



## MEMORANDUM

**DATE:** May 26, 2020

**TO:** USAID Regional Development Mission/Asia Director, Peter A. Malnak

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

**SUBJECT:** Financial Audit of PREVENTION, Thai Red Cross AIDS Research Centre Under Multiple USAID Agreements in Thailand for the Period Ended September 30, 2018 (5-486-20-041-R)

This memorandum transmits the final audit report on the multiple USAID awards managed by PREVENTION, Thai Red Cross AIDS Research Centre (PREVENTION). PREVENTION contracted with the independent certified public accounting firm of Gelman, Rosenberg & Freedman 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>. 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 PREVENTION's fund accountability statement for the period audited was presented fairly, in all material respects; (2) evaluate PREVENTION's internal controls; (3) determine whether PREVENTION complied with agreement terms (including cost-sharing contributions, if applicable), and applicable laws and regulations; and (4) determine whether PREVENTION has taken corrective actions on prior audit report recommendations. The audit firm stated that the agreements did not require cost-sharing contributions and that there were no prior audit recommendations. To answer the audit objectives, the audit firm examined the fund accountability statement and supporting

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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 On June 30, 2017, USAID OIG rescinded its Guidelines for Financial Audits Contracted by Foreign Recipients, recognizing the Agency's role to impose requirements on its implementing partners and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. However, the audit contract statement of work required the Guidelines to be followed as the auditing framework and therefore, 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.

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 covered program revenues and costs of \$2,471,320<sup>3</sup> and \$2,636,017, respectively, for the period ended September 30, 2018<sup>4</sup>.

Gelman, Rosenberg & Freedman concluded that the fund accountability statement presented fairly, in all material respects, program costs incurred and reimbursed under the agreements for the period audited. The audit firm noted ineligible questioned costs of \$12,600. 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. Nevertheless, we suggest that the mission determine the allowability of the \$12,600 in questioned costs and recover any amount determined to be unallowable. The audit firm did not identify any material weaknesses in internal control or material instances of noncompliance. In a separate section, the audit firm also included two other internal control matters/nonmaterial instances of noncompliance.

During our desk review, we noted 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 May 26, 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

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<sup>3</sup> This included interest income of \$1,007.

<sup>4</sup> The audit covered two programs: (i) Linkages Across the Continuum of HIV Services for Key Populations Affected by HIV – a subaward with FHI 360 under cooperative agreement AID-OAA-A-14-00045, for the audit period October 1, 2017 to September 30, 2018, and (ii) Capacity-Building for Community Service Quality and Accreditation: USAID Community Partnership under cooperative agreement AID-486-A-17-00002, for the audit period August 31, 2017 to September 30, 2018.