



MEMORANDUM

DATE: January 31, 2019

TO: USAID/Dominican Republic Mission Director, Art Brown

FROM: USAID OIG Latin America and Caribbean (LAC) Regional Office, Assistant Director, Brad Moore /s/

SUBJECT: Financial Audit of the USAID Read Program, Managed by Universidad Iberoamericana, Cooperative Agreement AID-517-A-15-00005, January 1 to December 31, 2017 (I-517-19-023-R)

This memorandum transmits the final audit report on the USAID Read Program, managed by Universidad Iberoamericana (UNIBE). UNIBE contracted with the independent certified public accounting firm KPMG Dominicana to conduct the audit. The audit firm stated that the contract required KPMG Dominicana to perform the audit in accordance with generally accepted government auditing standards and USAID OIG Guidelines for Financial Audits Contracted by Foreign Recipients.¹

The audit firm states that it performed the audit in accordance with generally accepted government auditing standards except that the audit firm did not have a continuing education program and an external peer review that fully complies with GAGAS requirements. The audit firm is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on UNIBE's fund accountability statement; the effectiveness of its internal control; or its compliance with the award, laws, and regulations.²

The audit objectives were to (1) express an opinion on whether the fund accountability statement for the period audited, was presented fairly, in all material respects; (2) evaluate

¹ On June 30, 2017, USAID OIG rescinded its Guidelines for Financial Audits Contracted by Foreign Recipients, recognizing the Agency's role to impose requirements on its implementing partners and contractors as a management function. This contracted audit, however, follows the Guidelines. .]

² We reviewed the audit firm's report for conformity with professional reporting standards. Our desk reviews are typically performed to identify any items needing clarification or issues requiring management attention. Desk reviews are limited to review of the audit report itself and excludes review of the auditor's supporting working papers; they are not designed to enable us to directly evaluate the quality of the audit performed.

UNIBE's internal controls; (3) determine whether UNIBE complied with award terms and applicable laws and regulations; (4) determine if UNIBE has taken adequate corrective action on prior audit recommendations; and (5) determine if cost-sharing contributions were made and accounted for by UNIBE in accordance with the agreement terms. To answer the audit objectives, the audit firm reported that they assessed and tested the internal controls related to the project; compliance with applicable laws, regulations, the agreement's provisions; and reviewed project expenditures. The audit covered \$3,220,459 in USAID funds for the audited period.

The audit firm concluded the fund accountability statement presented fairly, in all material respects, program revenues and costs incurred under the award for the period audited. However, we noted that the audit firm did not mention if the funds transferred to a sub-recipient (World Vision) totaling \$1,262,364 have been audited.

The audit firm identified one internal control significant deficiency and one material instance of noncompliance with applicable laws and regulations and agreement terms related to an annual cost sharing shortfall of \$553,763.

Additionally, the audit firm determined that the recipient has taken adequate corrective actions on prior audit report recommendations.

To address the issues identified in the report, we recommend that USAID/Dominican Republic:

Recommendation 1 Ensure that UNIBE conducts the required audit of World Vision Dominican Republic.

Recommendation 2 Verify that UNIBE corrects the one significant deficiency in internal control identified on pages 48 and 49 of the audit report pertaining to the shortfall in the annual cost-sharing contribution.

Recommendation 3 Verify that UNIBE corrects the one material instance of noncompliance identified on pages 52 and 53 of the audit report pertaining to the shortfall in the annual cost-sharing contribution.

We ask that you provide your written notification of actions planned or taken to reach a management decision. We appreciate the assistance extended during the engagement. .

OIG does not routinely distribute independent public accounting reports beyond the immediate addressees because a high percentage of these reports contain information restricted from release under the Trade Secrets Act, 18 U.S.C. 1905 and Freedom of Information Act Exemption Four, 5 U.S.C. 552(b)(4) ("commercial or financial information obtained from a person that is privileged or confidential").