



MEMORANDUM

DATE: March 27, 2020

TO: USAID/Bangladesh Mission Director, Derrick Brown

FROM: USAID OIG Asia Regional Office Audit Director, James C. Charlifue /s/

SUBJECT: Financial Audit of the Innovation for Improving Early Grade Reading Activity in Bangladesh Managed by BRAC, Grant Agreement AID-388-G-15-00001, January 1 to December 31, 2018 (5-388-20-025-R)

This memorandum transmits the final audit report on the Innovation for Improving Early Grade Reading Activity project in Bangladesh managed by BRAC. BRAC contracted with the independent certified public accounting firm of S. F. Ahmed & Co. to conduct the audit. The audit firm stated that it performed its audit in accordance with U.S. generally accepted government auditing standards. 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 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 BRAC's fund accountability statement for the period audited was presented fairly, in all material respects; (2) evaluate BRAC's internal controls; (3) determine whether BRAC complied with agreement terms (including cost-sharing contributions), and applicable laws and regulations; and (4) determine whether BRAC has taken corrective actions on prior audit report recommendations. To answer the audit objectives, the audit firm examined the fund accountability statement and supporting documentation; evaluated the effectiveness of the design and operation of the internal control system; conducted tests of the recipient's compliance with agreement terms and applicable laws and regulations; and assessed the status of prior audit recommendations.

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.

The audit covered program revenues and costs of \$2,494,416² and \$2,910,459, respectively, from January 1 to December 31, 2018.

S.F. Ahmed & Co. concluded that the fund accountability statement presented fairly, in all material respects, program revenues and costs incurred and reimbursed 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 an appendix to the report, the audit firm identified other internal control matters.

Regarding the review of cost-sharing contributions that is required under the project, the audit firm reported that the recipient contributed total cost-sharing contributions of \$44,042 during the period audited. The audit firm did not report any questioned costs related to these contributions. Finally, the audit firm reported that prior audit recommendations had not been satisfactorily addressed during the period of audit; thus, they were reported again in the management letter.

During our desk review, we noted issues which the audit firm will need to address in future audit reports. We presented these issues and suggestions in a memorandum to the mission's controller dated March 27, 2020.

Given the above results of the audit, we are not making any recommendation for inclusion in USAID's Consolidated Audit and Compliance 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

² The audit also covered bank interest of \$1,697 as reported in the fund accountability statement, and program income earned and used of \$239,220 and \$357,570, respectively, from January 1 to December 31, 2018.