



OFFICE OF INSPECTOR GENERAL

U.S. Agency for International Development

MEMORANDUM

DATE: February 1, 2023

TO: USAID/Cambodia Acting Mission Director, Hanh Nguyen

FROM: USAID OIG Asia Regional Office, USDH NFA Coordinator, Rhonda M. Horried /s/

SUBJECT: Financial Audit of USAID Resources Managed by Khmer HIV/AIDS NGO Alliance in Cambodia, for the Year Ended December 31, 2021 (5-442-23-007-R)

This memorandum transmits the final report on the financial audit of the following USAID Awards managed by Khmer HIV/AIDS NGO Alliance (KHANA) in Cambodia, for the year ended December 31, 2021:

Award Name (Type)	Award Number	Audit Period
Community Mobilization Initiatives to End Tuberculosis Activity (Cooperative Agreement)	72044219CA00002	January 1 – December 31, 2021
Enhancing Quality of Health Care Activity – a project under “Community Empowerment for COVID-19 Prevention and Control Measures” (Cooperative Agreement)	72044218CA00006	February 15, 2021 – September 29, 2021 (close-out)

KHANA contracted with the independent certified public accounting firm Morisonkak MKA to conduct the audit. The audit firm stated that it performed its audit in accordance with generally accepted government auditing standards (GAGAS) and USAID Financial Audit Guide for Foreign Organizations. However, the audit firm did not have a continuing professional education program and external quality control reviews that fully satisfy the standards’ requirements. The audit firm is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on KHANA’s schedule of expenditures of USAID awards; the effectiveness of its internal control; or its compliance with the awards, laws, and regulations.²

¹ FHI 360 provided the award to KHANA on February 15, 2021 for \$197,398, and for implementation from February 15, 2021 to August 31, 2021. FHI 360 advised KHANA on September 29, 2021 to close the project and de-obligate the remaining funds.

² We reviewed the audit firm’s report for conformity with professional reporting standards. Our desk reviews are typically performed to identify any items that need clarification or issues that require management attention. Desk reviews are limited to review of the audit report itself and exclude 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 objectives were to (1) express an opinion on whether KHANA's schedule of expenditures of USAID awards for the period audited was presented fairly, in all material respects; (2) evaluate and obtain an understanding of KHANA's internal controls; (3) perform tests to determine whether KHANA complied with the awards' terms, applicable laws and regulations, including cost-sharing contributions, as applicable, and (4) determine if KHANA had taken adequate corrective actions on prior audit recommendations. The audit firm examined the projects' revenues and costs of \$1,574,614 and \$1,628,748, respectively for the audited period.

The audit firm concluded that except for the effect of the ineligible questioned costs of \$91, KHANA's schedule of expenditures of USAID awards presented fairly, in all material respects; the projects' revenues, costs incurred and fund balance for the period audited.

The audit firm identified three instances of material noncompliance and to address this we make a recommendation. The audit firm also reported \$91 questioned costs pertaining to a fringe benefit that was not allocable to USAID award and identified a significant deficiency. Since the questioned costs did not meet OIG's threshold for making a recommendation, we are not making a recommendation. Nevertheless, we suggest USAID/Cambodia determine the allowability of the above 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/Cambodia determine if KHANA addressed the issue noted. The audit firm issued a management letter on other internal control deficiencies

The audit firm determined that KHANA resolved three of the seven prior audit recommendations.

During our desk review, we noted an area for improvement which the audit firm should address in future audit reports. We presented the issue in a memorandum to the controller dated February 1, 2023.

To address the instances of material noncompliance identified in the report, we recommend that USAID/Cambodia:

Recommendation I. Verify that Khmer HIV/AIDS NGO Alliance corrects the three instances of material noncompliance detailed on pages 40 to 42 of the audit report.

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