



MEMORANDUM

DATE: March 29, 2018

TO: USAID/Ukraine Mission Director, Susan K. Fritz

FROM: Regional Inspector General/Frankfurt, James C. Charlifue /s/

SUBJECT: Fund Accountability Statement Audit of All-Ukrainian Charitable Organization, Municipal Development Institute, Under Multiple Awards in Ukraine, for the year ended December 31, 2015 (8-121-18-041-R)

This memorandum transmits the final audit report on All-Ukrainian Charitable Organization; Municipal Development Institute's incurred costs under the following awards:

Award Name (Type)	Award Number	Period	Subimplerter
Local Alternative Energy Solutions in Myrhorod (cooperative agreement)	AID-121-A-13-00002	January 1, 2015- November 30, 2015	N/A
Assistance in the Municipal Energy Reform Project		January 1, 2015- December 31, 2015	All-Ukrainian Charitable Organization, Municipal Development Institute

All-Ukrainian Charitable Organization, Municipal Development Institute contracted with the independent certified public accounting firm JSC KPMG Audit to conduct the audit. The audit firm stated that the contract required it to perform the audit in accordance with generally accepted government auditing standards.

The audit firm states that it performed its audit in accordance with generally accepted government auditing standards except that it did not participate in an external quality control review program and did not have a continuing education program that fully satisfies the standards' requirements. The audit firm says that Ukraine does not offer such a review program. With respect to the continuing education program, the audit firm says that they could not satisfy the standards' requirements because they could not fully obtain the U.S. Government auditing related hours. The audit firm is responsible for the enclosed auditor's report and the conclusions expressed in it. We do not express an opinion on the auditee's fund accountability statement; the effectiveness of its internal control; or its compliance with the award, laws, and regulations.¹

The audit objectives were mainly to: (1) express an opinion on whether the fund accountability statement for the year ended December 31, 2015, was presented fairly, in all material respects; (2) evaluate the auditee's internal controls; and (3) determine whether the auditee complied with the awards terms and applicable laws and regulations. To answer the audit objectives, the auditors performed the subject financial audit that covered \$1,997,731 in expenditures for the year ended December 31, 2015.

The audit firm expressed an unmodified opinion on the fund accountability statement and identified \$3,364 in ineligible questioned costs. The audit firm did not identify any significant deficiencies or material weaknesses in internal controls. The audit firm did not identify any material instances of noncompliance with the awards terms and applicable laws and regulations. Further, the audit firm issued a management letter.

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

Recommendation 1. Determine the allowability, and collect as appropriate, \$3,364 in ineligible questioned costs, as detailed on pages 4 and 5 of JSC KPMG Audit report.

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

The 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

¹ 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.

obtained from a person that is privileged or confidential").

Enclosed: a/s