



MEMORANDUM

DATE: August 20, 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 Under Multiple
USAID Agreements for the Fiscal Year Ended March 31, 2013 (3-000-19-017-R)

This memorandum transmits the final audit report on the recipient contracted audit of the Centre for International Studies and Cooperation's (CECI) for the year ended March 31, 2013. CECI contracted with the independent certified public accounting firm Gelman, Rosenberg & Freeman to conduct the audit. The audit firm states that it performed the audit in accordance with generally accepted government auditing standards and the *Guidelines for Financial Audits Contracted by Foreign Recipients*.¹

The audit firm is responsible for the enclosed 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.²

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 the audit firm performed audit procedures to evaluate the effectiveness of the design and operation of the internal controls it considered relevant to preventing or detecting material noncompliance with the compliance requirements applicable to each of CECI's U.S. government awards. The audit firm's procedures included examining the underlying documentation which supported the financial transactions recorded as expenditures against U.S. government awards. The audit firm selected items based on a random sample as well as, on the materiality of certain transactions.

¹ On June 30, 2017, USAID OIG rescinded its "Guidelines for Financial Audits Contracted by Foreign Recipients," recognizing the Agency's role to impose requirements on its implementing partners and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

The audit firm selected items based on a random sample as well as, on the materiality of certain transactions. The report on the fund accountability statement disclosed that CECI's audited expenditures for the year ended March 31, 2013 were \$1,022,546 consisting solely of the United States Agency for International Development's (USAID) awards.

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, 2013, in accordance with the terms of the agreement and in conformity with the accrual basis of accounting except for plant and equipment that is expensed when purchased; (2) CECI had two significant deficiencies in internal control regarding noncompliance with U.S. government regulations on terrorism and procurement documentation; and (3) there were two instances of material noncompliance with the U.S. government regulations on terrorism and due to missing procurement documentation. The audit firm did not identify any questioned costs related to USAID awards. In addition, although we are not making a recommendation for the two significant deficiencies noted in the report, we suggest 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 I. Verify that the Centre for International Studies and Cooperation corrects the two instances of material noncompliance detailed on pages of III-1 and III-2 of the audit report.

We ask that you provide your written notification of actions planned or taken to reach a 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").