



MEMORANDUM

DATE: March 31, 2021

TO: USAID/Central Asia Regional Director, Christopher Edwards

FROM: USAID OIG Asia Regional Office USDH NFA Coordinator, James C. Charlifue /s/

SUBJECT: Closeout Audit of Smart Waters Project in Central Asia Managed by Regional Environmental Centre for Central Asia, Cooperative Agreement AID-176-A-15-00005, January 1, 2019, to September 30, 2020 (5-176-21-021-R)

This memorandum transmits the final audit report on the Smart Waters Project in Central Asia managed by Regional Environmental Centre for Central Asia (CAREC). CAREC contracted with the independent certified public accounting firm of RSM Tajikistan LLC to conduct the audit. The audit firm stated that it performed its audit in accordance with generally accepted government auditing standards and the USAID Financial Audit Guide for Foreign Organizations. However, it did not fully comply with the requirements on having a continuing professional education program and external quality 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.¹

The audit objectives were to: (1) express an opinion on whether CAREC's fund accountability statement for the period audited was presented fairly, in all material respects; (2) evaluate CAREC's internal controls; (3) determine whether CAREC complied with the agreement terms (including cost-sharing contributions), and applicable laws and regulations; and (4) determine if CAREC had taken corrective actions on prior audit report recommendations. To answer the audit objectives, RSM Tajikistan LLC reviewed the program documents, applicable guidelines, and regulations, as well as the recipient's financial and management policies; examined CAREC's

¹ 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.

fund accountability statement and supporting documentation; obtained sufficient understanding of CAREC's internal control systems and assessed control risks; tested compliance with agreement terms, applicable laws, and regulations; and assessed the status of prior audit report recommendations. The audit covered project revenues and costs of \$4,246,472 and \$4,429,817, respectively, for the period from January 1, 2019 to September 30, 2020.

RSM Tajikistan LLC concluded that the fund accountability statement presented fairly, in all material respects, project revenues and costs incurred under the agreement for the period audited. The audit firm did not identify any questioned costs, material weaknesses in internal control, or material instances of noncompliance. For the significant deficiency identified in the prior audit report, the audit firm reported that it was partially implemented.

Regarding the review of cost-sharing contributions, the audit firm reported that the recipient contributed \$601,715 during the period audited and a total of \$1,395,290 as of the end of the award that is equivalent to 139 percent of the total cost-sharing budget. The audit firm did not report any questioned costs on the contributions during the period audited.

During our desk review, we noted issues that the mission and the audit firm will need to address. We presented these issues in a memorandum to the controller dated March 31, 2021.

The report does not include any recommendations.

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").