



MEMORANDUM

DATE: May 24, 2019

TO: USAID/Central Asia Regional Director, Christopher Edwards

FROM: USAID OIG Asia Regional Office Acting Audit Director, Michael Hutchinson /s/

SUBJECT: Financial Audit of the HIV React Project in Central Asia Managed by Public Foundation 'AIDS Foundation East West–Kazakhstan,' Cooperative Agreement AID-176-A-14-00002, January 1 to December 31, 2017 (5-176-19-036-R)

This memorandum transmits the final audit report on the HIV React Project Managed by Public Foundation 'AIDS Foundation East West–Kazakhstan' (AFEW). AFEW contracted with the independent certified public accounting firm of Gelman, Rosenberg & Freedman to conduct the audit. The contract required the audit firm to perform the audit in accordance with U.S. generally accepted government auditing standards (GAGAS) and USAID OIG Guidelines for Financial Audits Contracted by Foreign Recipients.¹

Gelman, Rosenberg & Freedman stated that it performed its audit in accordance with GAGAS. Gelman, Rosenberg & Freedman is responsible for the enclosed auditor's report and the conclusions expressed in it. We do not express an opinion on AFEW's fund accountability statement; 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 AFEW's fund accountability statement (FAS) for the period audited was presented fairly, in all material respects; (2) evaluate AFEW's internal controls; (3) determine whether AFEW complied with agreement terms and applicable laws and regulations (including cost-sharing contributions); and (4) determine whether AFEW has taken adequate corrective actions on prior audit report recommendations.

¹ On June 30, 2017, USAID OIG rescinded its Guidelines for Financial Audits Contracted by Foreign Recipients, recognizing the Agency's role to impose requirements on its implementing partners and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 followed that 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.

To answer the audit objectives, Gelman, Rosenberg & Freedman evaluated the effectiveness of the design and operation of the internal controls they considered to be relevant to preventing or detecting material noncompliance with the requirements of the project, and reviewed documentation that supported the financial transactions reported in the FAS; examined the fund accountability statement and the related notes; evaluated the effectiveness of the design and operation of the internal controls; tested compliance with agreement terms and applicable laws and regulations; and reviewed the status of prior audit recommendations. The audit covered project advances and costs of \$687,676 and \$764,773, respectively, from January 1 to December 31, 2017.

Gelman, Rosenberg & Freedman 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, significant deficiencies or material weaknesses in internal control, or material instances of noncompliance.

In addition, Gelman, Rosenberg & Freedman reported that (1) the agreement did not require cost-sharing contribution; (2) the agreement did not provide for a provisional indirect cost rate; and (3) the recommendation in the prior audit had been addressed. In addition, the audit firm issued a management letter to the recipient identifying a “matter involving internal control.”

During our desk review, we noted some issues which the audit firm will need to address in future audit reports. We presented these issues in a memorandum to the controller dated May 24, 2019.

Given the above results of the audit, we are not making any recommendation for inclusion in USAID’s Consolidated Audit and Compliance Tracking System. We appreciate the assistance extended during the engagement.

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