



## MEMORANDUM

**DATE:** September 26, 2018

**TO:** USAID/Jamaica Mission Representative, Jason Fraser

**FROM:** Regional Inspector General/San Salvador, Assistant Director, Brad Moore /s/

**SUBJECT:** Audit of the National HIV/STI Program, Managed by the Ministry of Health in Jamaica, Program Assistance 532-DOAG-2013-JM, Under Implementation Letters: 532-IL-532-HE-DOAG-00002, 532-IL-532-HE-DOAG-00003, and 532-IL-532-HE-DOAG-00004, April 1, 2016, to March 31, 2017 (I-532-18-034-R)

This memorandum transmits the final audit report on the National HIV/STI Program. The Ministry of Health (MOH) contracted with the independent certified public accounting firm BDO Jamaica to conduct the audit. The contract required the audit firm to perform the audit in accordance with generally accepted government auditing standards and USAID OIG Guidelines for Financial Audits Contracted by Foreign Recipients.<sup>1</sup>

The audit firm states that it performed its audit in accordance with generally accepted government auditing standards except that the audit firm 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 MOH's fund accountability statement; the effectiveness of its internal control; or its compliance with the award, laws, and regulations.<sup>2</sup>

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 the MOH's internal controls; (3) determine whether MOH complied with award terms and

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<sup>1</sup> On June 30, 2017, USAID OIG rescinded its Guidelines for Financial Audits Contracted by Foreign Recipients, recognizing the Agency's role to impose requirements on its implementing partners and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.

<sup>2</sup> 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.

applicable laws and regulations; (4) determine if cost-sharing contributions were made and accounted for by MOH in accordance with the agreement terms; and (5) determine whether MOH has taken adequate corrective actions on prior audit report recommendations. 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 \$2,781,011 in USAID funds for the period ended March 31, 2017.

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, during our review of the separate letter to management, we noted that the audit firm should have identified the following as ineligible questioned costs on the fund accountability statement: expenses not related to the USAID project paid with project funds totaling \$34,506.

The audit firm did not identify any material internal control weaknesses or instances of noncompliance with applicable laws, regulations, and agreement terms.

The audit firm determined that cost sharing contributions were made and accounted for by MOH in accordance with the agreement terms. However, the auditors did not provide a separate identification of cost sharing contributions applicable to each specific USAID implementation letter (IL). Given that IL No. 2 and IL No. 3 are closeout audits, we would like the mission to determine if the cost sharing contributions were provided for these two implementation letters as required by the agreement terms. Additionally, BDO Jamaica determined that MOH has taken adequate corrective actions on prior audit report recommendations.

Additionally, the audit firm reported an outstanding fund balance for implementation letter No. 3 of \$8,193 as of the end of the audit period, which had not been refunded to USAID.

During our desk review, we noted several minor issues which the audit firm will need to address in future audit reports. We presented these issues in a memo to USAID/Jamaica's controller, dated September 26, 2018.

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

**Recommendation 1.** Determine the allowability of \$34,506 in ineligible questioned costs on page 2 of the management letter and recover any amount that is unallowable.

**Recommendation 2.** Verify if cost sharing contributions, on page 28 of the audit report, were provided for Implementation Letters 2 and 3 as required by the agreement terms prior to the closeout of these awards.

**Recommendation 3.** Determine the allowability of \$8,193 in ineligible questioned costs on page 12 of the audit report related to the outstanding balance and recover any amount that is unallowable.

We ask that you provide your written notification of actions planned or taken to reach 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").