MEMORANDUM

DATE: August 5, 2020

TO: USAID/ Bangladesh Mission Director, Derrick S. Brown

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


This memorandum transmits the final audit report on the Marketing Innovations for Sustainable Health Development Activity in Bangladesh Managed by Social Marketing Company (SMC). SMC contracted with the independent certified public accounting firm of MABS & J Partners to conduct the audit. The audit firm stated that it performed its audit in accordance with U.S. generally accepted government auditing standards (GAGAS) and USAID Guidelines for Financial Audits Contracted by Foreign Recipients (Guidelines). 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 SMC’s fund accountability statement (FAS) and statement of program income earned and used (SPIEU); the effectiveness of its internal control; or its compliance with the award, laws, and regulations.

The audit objectives were to (1) express an opinion on whether SMC’s FAS for the period audited was presented fairly, in all material respects; (2) express an opinion on whether SMC’s SPIEU for the period audited was presented fairly, in all material respects; (3) evaluate SMC’s internal controls; (4) determine whether SMC complied with award terms and applicable laws and regulations (including cost-sharing contributions); and (5) determine the status of prior year audit recommendations. To answer the audit objectives, the audit firm examined the program’s

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1 On June 30, 2017, USAID OIG rescinded its Guidelines for Financial Audits Contracted by Foreign Recipients, recognizing the Agency’s role to impose requirements on its implementing partners and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 mission, however, asked the auditors in its contract to follow the Guidelines, and this contracted audit follows those 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.

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FAS and supporting documentation; reviewed the SPIEU and the cost-sharing schedule; evaluated the control environment, accounting systems, and control procedures; and reviewed compliance with agreement requirements and applicable laws and regulations.

The audit covered the following revenues and costs, for the period from October 1, 2018 to September 30, 2019: program revenues (from USAID funds) and costs of $3,537,871 and $3,726,942, respectively; and program income earned and used amounting to $996,572 and $449,904, respectively.

The audit firm concluded that the FAS and SPIEU presented fairly, in all material respects, program revenues and costs incurred under the agreement for the period audited. The audit firm identified questioned costs in the FAS totaling $960. Since the questioned costs did not meet the OIG’s established threshold of $25,000 for making a recommendation, we are not making recommendations on the questioned costs and on the related material weakness in internal control. Nevertheless, we suggest that the mission determine the allowability of the $960 in questioned costs and recover any amount determined to be unallowable. The audit firm did not identify any material weaknesses in internal control. In the summary of audit results, the audit firm indicated that it identified an instance of material noncompliance while in the report on compliance, it stated “the results of our test disclosed on instances of non-compliance”. However, the audit firm neither described any finding in the report on compliance nor in an attached findings discussion. Accordingly, we suggest that the mission determine and address any material instance of noncompliance finding, as necessary.

The audit firm also issued a management letter to SMC identifying seven internal control matters and five immaterial instances of noncompliance for SMC and its subrecipients. The prior audit report did not identify any material weakness in internal control or material instances of noncompliance; thus, there were no prior audit recommendations.

Regarding the review of the cost-sharing contributions, the audit firm reported that SMC contributed $44,883,809 during the period audited. The audit firm did not report any questioned cost-sharing contributions.

During our desk review, we noted issues that the audit firm will need to address in future audit reports. We have presented these issues in a memorandum to the Controller dated August 5, 2020.

The report does not include any recommendations.

The 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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3 Program income earned is the revenue from the sale of USAID-donated commodities.