



OFFICE OF INSPECTOR GENERAL

U.S. Agency for International Development

MEMORANDUM

DATE: February 9, 2024

TO: USAID/Cambodia Mission Director, Kerry Pelzman

FROM: Deputy Assistant Inspector General for Audit, Christine M. Byrne /s/

SUBJECT: Financial Audit of Costs Incurred by KHMER HIV/AIDS NGO Alliance (KHANA) Under the Community Mobilization Initiatives to End Tuberculosis Activity in Cambodia, Cooperative Agreement 72044219CA00002, for the Year Ended December 31, 2022 (5-442-24-016-R)

This memorandum transmits the final audit report on the KHMER HIV/AIDS NGO Alliance (KHANA) incurred costs under the Community Mobilization Initiatives to End Tuberculosis Activity, Cooperative Agreement 72044219CA00002, for the Year Ended December 31, 2022.

KHANA contracted with the independent audit firm Morisonkak MKA to conduct the audit. The audit firm stated it performed its audit in accordance with generally accepted government auditing standards and USAID audit guide for foreign recipients. However, it did not have continuing professional education or external quality control review programs that satisfy GAGAS requirements because professional organizations in Cambodia do not provide 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 schedule of expenditures of USAID awards, the effectiveness of its internal control, or its compliance with the award, laws, and regulations.¹

The audit objectives were mainly to: (1) express an opinion on whether the schedule of expenditures of USAID awards for the period audited was presented fairly in all material respects; (2) evaluate KHANA's internal controls; and (3) determine whether KHANA complied with the award terms and applicable laws and regulations. To answer the audit objectives, the audit firm performed the financial audit that covered total costs of \$1,748,441 for the year ended December 31, 2022.

¹ We reviewed the audit firm's report for conformity with professional reporting standards. Our desk reviews are typically performed to identify 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 work papers; desk reviews are not designed to enable us to directly evaluate the quality of the audit performed.

The audit firm concluded that the schedule of expenditures of USAID awards presented fairly, in all material respects, project revenues and costs incurred under the agreement for the period audited except for \$95 in total ineligible questioned costs. The audit firm did not identify any material internal control weaknesses but identified one significant internal control deficiency and five material instances of noncompliance. Since the questioned costs did not meet the OIG's established threshold of \$25,000 for making a recommendation and we also do not make recommendations regarding identified significant control deficiencies, we are not making recommendations regarding those issues. Nevertheless, we suggest that USAID/Cambodia determine the allowability of the \$95 in questioned costs and recover any amounts determined to be unallowable, as well as determine if the recipient addressed the significant control deficiency noted.

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

Recommendation I. Verify that KHANA corrects the five instances of material noncompliance detailed on pages 36 - 41 of the audit report.

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"). In addition, USAID OIG has determined that this transmittal memo and the enclosed report are not subject to notification and reporting requirements under Section 5274 of the National Defense Authorization Act.²

² The James M. Inhofe National Defense Authorization Act for Fiscal Year 2023 Pub. L. No. 117-263, § 5274. Please direct related inquiries to oignotice_ndaa5274@usaid.gov.