



OFFICE OF INSPECTOR GENERAL

U.S. Agency for International Development

MEMORANDUM

DATE: July 26, 2023

TO: USAID/Nepal Mission Director, Sepideh Keyvanshad

FROM: USAID OIG Asia Regional Office Assistant Director, Rhonda M. Horried /s/

SUBJECT: Financial Audit of National Society for Earthquake Technology-Nepal Under Multiple USAID Agreements, for the Period July 16, 2021 to July 16, 2022 (5-367-23-023-R)

This memorandum transmits the final audit report of National Society for Earthquake Technology-Nepal (NSET) under the following USAID awards:

| Award Name (Type) | Award Number | Audit Period |
|--|---------------------|-------------------------------------|
| Program for Enhancement of Emergency Response – Stage 4 (Grant agreement) [Close-out] | AID-OFDA-G-14-00201 | July 16, 2021 to September 30, 2021 |
| Housing Reconstruction Technical Assistance Program – Baliyo Ghar in Nepal (Cooperative agreement) [Close-out] | AID-367-A-15-00005 | July 16, 2021 to September 30, 2021 |
| Technical Support for Resilient Community Program– My Village is Resilient Program (Grant) | 720FDA19GR00207 | July 16, 2021 to July 16, 2022 |

NSET contracted with the independent certified public accounting firm PKF TR Upadhya & Co. to conduct the audit. The audit firm stated it performed its audit in accordance with generally accepted government auditing standards. However, the audit firm disclosed that it did not have a continuing professional education program or an external quality control review that fully satisfies 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 the recipient's schedule of expenditures of USAID awards, the effectiveness of its internal control, or its compliance with the awards, laws, and regulations¹.

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 objectives were 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 NSET's internal controls; (3) determine whether NSET complied with awards terms and applicable laws and regulations; and (4) determine whether NSET took adequate corrective actions on prior audit recommendations. To answer the audit objectives, the audit firm performed the subject financial audit that covered total costs of \$1,664,380 for the period July 16, 2021 to July 16, 2022.

The audit firm concluded that the schedule of expenditures of USAID awards presented fairly, in all material respects, program revenues, and costs incurred under the award for the period audited except for \$110,564 in total ineligible questioned costs. The audit firm identified one instance of material noncompliance, and four material weaknesses in internal control pertaining to: (1) overrun of indirect cost budget; (2) overrun of overall project budget; (3) under recovery of indirect costs; and (4) delay in settlement of staff advances. The auditor issued a management letter.

During our desk review, we noted areas for improvement that audit firm should address in future audit reports, such as including personally identified information (PII) on page 29 of the audit report. We presented these areas of improvement in a memo to USAID's Controller dated July 26, 2023.

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

Recommendation 1. Determine the allowability of \$110,564 in ineligible questioned costs detailed on page 25-27 of the audit report and recover any unallowable amount.

Recommendation 2. Verify that NSET corrects the four material weaknesses in internal control detailed on pages 25-30 of the audit report.

Recommendation 3. Verify that NSET corrects the one instance of material noncompliance detailed on page 33 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.