



MEMORANDUM

DATE: April 30, 2019

TO: USAID/Vietnam Mission Director, Michael Greene

FROM: USAID OIG Asia Regional Office Audit Director, Matthew Rathgeber /s/

SUBJECT: Financial Audit of the Center for Community Health Research and Development under Multiple USAID Awards in Vietnam, January 1 to December 31, 2017 (5-440-19-026-R)

This memorandum transmits the final audit report on the multiple USAID awards managed by the Center for Community Health Research and Development (CCRD). CCRD contracted with the independent certified public accounting firm of KPMG Limited to conduct the audit. The contract required the audit firm to perform the audit in accordance with U.S. generally accepted government auditing standards (GAGAS) and USAID OIG Guidelines for Financial Audits Contracted by Foreign Recipients.¹

KPMG Limited stated that it performed its audit in accordance with GAGAS except that it did not fully comply with the requirements on having a continuing professional education program and external quality control reviews. KPMG Limited is responsible for the enclosed auditor's report and the conclusions expressed in it. We do not express an opinion on CCRD'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 CCRD's fund accountability statement for the period audited was presented fairly, in all material respects; (2) evaluate CCRD's internal controls; (3) determine whether CCRD complied with agreement terms and applicable laws and regulations (including cost-sharing contributions); and (4) determine

¹ On June 30, 2017, USAID OIG rescinded its Guidelines for Financial Audits Contracted by Foreign Recipients, recognizing the Agency's role to impose requirements on its implementing partners and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. The mission however, asked the auditors in its contract to follow the Guidelines, and this contracted audit followed that 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.

whether CCRD has taken adequate corrective actions on prior audit report recommendations. To answer the audit objectives, KPMG Limited reviewed project documents and applicable policies and procedures; examined the fund accountability statement and the related notes; evaluated the adequacy of internal control system; tested compliance with agreement terms and applicable laws and regulations; and reviewed the status of prior audit recommendations. The audit covered project revenues and costs of \$1,144,854 and \$1,171,588, respectively, from January 1 to December 31, 2017.³

KPMG Limited concluded that the fund accountability statement presented fairly, in all material respects, project revenues and costs incurred under the agreement for the period audited. The audit firm did not identify any questioned costs, significant deficiencies or material weaknesses in internal control, or material instances of noncompliance.

On the review of the cost-sharing contributions, which are required under the three awards, the audit firm reported that CCRD contributed \$41,319 during the period reviewed. The audit firm did not report any questioned cost-sharing contributions. However, for the CLI project (closeout), the audit firm identified a shortfall of \$374 since CCRD's cumulative cost-sharing contribution of \$211,277 as of the end of the project was less than its life-of-project requirement of \$211,651. Accordingly, we suggest that the mission determine the allowability of this shortfall and recover any amount determined to be unallowable.

KPMG Limited reported that (1) CCRD did not have USAID-authorized provisional indirect costs rate in the agreements and (2) all prior audit recommendations had been addressed. In addition, the audit firm issued a management letter to the recipient identifying other internal control matters.

During our desk review, we noted some issues which the audit firm will need to address in future audit reports. We presented these issues in a memorandum to the controller dated April 30, 2019.

Given the above results of the audit, we are not making any recommendation for inclusion in USAID's Consolidated Audit and Compliance Tracking System. 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").

Attachment: a/s

³ The audit covered three awards: (1) Closeout Audit of Cooperative Agreement AID-440-A-14-00005 (USAID Community HIV Link – Northern Mountains [CLI Project] for the period from January 1 to May 18, 2017), (2) Financial Audit of Cooperative Agreement AID-440-A-15-00004 (Strengthen In-Country Strategic Information Capacity for Sustainable HIV Response [SI Project] for the period from January 1 to December 31, 2017), (3) First Audit of Cooperative Agreement AID-440-A-17-00001 (Enhanced Community HIV Link – Northern [CL2 Project] for the period from February 14 to December 31, 2017).

