



MEMORANDUM

DATE: April 11, 2018

TO: USAID/Dominican Republic Acting Mission Director, Haven Cruz-Hubbard

FROM: Regional Inspector General/San Salvador, Audit Manager, Brad Moore /s/

SUBJECT: Audit of Universidad Iberoamericana's Management of the USAID Read Program in Dominican Republic, Cooperative Agreement AID-517-A-15-00005, January 1 to December 31, 2016 (I-517-18-018-R)

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

The audit firm states it performed its audit in accordance with generally accepted government auditing standards, except that the audit firm did not participate in an external quality control review program and did not have a continuing education program. 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 UNIBE's internal controls; (3) determine whether UNIBE complied with award terms and applicable laws and regulations; (4) determine if cost-sharing contributions were made and accounted for by UNIBE in

¹ On June 30, 2017, USAID OIG rescinded its Guidelines for Financial Audits Contracted by Foreign Recipients, recognizing the Agency's role to impose requirements on its implementing partners and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, was initiated before that date and 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.

accordance with the agreement terms; and (5) determine whether the recipient has taken corrective actions on recommendations in prior audit reports. To answer the audit objectives, the audit firm reported that they assessed and tested the internal controls related to the project; tested compliance with applicable laws, regulations, and the agreement's provisions; and reviewed project expenditures. The audit covered \$2,932,326 in USAID funds for the year ended December 31, 2016.

The audit firm concluded that the fund accountability statement presented fairly, in all material respects, program revenues and costs incurred under the award for the period audited except for \$25 in ineligible questioned costs. We are not making any recommendation regarding this questioned cost since the amount is below the threshold for a recommendation and the audit firm reported that it was already reimbursed to USAID. KPMG Dominicana reported this and several other immaterial issues to UNIBE in a management letter submitted with the audit report.

KPMG Dominicana identified one material internal control weakness and one instance of noncompliance with applicable laws and regulations and agreement terms related to a shortfall of \$495,520 identified in the cost-sharing schedule.

Regarding prior audit recommendations, KPMG Dominicana reported that UNIBE had taken corrective actions on two recommendations but had not implemented the recommendations related to (1) the shortfall of \$183,889 identified in the prior year cost-sharing schedule, and (2) inaccuracies in salaries charged to the program.

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

Recommendation 1: Verify that UNIBE corrects the one significant deficiency in internal control identified on pages 44 and 45 of the audit report pertaining to the shortfall in the annual cost-sharing contribution.

Recommendation 2: Verify that UNIBE corrects the one material instance of noncompliance identified on page 49 of the audit report pertaining to the shortfall in the annual cost-sharing contribution.

Recommendation 3: Verify that UNIBE takes corrective action on the two prior year recommendations reported on pages 14 and 15 of the audit report.

We ask that you provide written notification of actions planned or taken to reach management decisions on these recommendations. 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").