



MEMORANDUM

DATE: May 31, 2019

TO: USAID/Cambodia Mission Director, Veena Reddy

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

SUBJECT: Closeout Audit of the Empowering Communities for Health Program in Cambodia Managed by Reproductive and Child Health Alliance, Cooperative Agreement AID-442-A-14-00008, January 1, 2017, to March 31, 2018 (5-442-19-038-R)

This memorandum transmits the final audit report on the Empowering Communities for Health Program in Cambodia. Reproductive and Child Health Alliance (RACHA) contracted with the independent certified public accounting firm Morison Kak & Associates 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 the draft USAID Financial Audit Guide for Foreign Organizations (Guide).¹

Morison Kak & Associates stated that it performed its audit in accordance with GAGAS except that it did not fully comply with the requirements on having a continuing professional education program and external quality control reviews. Morison Kak & Associates is responsible for the enclosed auditor's 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.²

The audit objectives were to (1) express an opinion on whether RACHA's fund accountability statement for the period audited was presented fairly, in all material respects; (2) evaluate RACHA's internal controls; (3) determine whether RACHA complied with agreement terms

¹ The Guide was in draft form (2017 edition). The mission asked the auditors in its contract to follow the Guide and this contracted audit followed that Guide. The final version of the Guide was released on March 4, 2019, which was after the audit report was issued by the audit firm.

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.

and applicable laws and regulations (including cost-sharing contributions); and (4) determine if RACHA has taken corrective actions on prior audit report recommendations. To answer the audit objectives, Morison Kak & Associates reviewed program documents and procedures; examined the fund accountability statement; evaluated RACHA's internal control systems; tested compliance with agreement terms and applicable laws and regulations; and assessed the status of prior audit recommendations. The audit covered program revenues and costs of \$4,176,542 and \$4,251,406, respectively, for the period audited.

Morison Kak & Associates concluded that the fund accountability statement presented fairly, in all material respects, program revenues and costs incurred under the agreement for the period audited. The audit firm did not identify any questioned costs, or significant deficiencies or material weaknesses in internal control. However, the audit firm identified one material instance of noncompliance related to taxes not withheld on staff salaries, fringe benefits, and consultancy fees. Since USAID/Cambodia does not have existing or planned awards with the recipient, we are not making any recommendation on this procedural finding. The audit firm also issued a management letter to RACHA identifying one other internal control matter.

Regarding the review of cost-sharing contributions, which is required under the agreement, the audit firm reported that the required cost-sharing contributions based on the life-of-project budget were fully met. Further, the audit firm did not report any questioned costs on the cost-sharing contributions during the period audited.

In accordance with Section IV.B.12 of the audit contract statement of work, the audit firm presented as an annex to the audit report an inventory of asset purchased with USAID funds which showed that the title to all assets were given to RACHA. Further, the audit firm reported that the recipient will use the remaining fund balance of \$125,850 representing the excess cash (total revenues less total costs) to implement the closeout activities as approved by the mission.

Finally, the audit firm reported that (1) RACHA did not have a USAID-authorized provisional indirect cost rate; and (2) prior audit recommendations had been addressed except for one finding related to the material instance of noncompliance discussed above and one finding which was a management letter issue in the prior year that we did not consider to be a significant item.

During our desk review, we noted several minor 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 31, 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