



MEMORANDUM

DATE: June 22, 2018

TO: Acting USAID/Regional Development Mission/Asia Director, Richard Goughnour

FROM: Acting Regional Inspector General/Manila, Michael Hutchinson /s/

SUBJECT: Financial Audit of the Asian Disaster Preparedness Center Under Multiple USAID Awards, January 1 to December 31, 2016 (5-486-18-021-R)

This memorandum transmits the final audit report of the Asian Disaster Preparedness Center (ADPC) under multiple USAID awards. The ADPC contracted the independent certified public accounting firm of KPMG Phoomchai Audit Ltd. 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

KPMG Phoomchai Audit Ltd. 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. KPMG Phoomchai Audit Ltd. 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 ADPC's fund accountability statement for the period audited was presented fairly, in all material respects; (2) evaluate ADPC's internal controls; (3) determine whether ADPC complied with agreement terms and applicable laws and regulations (including cost-sharing contributions); (4) perform an audit of the indirect cost rate; and (5) determine if ADPC has taken corrective actions on prior audit report recommendations. To answer the audit objectives, KPMG Phoomchai Audit Ltd. reviewed program documents and procedures; examined the fund accountability statement;

¹ On June 30, 2017, USAID OIG rescinded its Guidelines for Financial Audits Contracted by Foreign Recipients, recognizing the Agency's role to impose requirements on its implementing partners and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.

reviewed and documented the internal control systems; and tested compliance with agreement terms and applicable laws and regulations. ADPC manages and is the prime recipient for six programs.³ The audit covered program revenues and costs of \$2,783,132 and \$2,758,777, for the period audited.

KPMG Phoomchai Audit Ltd. concluded that, except for the effects of the questioned costs totaling \$894 (ineligible), the fund accountability statement presented fairly, in all material respects, program revenues and costs incurred under the agreements for the period audited. The questioned costs pertained to interest income over \$250 per year that should have been remitted to USAID. The amount of questioned costs is considered not significant; hence, we are not making any recommendation on these questioned costs. However, we suggest that the mission determine the allowability of the \$894 in questioned costs and recover any amount determined to be unallowable.

Concerning internal control, the audit firm did not identify any significant deficiencies or material weaknesses in internal control. The audit firm identified one material instance of noncompliance associated with the ineligible questioned costs in the FAS. In addition, the audit firm concluded that (1) the schedule of computation of the indirect cost rate is fairly stated in all material respects; and (2) there were no prior audit recommendations.

With regard to cost-sharing contributions, the audit firm reported that under the SERVIR program, ADPC contributed a total of \$62,653 for the period audited. The audit firm did not report any questioned costs on these contributions. Further, there was no cost-sharing requirement on the OFDFL, SERB, USCH2, HOPESA, and BNPBI programs.

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

Recommendation I. Verify that the Asian Disaster Preparedness Center corrects the one material instance of noncompliance detailed in Finding I on page 25 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

³ Three programs were subjected to annual financial audits covering the period from January 1 to December 31, 2016 (Program for Reduction of Vulnerability to Floods in Thailand [OFDFL], USAID's Strengthening Earthquake Resilience in Bangladesh [SERB], and SERVIR-Mekong [SERVIR]). This is the first audit of the other three programs (Strengthening Emergency Response Capacity of Humanitarian NGOs in Cambodia [USCH2], Strengthening Hospital Preparedness For Emergencies in South Asian Countries [HOPESA], and Program for Strengthening the Technical and Organizational Capacity of Badan Nasional Penanggulangan Bencana Training Center in Indonesia [BNPBI]) covering the periods from February 1, 2016, July 1, 2016, and February 1, 2016, respectively, to December 31, 2016.