



MEMORANDUM

DATE: August 24, 2021

TO: USAID/Bangladesh Mission Director, Kathryn Stevens

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

SUBJECT: Financial Audit of the Marketing Innovations for Sustainable Health Development Activity in Bangladesh Managed by Social Marketing Company, Cooperative Agreement AID-388-A-16-00004, October 1, 2019, to September 30, 2020 (5-388-21-034-R)

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 ACNABIN to conduct the audit. The audit firm stated that it performed its audit in accordance with generally accepted government auditing standards and USAID OIG Guidelines for Financial Audits Contracted by Foreign Recipients.¹ 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.²

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

¹ On June 30, 2017, USAID OIG rescinded its Guidelines for Financial Audits Contracted by Foreign Recipients, recognizing the Agency's role to impose requirements on its implementing partners and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. However, the mission in its contract asked the auditors to follow the Guidelines, which they performed.

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.

internal controls; (4) determine whether SMC complied with award terms and applicable laws and regulations (including cost-sharing contributions); (5) perform an audit of the indirect cost rate; and (6) determine the status of prior year audit recommendations. To answer the audit objectives, the audit firm examined the program's 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 recipient does not have a USAID-authorized provisional indirect cost rate.

The audit covered the following revenues and costs, for the period from October 1, 2019, to September 30, 2020, with program revenues (from USAID funds) and costs of \$2,988,177 and \$2,956,423, respectively; and program income earned and used³ amounting to \$1,260,575 and \$379,205, 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 \$2. 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. The audit firm did not identify any material weaknesses in internal control or material instances of noncompliance. The audit firm also issued a management letter to SMC identifying four other internal control matters and two immaterial instances of noncompliance for SMC and its subrecipients. Further, the audit firm reported that all prior year audit findings had been resolved, except for certain items noted.

Regarding the review of the cost-sharing contributions, the audit firm reported that SMC contributed \$49,735,305 during the period audited. The audit firm did not report any questioned cost-sharing contributions.

There are several issues that the mission and the audit firm will need to address in future audit reports. We also have suggestions to the mission. We provided these issues and suggestions in a memorandum to the mission controller dated August 24, 2021.

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").

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