



MEMORANDUM

DATE: July 29, 2019

TO: USAID/Ukraine and Belarus Regional Mission Director, Susan Fritz

FROM: USAID OIG Middle East and Eastern Europe (ME/EE) Regional Office, USDH NFA Coordinator, Abdoulaye Gueye /s/

SUBJECT: Fund Accountability Statement Audit of All-Ukrainian Charitable Organization, All-Ukrainian Network of People Living With HIV/AIDS, Reducing HIV-Related Stigma and Discrimination for Most-At-Risk Populations in Health Care Facilities in Ukraine, Agreement AID-121-A-13-00006, for the Year Ended December 31, 2015 (8-121-19-097-R)

This memorandum transmits the final report of the fund accountability statement audit of All-Ukrainian Charitable Organization, All-Ukrainian Network of People Living With HIV/AIDS, Reducing HIV-Related Stigma and Discrimination for Most-At-Risk Populations in Health Care Facilities in Ukraine, agreement AID-121-A-13-00006, for the year ended December 31, 2015. The auditee contracted with the independent certified public accounting firm Deloitte & Touche to conduct the audit. The audit firm stated that the contract required them to perform the audit in accordance with generally accepted government auditing standards.

The audit firm states that it performed its audit in accordance with generally accepted government auditing standards, except for not participating in an external quality control review program, and not having a continuing education program that fully satisfy the standards' requirements. The audit firm explained that Ukraine does not offer such a review program. With respect to the continuing education program, the audit firm says that they could not satisfy the standards' requirements because they could not fully obtain the U.S. Government auditing related hours.

The audit firm is responsible for the enclosed auditor's report and the conclusions expressed in it. We do not express an opinion on the auditee's fund accountability statement; the effectiveness of its internal controls; or its compliance with the award, laws, and regulations.¹

The audit objectives were mainly to: (1) express an opinion on whether the fund accountability statement for the period audited was presented fairly, in all material respects; (2) evaluate the auditee's internal controls; and (3) determine whether the auditee complied with the award terms and applicable laws and regulations. To answer the audit objectives, the audit firm performed the subject financial audit that covered \$975,434, for the year ended December 31, 2015.

The auditors expressed an unmodified opinion on the fund accountability statement and questioned unsupported costs of \$13,637. The audit firm identified one material internal control weakness in the payments approval process. The audit firm did not identify any material instances of noncompliance with the agreement terms and applicable laws and regulations. Since the questioned costs did not meet the OIG's established threshold of \$25,000 for making a recommendation, we are not making a recommendation. Nevertheless, we suggest that USAID/Ukraine determine the allowability of the \$13,637 in questioned costs and recover any amount determined to be unallowable. In addition, although we are not making a recommendation for the significant deficiency noted in the report, we suggest that USAID/Ukraine determine if the awardee addressed the issue noted. Further, the audit firm issued a management letter.

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

Recommendation 1. Require All-Ukrainian Charitable Organization, All-Ukrainian Network of People Living With HIV/AIDS to establish and implement policies and procedures related to obtaining proper payments approvals; and calculate and collect as appropriate, accrued interest on USAID funds throughout the award's life as detailed on pages 18-19 of Deloitte & Touche audit report and page 4 of the management letter.

We ask that you provide your written notification of actions planned or taken to reach management decisions. We appreciate the assistance extended to the audit staff during the engagement.

The 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").

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.