



## MEMORANDUM

**DATE:** October 22, 2021

**TO:** USAID/Cambodia Mission Director, Nancy J. Eslick

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

**SUBJECT:** Financial Audit of the Community Mobilization Initiatives to End Tuberculosis Activity in Cambodia Managed by Khmer HIV/AIDS NGO Alliance, Cooperative Agreement 72044219CA00002, for the Year Ended December 31, 2020 (5-442-22-002-R)

This memorandum transmits the final audit report on the Community Mobilization Initiatives to End Tuberculosis Activity. Khmer HIV/AIDS NGO Alliance (KHANA) contracted with the independent certified public accounting firm of Morisonkak MKA to conduct the audit. The audit firm stated that it performed its audit in accordance with generally accepted government auditing standards (GAGAS) and the USAID Financial Audit Guide for Foreign Organizations. However, the audit firm disclosed that it did not have (1) a continuing professional education program that fully complies with the GAGAS requirements, and (2) an external quality control review because this is not offered in Cambodia. In addition, the audit firm reported that it was unable to obtain sufficient appropriate audit evidence regarding the opening balances and, based on this limitation, qualified its opinion on the schedule of expenditures of USAID Awards. The audit firm is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on KHANA's schedule of expenditures of USAID awards; the effectiveness of its internal control; or its compliance with the award, laws, and regulations.<sup>1</sup>

The audit objectives were to (1) express an opinion on whether KHANA's schedule of expenditures of USAID awards for the period audited was presented fairly, in all material respects; (2) evaluate KHANA's internal controls; (3) determine whether KHANA complied

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<sup>1</sup> We reviewed the audit 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 audit firm's supporting working papers; they are not designed to enable us to directly evaluate the quality of the audit performed.

with agreement terms and applicable laws and regulations (including cost-sharing contributions); and (4) determine if KHANA has taken corrective actions on prior recommendations. To answer the audit objectives, the audit firm examined the FAS and supporting documentation; evaluated KHANA's internal controls over financial reporting; tested compliance with agreement terms and applicable laws and regulations; and reviewed the status of prior recommendations. The audit covered project revenues and costs of \$1,546,844 and \$1,302,594, respectively, for the year ended December 31, 2020.

The audit firm concluded that, except for the limitation discussed in the first paragraph of this memorandum (page 1), the schedule of expenditures of USAID awards 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 and material weaknesses in internal control. However, it identified two instances of material noncompliance related to not withholding and paying taxes on salaries by a KHANA subrecipient and levying withholding tax on personal services procured by KHANA. Although we are not making a recommendation for the significant deficiencies noted in the report, we suggest that the mission determine if the recipient addressed the issues identified. The audit firm also issued a management letter to the recipient identifying three other matters involving internal control and compliance.

Regarding cost-sharing contributions, the audit firm noted that cost-sharing was not required under the agreement. However, the audit firm reported that KHANA voluntarily committed to contributing \$1,341,536 throughout the project period, of which \$131,756 was contributed during the period audited. The audit firm did not report any questioned costs on these contributions.

Finally, the audit firm reported that USAID conducted verification of payment vouchers of KHANA and its implementing partners. The firm noted that 7 out of 8 recommendations made by USAID were addressed, and it included the unresolved recommendation in a management letter.

To address the issues identified in the report and discussed above, we recommend that USAID/Cambodia:

**Recommendation 1.** Verify that Khmer HIV/AIDS NGO Alliance correct the two instances of material noncompliance detailed on pages 41 and 42 of the audit report.

We ask that you provide written notification of actions planned or taken to reach management decision.

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