



MEMORANDUM

DATE: April 27, 2018

TO: USAID/Nepal Mission Director, Peter Malnak

FROM: Regional Inspector General/Manila, Matthew Rathgeber /s/

SUBJECT: Financial Audit of the Ghar Ghar Maa Swasthya Program Managed by Nepal CRS Company Pvt. Ltd., Cooperative Agreement AID-367-A-10-00002, August 1, 2016, to July 15, 2017 (5-367-18-017-R)

This memorandum transmits the final audit report on the Ghar Ghar Maa Swasthya (GGMS) Program in Nepal. The Nepal CRS Company Pvt. Ltd. (CRS) contracted the independent certified public accounting firm of KB Chitracar & Co. to conduct the audit. The contract required the audit firm to perform the audit in accordance with generally accepted government auditing standards (GAGAS) and USAID OIG Guidelines for Financial Audits Contracted by Foreign Recipients.¹

KB Chitracar & Co. stated that it performed its audit in accordance with GAGAS except that it did not fully comply with the requirements on having a continuing professional education program and external quality control reviews. KB Chitracar & Co. is responsible for the enclosed auditor's report and the conclusions expressed in it. We do not express an opinion on the recipient's fund accountability statement; the effectiveness of its internal control; or its compliance with the award, laws, and regulations.²

The audit objectives were to (1) express an opinion on whether CRS fund accountability statement for the period audited was presented fairly, in all material respects; (2) evaluate CRS internal controls; (3) determine whether CRS complied with agreement terms and applicable laws and regulations; and (4) determine whether CRS has taken corrective actions on prior audit report recommendations. To answer the audit objectives, KB Chitracar & Co. reviewed program documents and procedures; examined the fund accountability statement; reviewed and

¹ On June 30, 2017, USAID OIG rescinded its Guidelines for Financial Audits Contracted by Foreign Recipients, recognizing the Agency's role to impose requirements on its implementing partners and contractors as a management function. This contracted audit, however, was initiated before that date and follows the Guidelines.

² 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.

documented the internal control systems; and tested compliance with agreement terms and applicable laws and regulations. The audit covered program revenues and costs of \$2,094,821 and \$1,767,190, respectively, from August 1, 2016, to July 15, 2017.

KB Chitracar & Co. concluded that the fund accountability statement presented fairly, in all material respects, program revenues, costs incurred, and commodities directly procured by USAID under the agreement for the period audited. The audit firm did not report any questioned costs in the fund accountability statement.

The audit firm did not identify any material weaknesses in internal control or material instances of noncompliance. However, it identified one significant deficiency in internal control related to CRS maintaining only a single ledger for accounting of the various programs, including the GGMS program.

Regarding the review of cost-sharing contributions, which is required under the program, the audit firm reported that the recipient contributed total cost-sharing contributions of \$396,673 during the period audited. The audit firm did not report any questioned costs related to these contributions.

Finally, the audit firm reported that (1) CRS did not have a USAID-authorized provisional indirect costs rate and (2) one prior audit report recommendation had been satisfactorily addressed while the other two prior audit report recommendations are currently being resolved.

During our desk review, we noted several issues which the audit firm will need to address in future audit reports. We presented these issues in a memorandum to the controller dated April 27, 2018.

To address the issue identified in the report, we recommend that USAID:

Recommendation I. Verify that the Nepal CRS Company Pvt. Ltd. corrects the one significant deficiency in internal control detailed on page 11 of the audit report.

We ask that you provide written notification of actions planned or taken to reach a management decision. We appreciate the assistance extended to audit staff during the engagement.

The 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").

Attachment: a/s