



MEMORANDUM

DATE: January 31, 2019

TO: USAID/Bangladesh Mission Director, Derrick Brown

FROM: Office of Inspector General/Asia Regional Office Audit Director,
Matthew Rathgeber /s/

SUBJECT: Financial Audit of the Bengal Tiger Conservation Activity Project in Bangladesh Managed by WildTeam Limited, Cooperative Agreement AID-388-A-14-00001, January 1 to December 31, 2016 (5-388-19-010-R)

This memorandum transmits the final audit report on the Bengal Tiger Conservation Activity Project in Bangladesh. WildTeam Limited contracted the independent certified public accounting firm of A. Qasem & Co. 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

A. Qasem & Co. 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. A. Qasem & Co. is responsible for the enclosed auditor's report and the conclusions expressed in it. We do not express an opinion on the recipient's fund accountability statement; the effectiveness of its internal control; or its compliance with the award, laws, and regulations including cost-sharing contributions.²

The audit objectives were to: (1) express an opinion on whether WildTeam Limited's fund accountability statement for the period audited was presented fairly, in all material respects; (2) evaluate WildTeam Limited's internal controls; (3) determine whether WildTeam Limited

¹ On June 30, 2017, USAID OIG rescinded its Guidelines for Financial Audits Contracted by Foreign Recipients, recognizing the Agency's role to impose requirements on its implementing partners and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

complied with agreement terms and applicable laws and regulations; and (4) determine whether WildTeam Limited has taken corrective actions on prior audit report recommendations. To answer the audit objectives, A. Qasem & Co. examined the fund accountability statement and supporting documentation; evaluated the recipient's internal control system; determined compliance with agreement terms and applicable laws and regulations; and assessed status of prior audit recommendations, including the special award conditions awarded to the agreement as a result of the pre-award survey. The audit covered project revenues and costs of \$4,098,384 and \$4,193,553,³ respectively, from January 1 to December 31, 2016.

A. Qasem & Co. 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.

Concerning internal control, the audit firm identified seven significant deficiencies in internal control related to WildTeam Limited's (1) recording of certain 2015 and 2016 expenditures as costs of 2016 and 2017, respectively; (2) indirect cost shortfall of \$44,590 due to applying the appropriate rates to expenditures lower than what were reported in the fund accountability statement because of timing difference in making the claims; (3) petty cash balance exceeded the prescribed limit; (4) not using the prescribed exchange rates for November and December 2016 currency conversion; (5) not properly maintaining employee movement register; (6) disbursing new advances before adjusting prior advances; and (7) subrecipient Bangladesh Centre for Advanced Studies' not properly maintaining employee personnel files. The audit firm also identified two material instances of noncompliance related to (1) not filing withholding tax returns from 2014 to 2016, delay in the deposit of income tax deducted at source, and not deducting tax at source in some cases; and (2) not affixing revenue stamp on some vouchers.

Regarding the review of cost-sharing contributions, the audit firm reported that WildTeam Limited contributed \$621,415 for the period audited. The audit firm did not report any questioned costs on these contributions. Furthermore, the audit firm reported that indirect costs are fixed and final at 11 percent of the total direct costs and 6 percent of subcontracts/subagreements costs.

For the prior audit findings, four of the eight findings had not been satisfactorily addressed. Two of the four unresolved findings were reported again in the current audit report under Findings 4.2.1 and 4.2.6, and are covered by Recommendation 1 below. The other two unresolved findings were not reported as findings in the current audit report although described as unresolved findings in the prior recommendation status table included in the summary section of the audit report. However, we are not making a recommendation since in the management decisions in the prior audit, the mission indicated that appropriate corrective actions had been

³ The audit firm reported \$4,193,553 in total project costs incurred. In response to our inquiry, the mission confirmed that, of this amount, the audit firm audited costs incurred by WildTeam Limited (\$3,032,093) and the subrecipient Bangladesh Centre for Advanced Studies (\$282,927). The remaining costs of \$878,533, incurred by the subrecipient Smithsonian Institution, a U.S.-based organization, were not covered by this audit as the costs were subjected to audit per 2 CFR Part 200 (Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards) Subpart F – Audit Requirements (superseded U.S. Office of Management and Budget Circular A-133).

taken and would be taken on these two findings, respectively. In addition, the audit firm indicated that all the special award conditions awarded to the agreement as a result of the pre-award survey had been met except for the issue of not fully following the accrual basis of accounting (reported again in the current audit report under Finding Nos. 4.2.1).

During our desk review, we noted several issues which the audit firm will need to address in future audit reports. We presented these issues in a memorandum to the controller dated January 31, 2019.

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

Recommendation 1. Verify that the WildTeam Limited corrects the seven significant deficiencies in internal control identified in the report on internal control on pages 30–31 and further detailed in Findings 4.2.1–4.2.7 on pages 32–40 of the audit report.

Recommendation 2. Verify that the WildTeam Limited corrects the two material instances of noncompliance identified in the report on compliance on pages 42–43 and further detailed in Findings 5.2.1–5.2.2 on pages 44–48 of the audit report.

We ask that you provide written notification of actions planned or taken to reach management decisions. 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