16 variance. This should include verifying data entry processes, confirming the timing of entries,

and ensuring that all adjustments are accurately reflected in both records, adjust in ledger system accordingly to minimize future variances.

Recommendation 2. Require Ednannia to implement a more rigorous reconciliation process between the General Ledger and incurred cost submissions, ensuring that all discrepancies are promptly identified, investigated, and resolved. This process should be documented and reviewed periodically.

Recommendation 3. Require Ednannia to consider the use of automated financial systems or software to streamline the reconciliation process, reduce the risk of human error, and improve the accuracy of financial data entries

We are issuing this final audit report without the written comments due to the agency's inability to provide management comments and we will reissue this report if/when we receive them. After conclusion of the audit, Ednannia provided documentation to address recommendations 2 and 3. However, the audit firm concluded the evidence provided was not sufficient to resolve the findings. Therefore, all three recommendations remain open and unresolved.

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



**NGO “EDNANNIA” (JOINING FORCES) –
INITIATIVE CENTER TO SUPPORT SOCIAL ACTION
72 VELKYA VASYLKIVSKA STR., OFFICE 8, KYIV, UKRAINE, 03150**

**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.
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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 NGO “Ednannia” (Joining Forces) - Initiative Center to Support Social Action (herein after referred to as Ednannia) for the calendar period of October 1, 2019, 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 October 1, 2019, to December 31, 2022, were allowable, allocable, and reasonable in accordance with the Auditee’s contracts with USAID and applicable government acquisition regulations.

We tested the significant claimed cost elements: Personnel & Fringe, Travel, Other Direct Cost, Commodities & Inventory, Contractual & Procurement. 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 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.

Indirect Costs:

Our findings indicate that no indirect costs were charged to USAID for the period from October 1, 2019, 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 October 1, 2019– December 31, 2022.

Reconciliation of Booked to Billed Costs:

This incurred cost audit involved reconciling, by USAID Contract Number 72012119CA00003, the total adjusted cumulative allowable costs recorded to date with the total cumulative amount billed from October 1, 2019, to December 31, 2022, and identifying any over- or under-billed amounts. The reconciliation found that Ednannia overbilled USAID by USD \$27.16.

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, Ednannia 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 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.

NGO “Ednannia” (Joining Forces) - Initiative Center to Support Social Action Overview

Ednannia is a Ukrainian public organization that has been dedicated to fostering civil society and promoting a culture of strategic philanthropy for over 25 years. They focus on strengthening initiatives that support democratic development in Ukraine. Their mission encompasses implementing socially beneficial projects nationwide, nurturing and uniting community leaders who inspire collaboration and progress, supporting the growth of public and charitable organizations, promoting strategic giving within local communities, creating platforms for effective cross-sector collaboration, and advancing democratic principles in Ukraine. From October 1, 2019– December 31, 2022, Ednannia had the following USAID contract:

Contract Number	Contract Name	Contract Period	Total Amount Funded
72012119CA00003	Ukraine Civil Society Sectoral Support Activity	October 1, 2019 – September 30, 2025	\$19,974,249

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

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

- Express opinion on whether costs incurred by Ednannia under the subject awards for the period audited are fairly presented and in conformity with the terms of regulatory and award requirements and 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 generally accepted accounting principles or other comprehensive basis of accounting (including the cash receipts and disbursements basis and modifications of the cash basis).
- Evaluate Ednannia’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 Ednannia’s internal controls, assess control risk, and identify reportable conditions, including material internal control weaknesses.
- Perform tests to determine whether Ednannia 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 Ednannia 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 Ednannia has requested from USAID the necessary approval for the issuance of subawards according to regulatory and award requirements.
- Determine whether Ednannia 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 Ednannia’s incurred cost elements: Personnel & Fringe, Travel, Other Direct Cost, Commodities & Inventory, Contractual & Procurement. 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 Ednannia and its environment, including its internal control, to assess the risk of material misstatement of the books and records of Ednannia, 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 from 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 October 1, 2019 – December 31, 2022, are presented below:

1. Personnel & Fringe: Local Personnel, Fringe Benefits, Health Insurance

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 for 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 Ednannia to ensure staffing changes complied with regulatory and contractual requirements.

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

2. Travel

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 Cost.

3. Other Direct Cost: Bank Charges, Internet, Office Maintenance & Repairs, Office rent, Office Storage, Office Supplies & Expendable materials, Phone, Postage and Delivery, Printing/Duplicating/Coping, Publications/Subscriptions, Software support, Translation Fees, Vehicle Fuel, Workshops / Conferences / Meetings

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. Commodities & Inventory: Equipment

We reviewed equipment procured by Ednannia, as well as equipment directly procured by USAID for Ednannia'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 Commodities & Inventory.

5. Contractual & Procurement: Consultants IT, Legal, Admin, Subgrants, Subcontracts, Program/ Technical Consultants

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 Ednannia's 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 Ednannia's subcontractor monitoring procedures in effect during the audit year.
- Documenting how Ednannia 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 Ednannia'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 Ednannia verified that the subcontractor has an adequate accounting system.

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

6. Reconciliation of Booked to Billed Costs:

This incurred cost audit included performing a reconciliation, by USAID contract, between the total adjusted incurred cumulative allowable costs booked, and the total cumulative amount billed from October 1, 2019, to December 31, 2022, and reporting any over/ under-billing amounts. Based on the results of the reconciliation, Ednannia overbilled USAID in the amount of \$27.16. See Schedule B for Ednannia's billings by USAID contract from October 1, 2019 – December 31, 2022 [See Notification of Findings and Recommendations (NFRs), Ednannia's Responses, And Auditor's Conclusions, Page 8].

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 one significant deficiency in Ednannia's Internal Control

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 Ednannia's work under the contract. Per communication with Ednannia and USAID, one prior audit finding could have a material effect on the incurred costs. [See Status of Prior Audit Findings, Page 8].

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), EDNANNIA'S RESPONSES, AND AUDITOR'S CONCLUSIONS

Finding 1: Allocation Error Between Projects Resulting in Reporting Variance

Condition:

A variance of \$27.16 was identified between the amount recorded in General Ledger, which reflects a balance of \$6,632,048.94 and the amount reported in the approved incurred cost submission, recorded as \$6,632,076.10. This discrepancy indicates a potential inconsistency in the recording or reporting process and may require further analysis to ensure accurate alignment between the General Ledger and the incurred cost submission.

Cause:

The procedural gaps in the review and approval of financial entries may have contributed to this discrepancy. Additionally, the variance of \$27.16 between the General Ledger and the incurred cost submission may be attributed to minor data entry errors, timing differences in recording expenses, or inconsistencies in the reconciliation process.

Criteria:

According to CFR Title 2, Part 200, "Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards," financial records, including the General Ledger and incurred cost submissions, must be maintained accurately and consistently. Specifically, §200.302 (Financial Management) requires that entities maintain records that identify sources and application of funds, ensuring that costs billed to federal awards are supported by proper documentation and accurately reflect the actual expenses incurred. Discrepancies between records, such as those identified between the General Ledger and the incurred cost submission, must be investigated and resolved to comply with these financial management standards and uphold transparency, accuracy, and accountability in federal funding.

Effect:

The identified variance of \$27.16 between the General Ledger and the approved incurred cost submission may result in inaccuracies in financial reporting, potentially leading to misstatements in the organization's financial statements. If left unresolved, such discrepancies could affect the reliability of the financial data used for decision-making, audits, and compliance assessments. Additionally, failure to address these inconsistencies could result in non-compliance with federal regulations, including the CFR Title 2 guidelines, which could lead to corrective actions, financial penalties, or delays in the approval of future funding requests

Recommendations:

1. **Conduct a Detailed Review:** Perform a thorough review of both the General Ledger and the incurred cost submission to identify the root cause of the \$27.16 variance. This should include verifying data entry processes, confirming the timing of entries, and ensuring that all adjustments are accurately reflected in both records.
2. **Strengthen Reconciliation Procedures:** Implement a more rigorous reconciliation process between the General Ledger and incurred cost submissions, ensuring that all discrepancies are promptly identified, investigated, and resolved. This process should be documented and reviewed periodically.
3. **Implement Automated Systems:** Consider the use of automated financial systems or software to streamline the reconciliation process, reduce the risk of human error, and improve the accuracy of financial data entries.

Ednannia's Response:

- Recommendation 1: A comprehensive review of both the General Ledger and the incurred cost submission will be conducted in the current implementation period to identify and rectify the root cause of the variance.
- Recommendations 2 and 3 were resolved in 2023

CONCLUSION

We conclude that Ednannia 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 Ednannia overbilled USAID by \$27.16 from FY2019 to FY2022. From our testing, we noted one instance regarding the auditee's Reconciliation of Booked to Billed 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 costs of NGO “Ednannia” (Joining Forces) - Initiative Center to Support Social Action (Ednannia) for USAID Award Number 72012119CA00003 which comprise Personnel & Fringe, Travel, Other Direct Cost, Commodities & Inventory, Contractual & Procurement, for the period of October 1, 2019, 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 October 1, 2019, 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 Ednannia 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 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 Ednannia’s internal control. Accordingly, no such opinion is expressed.
- Perform procedures to determine whether Ednannia 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 Ednannia’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 Ednannia 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 NGO “Ednannia” (Joining Forces) - Initiative Center to Support Social Action (Ednannia) incurred costs for October 1, 2019, 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 October 1, 2019, to December 31, 2022, we considered Ednannia’s internal control over financial reporting by obtaining an understanding of the design effectiveness of Ednannia’s internal control, determining whether controls had been placed in operation, assessing control risk, and performing tests of Ednannia’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 Ednannia’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Ednannia’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.

Our audit detected one significant deficiency involving Ednannia’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 Ednannia’s internal control. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Ednannia’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 Ednannia 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 the Initiative Center to Support Social Action "Ednannia" (Ednannia) incurred costs for October 1, 2019, 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 Ednannia 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 Ednannia.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Ednannia'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 Ednannia. 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 Ednannia's compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Ednannia'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 Ednannia 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 Ednannia's activities under the USAID contract. Per communication with Ednannia, there was one prior audit finding that could have a material effect on the incurred costs.

Observation 2022-1: Accounting for Program Funds

Conditions:

In connection with the full-scale invasion of the Russian Federation and the beginning of military operations in Ukraine, in order to save its funds, the Organization transferred all of them, including program funds, to an account opened in a banking institution in Lviv, on February 24, 2022. In the period after this account was opened and until the Organization started to spend USAID funds, it made payments from the joint account.

According to Clause 4.2.2 of the Financial Management Manual (hereinafter referred to as the Manual), the Organization shall open a separate current account for each program/award.

The auditors have established the movement of funds between programs, adjustment of expenses that were mistakenly attributed to other programs. USAID funds were used to finance other programs, and vice versa, Program costs were covered at the expense of other donors.

According to Clause 3.2 of the Financial Management Manual, before sending financial statements to the Donor the Organization shall reconcile the balance of funds in the bank account with the data of the financial statement. The Organization sent monthly reports under the Program, but reconciliation of the Program fund balances with bank account balances was made only once at the end of the reporting year. No additional reconciliations were made in connection with emergency events. There are no procedures to regulate and monitor the movement of funds between programs.

Criteria:

Due to the warfare in Ukraine and potential instability in financial sector, the Organization did not always comply with the requirements of the Financial Management Manual in 2022. As a result, in 2022 internal control over the movement of funds between programs was weakened.

Cause:

Non-compliance with the requirements of internal procedures for accounting for Program funds, procedures for reconciliation of the balance of funds and weakening of internal control. The organization lacks procedures for the Organization's response to force majeure.

Effect:

In a situation where a joint account is used for several programs/ funds, there is a risk that funds programs, individual expenses may be mistakenly included/ not included in the financial

statements under the Program.

Recommendations:

The Auditors recommend:

- complying with the requirements of the Financial Management Manual.
- performing reconciliation of Program fund balances with bank account balances on a monthly basis, before submitting financial statements to the Donor.
- improving internal policies, adding their emergency response procedures/ algorithms.

Management Response:

- The Organization's Order No. 25/02-2022, amended the "Order on the Organization's Accounting Policy" dated January 04, 2019, in connection with the introduction of the Martial Law in Ukraine. The amendments state the following: "Pursuant to Section 3.7 (clause 3.7.4), in order to strengthen security of funds in the current accounts of ISAR Ednannia in ProCredit Bank of the city of Kyiv, an additional account in UAH, dollars and euros in JSC Credo Bank of the city of Lviv shall be used as well as card accounts in the same currencies". Accordingly, it was the only case when the Organization transferred funds to a specially opened bank account for security purposes during the most critical period of the large-scale invasion of the Russian Federation into the territory of Ukraine. The funds remained on the account until April 2022, during the period when this security norm was applied.
- The Organization will improve its internal policies by adding emergency response procedures/ algorithms.

Auditor's Conclusion: The recommendation has not been implemented. We had a repeated finding in this audit.

SUPPLEMENTAL SCHEDULES

Schedule A – Schedule of Allowable Costs by USAID Contract

USAID Contract	Schedule	OCTOBER 1, 2019 - DECEMBER 31, 2022, Total Costs Incurred	Questioned Costs – Ineligible*	Questioned Costs – Unsupported**	OCTOBER 1, 2019 - DECEMBER 31, 2022, Adjusted Total Costs Incurred.	Finding
72012119CA00003	A-1	\$6,632,076.10	\$27.16	-	\$6,632,048.94	1
Total USAID Contracts		\$6,632,076.10	\$27.16		\$6,632,048.94	

Schedule A-1 – Schedule of Allowable Costs – USAID Contract No. 72012119CA00003

Contract Number:	72012119CA00003
Contract Name:	Ukraine Civil Society Sectoral Support Activity
Contract Type:	Reimbursement
Funding Amount:	\$19,974,249.00

Cost Element	OCTOBER 1,2019 - DECEMBER 31, 2022, Total Costs Incurred	Questioned Costs - Ineligible	Questioned Costs - Unsupported	OCTOBER 1, 2019 - DECEMBER 31, 2022, Adjusted Total Costs Incurred	Finding
Direct Costs					
Bank Charges	\$7,428.22	-	-	\$7,428.22	NA
Consultants IT, Legal, Admin	\$34,220.59	-	-	\$34,220.59	NA
Equipment	\$73538.28	-	-	\$73538.28	NA
Fringe Benefits, Health Insurance	\$46,666.14	-	-	\$46,666.14	NA
Internet	\$2,944.42	-	-	\$2,944.42	NA
Local Personnel	\$951,343.3	-	-	\$951,343.3	NA
Office Maintenance & Repairs	\$59,231.95	-	-	\$59,231.95	NA
Office rent	\$45,325.04	-	-	\$45,325.04	NA
Office Storage	\$1,771.69	-	-	\$1,771.69	NA
Office Supplies & Expendable materials	\$28,847.26	-	-	\$28,847.26	NA
phone	\$442.18	-	-	\$442.18	NA
Postage and Delivery	\$5,184.87	-	-	\$5,184.87	NA
Printing/Duplicating/Coping	\$2.96	-	-	\$2.96	NA
Program / Technical Consultants	\$18,329.72	-	-	\$18,329.72	NA
Promo materials	\$10,710.93	-	-	\$10,710.93	NA
Publications/Subscriptions	\$1,700.88	-	-	\$1,700.88	NA
Software support	\$6,535.35	-	-	\$6,535.35	NA
Subcontracts	\$779,768.27	-	-	\$779,768.27	NA
Subgrants	\$4,251,121.27	-	-	\$4,251,121.27	NA
Translation Fees	\$2,329.19	-	-	\$2,329.19	NA
Travel	\$11,152.12	-	-	\$11,152.12	NA
Vehicle Fuel (maintenance of car included)	\$5,410.78	-	-	\$5,410.78	NA
Workshops / Conferences / Meetings	\$288,043.53	-	-	\$288,043.53	NA
Total Direct Costs	\$6,632,048.94	-	-	\$6,632,048.94	NA
Indirect Costs	\$0	-	-	\$0	NA
Total Costs	\$6,632,048.94	-	-	\$6,632,048.94	NA

* 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	OCTOBER 1, 2019 - DECEMBER 31, 2022, Total Allowable Costs	Less Contract Limitations/Rebates/ Credits	Total Adjusted Allowable Costs	OCTOBER 1, 2019 - DECEMBER 31, 2022, Billed Amount	Over/Under	Note
72012119CA00003	\$6,632,048.94	-	\$6,632,048.94	\$6,632,076.10	\$27.16	immaterial
Total Costs	\$6,632,048.94	-	\$6,632,048.94	\$6,632,076.10	\$27.16	