



## MEMORANDUM

**DATE:** March 5, 2020

**TO:** USAID/Bangladesh Mission Director, Derrick Brown

**FROM:** USAID OIG Asia Regional Office Audit Director, James C. Charlifue /s/

**SUBJECT:** Financial Audit of International Centre for Diarrhoeal Disease Research, Bangladesh's Management of the Research for Decision Makers Activity, Cooperative Agreement AID-388-A-17-00006, May 18, 2017, to December 31, 2018 (5-388-20-019-R)

This memorandum transmits the final audit report on the Research for Decision Makers Activity managed by International Centre for Diarrhoeal Disease Research, Bangladesh (icddr,b). Icddr,b contracted with the independent certified public accounting firm of S. F. Ahmed & Co. to conduct the audit. The audit firm stated that it performed its audit in accordance with U.S. generally accepted government auditing standards and USAID OIG Guidelines for Financial Audits Contracted by Foreign Recipients.<sup>1</sup> However, it did not fully comply with the requirements on having a continuing professional education program and external quality control reviews. The audit firm is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on recipient'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 recipient's fund accountability statement for the period audited was presented fairly, in all material respects;

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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 On June 30, 2017, USAID OIG rescinded its "Guidelines for Financial Audits Contracted by Foreign Recipients," recognizing the Agency's role to impose requirements on its implementing partners and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 statement of work, however, required the auditors to follow the guidelines, and this contracted audit 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.

(2) evaluate the recipient's internal controls; (3) determine whether the recipient complied with agreement terms (including cost-sharing contributions, if applicable), and applicable laws and regulations; (4) perform an audit of the indirect cost rate if the recipient has USAID-authorized provisional indirect cost rate; and (5) determine whether the recipient has taken corrective actions on prior audit report recommendations. To answer the audit objectives, the audit firm examined the fund accountability statement and supporting documentation; evaluated the effectiveness of the design and operation of the internal control system; and conducted tests of the recipient's compliance with agreement terms and applicable laws and regulations. The audit firm reported that (1) there were no prior audits done on the recipient and therefore, there were no prior audit report recommendations, and (2) for the purpose of the project, the recipient was allowed a predetermined indirect cost rate of 25% instead of a USAID-authorized provisional indirect cost rate. The audit covered project revenues and costs of \$2,574,743 and \$2,925,220, respectively, from May 18, 2017, to December 31, 2018.

The audit firm concluded that the fund accountability statement presented fairly in all material respects, program revenue and costs incurred under the agreement for the period audited. The audit firm did not identify any material weaknesses in internal controls or material instances of noncompliance. Regarding the review of cost-sharing contributions, the audit firm reported that the recipient contributed total cost-sharing contributions of \$295,121 during the period audited. The audit firm did not report any questioned costs related to these contributions.

During our desk review, we noted minor issues which the audit firm will need to address in future audit reports. We presented these issues in a memorandum to the mission's controller dated March 5, 2020.

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