



MEMORANDUM

DATE: May 6, 2019

TO: USAID/Bangladesh Mission Director, Derrick Brown

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

SUBJECT: Financial Audit of the Innovation for Improving Early Grade Reading Activity Project in Bangladesh Managed by BRAC, Grant Agreement AID-388-G-15-00001, January 1 to December 31, 2017 (5-388-19-027-R)

This memorandum transmits the final audit report on the Innovation for Improving Early Grade Reading Activity Project in Bangladesh. BRAC contracted the independent certified public accounting firm of S.F. Ahmed & Co. to conduct the audit. The contract required the audit firm to perform the audit in accordance with generally accepted government auditing standards (GAGAS) and USAID OIG Guidelines for Financial Audits Contracted by Foreign Recipients.¹

S.F. Ahmed & Co. stated that it performed its audit in accordance with GAGAS except that it did not fully comply with the requirement on external quality control reviews. Based on our review of the audit report, the firm should have also stated that it did not comply with the requirement on having a continuing professional education program. S.F. Ahmed & 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.²

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

¹ On June 30, 2017, USAID OIG rescinded its Guidelines for Financial Audits Contracted by Foreign Recipients, recognizing the Agency's role to impose requirements on its implementing partners and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

applicable laws and regulations (including cost sharing contributions); and (4) determine if BRAC has taken corrective actions on prior audit recommendations. To answer the audit objectives, S.F. Ahmed & Co. reviewed project documents and procedures; examined the fund accountability statement including revenues received from USAID and costs incurred during the period; reviewed and documented the 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 \$2,413,170 and \$2,528,751, respectively, from January 1 to December 31, 2017.

S.F. Ahmed & 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, significant deficiencies or material weaknesses in internal control, or material instances of noncompliance. The audit firm also issued a management letter to BRAC identifying other internal control matters.

Regarding the review of cost-sharing contributions, which is required under the project, the audit firm reported that the recipient contributed total cost-sharing contributions of \$38,744 during the period audited. The audit firm did not report any questioned costs related to these contributions.

Finally, the audit firm reported that (1) BRAC did not have a USAID-authorized provisional indirect cost rate (BRAC should charge indirect costs equivalent to no more than 10 percent of the total direct costs) and (2) all audit report recommendation had been satisfactorily addressed.

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 memorandum to the controller dated May 6, 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