



## MEMORANDUM

**DATE:** September 16, 2021

**TO:** USAID/Jamaica Mission Director, Jason Fraser

**FROM:** USAID OIG Latin America and Caribbean (LAC) Regional Office, Senior Auditor, John Vernon /s/

**SUBJECT:** Closeout Financial Audit of National Integrity Action's Management of the Combatting Corruption and Strengthening Integrity in Jamaica Project, Cooperative Agreement AID-532-A-16-00001, October 1, 2018, to March 26, 2020 (9-532-21-027-R)

This memorandum transmits the final audit report on the Combatting Corruption and Strengthening Integrity Project. National Integrity Action (NIA) contracted with the independent certified public accounting firm HLB Mair Russell to conduct the audit. The audit firm stated that it performed its audit in accordance with generally accepted government auditing standards. However, it did not have a continuing education program that fully complied with GAGAS requirements. The audit firm is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on NIA's fund accountability statement; 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 the fund accountability statement for the period audited, was presented fairly, in all material respects; (2) evaluate NIA's internal controls; (3) determine whether NIA complied with award terms and applicable laws and regulations; and (4) determine if cost-sharing contributions were made and accounted for by NIA in accordance with the terms of the agreement. To answer the audit objectives, the

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<sup>1</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.

audit firm reported that they assessed and tested the internal controls related to the project; assessed and tested compliance with applicable laws, regulations, the agreement's provisions; and reviewed project expenditures. The audit covered \$4,020,572 of USAID expenditures for the audited period.

The audit firm concluded the fund accountability statement presented fairly, in all material respects, program revenues and costs incurred under the award for the period audited except for \$185,339 in total ineligible questioned costs. The questioned costs were related to: (1) fringe benefits expenditures that exceeded the budget by \$26,665, (2) salary expenditures that exceeded the budget by \$157,867. The salary expenditures included funds earmarked for a specific project utilized to pay redundancy payments totaling \$48,094, (3) interest earned of \$128 not remitted to USAID, and (4) ineligible supplies expenditures totaling \$679.

The audit firm identified one material weakness and one significant deficiency in internal control. The material weakness was related to fringe benefits expenditures that exceeded the budget (questioned cost 1 detailed above) and the significant deficiency was related to salary expenditures that exceeded the budget including expenditures utilized to pay redundancy payments (questioned cost 2 detailed above). In addition, although we are not making a recommendation for the significant deficiency noted in the report, we suggest that USAID/Jamaica determine if the recipient addressed the issue noted.

The audit firm identified five instances of material noncompliance related to: (1) travel allowance paid without the approval from the tax administration of Jamaica, (2) fringe benefits for certain positions exceeded the budget (questioned cost 1 detailed above), (3) salary expenditures that exceeded the budget including expenditures utilized to pay redundancy payments (questioned cost 2 detailed above), (4) statutory returns and payments not filed, and (5) arithmetic errors identified in the budget. The audit firm confirmed that the recipient corrected compliance finding 4; therefore, we are not including it in our recommendation on compliance issues.

The audit firm stated that based on their review, except for a cost sharing shortfall of \$97,618, nothing came to their attention that caused them to believe that NIA did not fairly present the cost sharing contributions schedule, in all material respects, in accordance with the basis of accounting used to prepare the cost sharing contributions schedule. We are not making a formal recommendation on this issue, but we suggest that the Agreement Officer review this issue as part of the closeout process.

Additionally, in note six to the fund accountability statement, the auditors reported an outstanding fund balance of \$969 as of the end of the audit period, which had not been refunded to USAID. We are not making a formal recommendation on this issue, but we suggest that the Agreement Officer review this issue as part of the closeout process.

During our desk review, we noted several minor issues which the audit firm should consider when preparing future audit reports. We presented these issues in a memo to the controller, dated September, 16 2021.

To address the issues identified in the report, we recommend that USAID/Jamaica:

**Recommendation 1.** Determine the allowability of \$185,339 in ineligible questioned costs on pages 7 and 8 of the audit report and recover any amount that is unallowable.

**Recommendation 2.** Verify that NIA corrects the material weaknesses in internal control detailed on page 26 of the audit report.

**Recommendation 3.** Verify that NIA corrects the four outstanding instances of material noncompliance detailed on page 28 of the audit report.

We ask that you provide your written notification of actions planned or taken to reach a 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").