



## MEMORANDUM

**DATE:** October 29, 2020

**TO:** USAID/Indonesia Mission Director, Ryan Washburn

**FROM:** USAID OIG Asia Regional Office, USDH NFA Coordinator, James C. Charlifue /s/

**SUBJECT:** Financial Audit of Universitas Indonesia Under Multiple USAID Awards, January 1 to December 31, 2019 (5-497-21-003-R)

This memorandum transmits the final audit report on Universitas Indonesia's incurred costs under the following awards:

| <b>Award Name (Type)</b>   | <b>Award Number</b>   | <b>Period</b>                 |
|--|---|-------------------------------|
| US-Indonesia Partnership for South-South and Triangular Cooperation Component I (contract) | AID-497-C-16-00010  | January 1 – December 31, 2019 |
| Sustainable Higher Education Research Alliances (cost reimbursement agreement sub award) * | Main award (AID-497-A-16-00004)<br>Sub Award (IIE00000078-UI-01)  | January 1 – December 31, 2019 |
| Empowering Access to Justice (grant sub award) **  | Main award (AID-497-A-16-00002)<br>Sub Award 31951.100, 31951.700 | January 1 – December 31, 2019 |

\* USAID/Indonesia awarded the cooperative agreement to the Institute of International Education, Inc (IIE). IIE awarded the cost-reimbursement sub-award agreement to Universitas Indonesia.

\*\* USAID/Indonesia awarded the cooperative agreement to The Asia Foundation (TAF). TAF awarded the Letter of Grant to Masyarakat Pemantau Peradilan Indonesia Fakultas Hukum (MaPPI FHUI), Universitas Indonesia.

Universitas Indonesia contracted with the independent certified public accounting firm of Paul Hadiwinata, Hidajat, Arsono, Retno, Palilingan & Rekan. The audit firm stated that it performed its audit in accordance with generally accepted government auditing standards and the USAID Financial Audit Guide for Foreign Organizations. However, it did not fully comply with the requirements on having a continuing professional education program and 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 Universitas Indonesia's fund accountability statement; the effectiveness of its internal control; or its compliance with the awards, laws, and regulations.<sup>1</sup>

The audit objectives were to (1) express an opinion on whether the fund accountability statements for the periods audited were presented fairly, in all material respects; (2) evaluate Universitas Indonesia's internal controls; and (3) determine whether Universitas Indonesia complied with award terms and applicable laws and regulations. To answer the audit objectives, the audit firm examined the fund accountability statements by devising and performing appropriate tests on the direct and other direct costs recorded in the fund accountability statements to ensure costs incurred are allowable, allocable, reasonable and supported under the terms of the agreements; evaluated the internal control system by using management and financial guidelines, interviews, and narrative descriptions; and tested compliance with award terms and applicable laws and regulations by testing the effectiveness of administrative controls applied by the Universitas Indonesia. The audit covered program revenues and costs of \$712,852<sup>2</sup> and \$838,343 respectively, from January 1 to December 31, 2019.

The audit firm concluded that the fund accountability statement presented fairly, in all material respects, program revenues and costs incurred under the awards for the period audited. The audit firm did not identify any questioned costs, material weaknesses in internal control, or material instances of noncompliance

Given the above results of the audit, we are not making any recommendations.

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").

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<sup>1</sup> 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.

<sup>2</sup> The audit also covered bank interest of \$978 as reported in the fund accountability statement for the subaward with IIE.