



## MEMORANDUM

**DATE:** December 5, 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 CESVI Under Multiple USAID Agreements, for the Fiscal Year Ended December 31, 2017 (3-000-20-003-R)

This memorandum transmits the final audit report on the recipient contracted audit of CESVI for the fiscal year (FY) ended December 31, 2017. CESVI contracted with Gelman, Rosenberg and Freedman to conduct the audit. The audit firm stated that it performed its audit in accordance with generally accepted government auditing standards and the *Guidelines for Financial Audits Contracted by Foreign Recipients*.<sup>1</sup> The audit firm is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on CESVI's fund accountability statement; the effectiveness of its internal control; or its compliance with the award, laws, and regulations.<sup>2</sup>

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 CESVI's internal controls; and (3) determine whether CESVI complied with award terms and applicable laws and regulations. To answer the audit objectives, 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 CESVI's U.S. government awards. The audit firm's

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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 On June 30, 2017, USAID OIG rescinded its "Guidelines for Financial Audits Contracted by Foreign Recipients," recognizing the Agency's role to impose requirements on its implementing partners and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. The contracted audit, however, was initiated before that date and follows the Guidelines.

<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.

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. The report on the fund accountability statement disclosed that CESVI's audited expenditures for the FY ended December 31, 2017 were \$2,037,398 composed solely of the U.S. 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 or pass through entities for the year ended December 31, 2017, in accordance with the terms of the agreement and in conformity with the accrual basis of accounting except for property and equipment which are expensed when purchased; (2) the audit firm did not identify any deficiencies in internal control that were considered material weaknesses; and (3) the results of the auditors' testing did not disclose instances of material noncompliance that are required to be reported under generally accepted government auditing standards. The audit firm did not identify any questioned costs related to USAID awards.

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").