



MEMORANDUM

DATE: October 15, 2018

TO: USAID/Liberia, Mission Director, Anthony Chan

FROM: Regional Inspector General/Pretoria, Robert Mason /s/

SUBJECT: Closeout Audit of USAID Resources Managed by Building Markets Ltd. Under Sustainable Market Initiatives-Liberia Program, Grant Agreement AID-669-G-12-00001, October 1, 2014, to March 4, 2017 (Report No. 4-669-19-001-N)

This memorandum transmits the final audit report on USAID resources managed by Building Markets Ltd. USAID/Liberia contracted with the independent certified public accounting firm JDM Consulting Global Innovative Solutions (JDM Consulting), Burtonsville, Maryland, to conduct the audit. The contract required the audit firm to perform the audit in accordance with generally accepted government auditing standards (GAGAS).

The audit firm states that it performed its audit in accordance with GAGAS, except that the audit firm did not have continuing professional education and external quality control review programs that fully satisfied the requirements set forth in GAGAS. The audit firm is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on Building Markets' fund accountability statement; the effectiveness of its internal control; or its compliance with the award, laws, and regulations.¹

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 Building Markets' internal controls; (3) determine whether Building Markets complied with award terms and applicable laws and regulations; (4) determine if Building Markets applied proper cost allocation between projects; and (5) review the implementation status of prior period recommendations.

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.

To answer the audit objectives, JDM Consulting (1) audited the fund accountability statement for the award including the budgeted amounts by category and major items and the revenues received from USAID for the period covered by the audit and the costs reported by Building Markets as incurred from October 1, 2014, to March 4, 2017; (2) evaluated the control environment, the adequacy of the accounting systems, and control procedures that pertain to Building Markets' ability to report financial data consistent with the assertions embodied in each account of the fund accountability statement; (3) identified the award terms and pertinent laws and regulations and determined which of those, if not observed, could have a direct and material effect on the fund accountability statement; (4) determined if a cost allocation method was developed and applied for shared costs incurred; and (5) reviewed the implementation status of prior period recommendations. Building Markets reported expenditures of \$3,449,242 in USAID funds during 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 except for \$389,442 in total questioned costs (\$69,559 ineligible and \$319,883 unsupported). The audit firm also reported four significant deficiencies in internal control and two instances of material noncompliance. In addition, the audit firm identified \$791,643 as an ineligible questioned cost-sharing amount.

The audit firm included \$89,879 of revenue in its unsupported questioned cost total of \$319,883. In the discussion of revenue on page 20, this amount appears to have been a proper adjustment in deriving total adjusted revenue of \$3,443,011. However, on page 21 the audit firm stated that it could not account for a \$39,317 difference between that amount and funds received from USAID of \$3,482,328. Consequently, we are questioning \$269,321 in unsupported questioned costs (\$319,883 - \$89,879 + \$39,317).

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 the controller, dated October 15, 2018.

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

Recommendation 1. Determine the allowability of \$338,880 in questioned costs (\$69,559 ineligible and \$269,321 unsupported) identified on pages 18 and 24 to 34 of the audit report and recover any amount that is unallowable.

Recommendation 2. Verify that Building Markets corrects the four significant deficiencies in internal control detailed on pages 34 to 38 of the audit report.

Recommendation 3. Verify that Building Markets corrects the two instances of material noncompliance detailed on pages 33 and 38 to 39 of the audit report.

Recommendation 4. Determine the allowability of \$791,643 in ineligible cost sharing contributions identified on page 14 of Building Markets' audit report and take action deemed necessary under Automated Directives System 303.3.10.

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").