



Office of Inspector General

December 28, 2012

Mr. Yerzhan Dossymbekov
Managing Partner, Grant Thornton Kazakhstan
13, Al-Farabi Avenue, Business Center "Nurly Tau", 1V
Office 701 Almaty, 050059
Kazakhstan

Dear Mr. Dossymbekov:

The purpose of this letter is to inform you that the Regional Inspector General/Manila (RIG/Manila) has reviewed the technical merits of your proposal submitted to RIG/Manila on October 30, 2012. RIG/Manila has decided to add Grant Thornton Kazakhstan to our list of eligible audit firms in Kazakhstan under the status of "conditional" approval. A "conditional" approval is awarded to firms that RIG/Manila believes will make satisfactory efforts to fully comply with *U.S. Government Auditing Standards (GAS)*¹ within a reasonable period of time.

To determine the acceptability of audit firms, we use the *USAID Office of Inspector General's Guidelines for Financial Audits Contracted by Foreign Recipients (Guidelines)*. Those Guidelines require that we give first priority to audit firms that have partnership agreements with audit firms located in the United States (U.S.). Second priority is given to affiliates of audit firms located in the U.S. that are subject to standard audit quality control procedures and reviews. Local audit firms that are not affiliated with audit firms located in the U.S. may be accepted when there is a high degree of assurance of professional quality based upon prior experience with an international organization or other acceptable client assurance.

The technical proposal showed that Grant Thornton Kazakhstan is a full member firm of Grant Thornton International, a worldwide organization of independent assurance, tax and advisory firms with over 31,000 staff in some 100 countries. Its U.S. member firm, the organization's largest, operates out of 50 offices across the United States.

Although your firm did not have a partnership agreement with a U.S. audit firm, it appears to have the basic qualifications and professional competence to perform financial audits of USAID awards. Specifically, your firm appears to have a fair understanding of the work to be performed under the audit requirements of USAID and the U.S. GAS and an acceptable internal quality control system.

¹ The most recent version of the *US Government Auditing Standards* is dated December 2011.

Although your firm did not have prior experience in applying the U.S. GAS and has a very limited prior experience in applying the Generally Accepted Auditing Standards (GAAS) of the American Institute of Certified Public Accountants, it has been performing audit engagements using the International Standards on Auditing of the International Federation of Accountants. Moreover, the audit firm indicated that it is a full member Grant Thornton International that provides it with technical and training support and annual internal quality control system review.

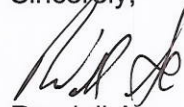
In your preparation for the performance of financial audits of USAID agreements, we strongly suggest that you pay particular attention to:

- The roles and responsibilities of all parties involved in the audit process. For example, you should be aware of the roles and responsibilities of the USAID/Mission, the recipient, and RIG/Manila.
- Ensuring that all applicable audit criteria are complied with while the audit is being performed. For example, you should ensure compliance with the Guidelines and with U.S. GAS. We have included a copy of the Guidelines dated February 2009 with this memo. You can access the U.S. GAS at <http://www.gao.gov/govaud/ybk01.htm>.
- Ensuring the quality and proper documentation of the audit work performed. Periodically, RIG/Manila conducts quality control reviews (QCRs) of the working papers for a selected sample of the non-federal financial audits performed in its region. These QCRs help to determine whether audits performed were done in accordance with the Guidelines and U.S. GAS. After a QCR is performed, RIG/Manila will notify the USAID/Mission, the recipient, and the applicable audit firm of the results of the review.

We wish to point out that the audit requirements under USAID grants, as spelled out in the Guidelines, are more stringent than that of a normal financial statement audit. Two such requirements are the need to review expenditures for compliance (i.e., reasonableness, allocability, and allowability) and the need to report all unsupported and ineligible costs as questioned costs.

We appreciate your interest in providing audit services to USAID.

Sincerely,



Randall Ase
Acting Regional Inspector General
Manila, Philippines

cc: USAID/Central Asian Republics Acting Regional Director
USAID/Central Asian Republics Regional Controller
RIG/Files

Attachment:
Guidelines for Financial Audits (electronic file)