



MEMORANDUM

DATE: March 15, 2019

TO: USAID/Philippines Mission Director, Lawrence Hardy II

FROM: USAID OIG Asia Regional Office Audit Director, Matthew Rathgeber /s/

SUBJECT: Closeout Audit of the Reinforcing Entrepreneurship with Access to Credit Help Project in Mongolia Managed by Development Solutions NGO, Cooperative Agreement AID-438-A-16-00001, January 1, 2017, to April 21, 2018 (5-438-19-020-R)

This memorandum transmits the final audit report on the Reinforcing Entrepreneurship with Access to Credit Help Project in Mongolia. The Development Solutions NGO (DS NGO) contracted with the independent certified public accounting firm Dalaivan Audit LLC 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

Dalaivan Audit LLC 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. Dalaivan Audit LLC is responsible for the enclosed auditor's report and the conclusions expressed in it. We do not express an opinion on DS NGO'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 DS NGO's fund accountability statement for the period audited was presented fairly, in all material respects; (2) evaluate DS NGO's internal controls; (3) determine whether DS NGO complied with agreement terms and applicable laws and regulations; and (4) determine whether DS NGO has taken corrective

¹ On June 30, 2017, USAID OIG rescinded its Guidelines for Financial Audits Contracted by Foreign Recipients, recognizing the Agency's role to impose requirements on its implementing partners and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. The mission, however, asked the auditors in its contract to follow the Guidelines, and this contracted audit followed that 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.

actions on prior audit report recommendations. To answer the audit objectives, Dalaivan Audit LLC examined the fund accountability statement; evaluated DS NGO's internal control systems; tested compliance with agreement terms and applicable laws and regulations; and assessed status of prior audit recommendations. The audit covered project revenues and costs of \$737,841 and \$807,381, respectively, from January 1, 2017, to April 21, 2018.

Dalaivan Audit LLC 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, significant deficiencies or material weaknesses in internal control, or material instances of noncompliance.

Dalaivan Audit LLC reported that (1) the agreement did not require cost-sharing contributions; (2) the recipient has no USAID-authorized provisional indirect cost rate; and (3) all prior audit findings had been satisfactorily addressed.

In accordance with Section IV.B.12 of the audit contract statement of work, the audit firm presented as an annex to the audit report an inventory of asset purchased with USAID funds which showed that the title to all the assets were given to DS NGO. Further, the audit firm reported that the recipient has returned to USAID \$140 representing the excess cash (total revenues less total costs) at the end of agreement.

During our desk review, we noted several issues which the audit firm will need to address in the future audit reports to more fully comply with the Guidelines. We presented these issues in a memorandum to the controller dated March 15, 2019.

Given the above results of the audit, we are not making any recommendation for inclusion in USAID's Consolidated Audit and Compliance Tracking System. 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