



## MEMORANDUM

**DATE:** May 20, 2020

**TO:** USAID/Central Asia Regional Director, Christopher Edwards

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

**SUBJECT:** Closeout Audit of the Good Governance Initiative Fund Project in the Republics of Kazakhstan and Tajikistan Managed by Eurasia Foundation of Central Asia, Cooperative Agreement AID-176-A-14-00007, January 1 to September 30, 2018 (5-176-20-040-R)

This memorandum transmits the final audit report on the Good Governance Initiative Fund Project in the Republics of Kazakhstan and Tajikistan managed by Eurasia Foundation of Central Asia (EFCA). EFCA contracted with the independent certified public accounting firm of Baker Tilly Bishkek 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 the 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; (2) evaluate the recipient's internal controls; (3) determine whether the recipient complied with agreement, and applicable laws and regulations; and (4) determine whether the recipient has taken corrective actions on prior audit report recommendations. To answer the audit

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 On June 30, 2017, USAID OIG rescinded its "Guidelines for Financial Audits Contracted by Foreign Recipients," recognizing the Agency's role to impose requirements on its implementing partners and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

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; conducted tests of the recipient's compliance with agreement terms and applicable laws and regulations; and assessed the status of prior audit recommendations. The audit covered project revenues and costs of \$793,104 and \$777,331, respectively, from January 1 to September 30, 2018.

The audit firm concluded that except for the effects of the questioned costs totaling \$9,819, the fund accountability statement presented fairly in all material respects, project costs incurred under the contract for the period audited. The audit firm also identified additional questioned costs of \$1,761 (\$1,438 ineligible and \$323 unsupported) in the fund accountability statement. Additionally, in the report on fund accountability statement, the audit firm noted an excess cost of \$825 charged to the project due to the inadequate cost allocation policy of the recipient which it did not include as a questioned cost in the fund accountability statement. The audit firm also identified a material weakness in internal control and a material instance of noncompliance related to the questioned costs noted above. Since the questioned costs did not meet the OIG's established threshold of \$25,000 for making a recommendation, we are not making a recommendation on questioned costs and for the related material weakness in internal control and instance of noncompliance noted in the report. Nevertheless, we suggest that the mission determine the allowability of the \$12,405 in questioned costs noted above, recover any amount determined to be unallowable and determine if the recipient addressed the related issues noted.

Finally, in the management letter, the audit firm noted internal control matters and nonmaterial instances of noncompliance. The audit firm also reported that several recommendations from prior period audit were not satisfactorily addressed; thus, they were reported again in the current management letter.

During our desk review, we noted issues which the audit firm will need to address in future audit reports. We presented these issues and suggestions in a memorandum to the mission controller dated May 20, 2020.

The report does not include any recommendations. 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