



## MEMORANDUM

**DATE:** July 16, 2019

**TO:** USAID/Management/Office of Acquisition and Assistance/Cost, Audit, and Support Division, Branch Chief, David A. McNeil

**FROM:** Acting Director of External Financial Audits Division, Steven Shea /s/

**SUBJECT:** Audit of Centre For International Studies and Cooperation for the Fiscal Year Ended March 31, 2012 (3-000-19-014-R)

This memorandum transmits the final audit report on the recipient contracted audit of Centre for International Studies and Cooperation (CECI) for the fiscal year ended (FY) March 31, 2012. CECI contracted with the independent certified public accounting firm Gelman, Rosenberg & Freedman to conduct the audit. The contract required Gelman, Rosenberg & Freedman to perform the audit in accordance with generally accepted government auditing standards and the U.S. Agency for International Development's (USAID), *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 and USAID's *Guidelines for Financial Audits Contracted by Foreign Recipients*. The audit firm is responsible for the enclosed auditor's report and the conclusions expressed in it. We do not express an opinion on CECI's fund accountability statement; the effectiveness of its internal control; or its compliance with the award, laws, and regulations<sup>2</sup>.

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 On June 30, 2017, USAID OIG rescinded its "Guidelines for Financial Audits Contracted by Foreign Recipients," recognizing the Agency's role to impose requirements on its implementing partners and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

<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.

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 CECI's internal controls; and (3) determine whether CECI complied with award terms and applicable laws and regulations.

To answer the audit objective, Gelman, Rosenberg & Freedman: performed audit procedures to evaluate the effectiveness of internal controls considered relevant to preventing or detecting material noncompliance with requirements applicable to CECI's U. S. Government awards; and examined supporting documentation for financial transactions, which were selected based on a random sample as well as, on the materiality of the transactions. The report on the fund accountability statement disclosed that audited expenditures were \$2,597,387 for the FY ended March 31, 2012.

The audit firm concluded that: (1) the fund accountability statement presented fairly, in all material respects, costs incurred and reimbursed by USAID and pass-through entities for the year ended March 31, 2012, in accordance with the terms of the agreement and in conformity with the accrual basis of accounting except for \$49,978 in unsupported direct questioned costs and \$5,583 in questioned indirect costs applicable to USAID; (2) the audit firm identified two instances of material non-compliance with U.S. Government Regulations on Terrorism and Procurement Documentation; and one material weakness in internal control over Procurement Documentation. In addition, although we are not making a recommendation for the significant deficiencies noted in the report, we suggest that USAID's Office of Acquisition and Assistance Cost, Audit and Support Division determine if the recipient addressed the issues noted. CECI submitted a management letter, which was included in the report.

To address the issues identified in the report, we recommend that USAID's Office of Acquisition and Assistance Cost, Audit and Support Division:

**Recommendation 1.** Determine the allowability of \$49,978 in unsupported direct questioned costs on pages I-6 and I-14 of the audit report and recover any amount that is unallowable.

**Recommendation 2.** Verify that Centre For International Studies and Cooperation correct the material weakness in internal control detailed on page IV-2 of the audit report.

**Recommendation 3.** Verify that Centre For International Studies and Cooperation corrects the two instances of material noncompliance detailed on pages III-1 and III-2 of the audit report.

We ask that you provide your written notification of actions planned or taken to reach management decisions. We appreciate the assistance extended to audit staff 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").