



MEMORANDUM

DATE: October 31, 2018

TO: USAID/India Mission Director, Mark A. White

FROM: Office of Inspector General/Asia Regional Office Audit Director,
Matthew Rathgeber /s/

SUBJECT: Financial Audit of IPE Global Limited Under Multiple USAID Agreements in India,
April 1, 2016, to March 31, 2017 (5-386-19-002-R)

This memorandum transmits the final audit report on the multiple USAID awards managed by IPE Global Limited (IPE). IPE contracted the independent certified public accounting firm of P. K. Chopra & Co. to conduct the audit. The contract required the audit firm to perform the audit in accordance with U.S. generally accepted government auditing standards (GAGAS) and USAID OIG Guidelines for Financial Audits Contracted by Foreign Recipients.¹

P. K. Chopra & Co. stated that it performed its audit in accordance with U.S. GAGAS except that it did not fully comply with the requirements on having a continuing professional education program and external quality control reviews. P. K. Chopra & 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 statements; 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 the recipient's fund accountability statements for the period audited were presented fairly, in all material respects; (2) evaluate the recipient's internal controls; (3) determine whether the recipient complied with agreement terms and applicable laws and regulations (including cost-sharing contributions); 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¹ On June 30, 2017, USAID OIG rescinded its Guidelines for Financial Audits Contracted by Foreign Recipients, recognizing the Agency's role to impose requirements on its implementing partners and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. The mission, however, asked the auditors in its contract to follow the Guidelines, and this contracted audit followed those 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.

(4) determine if the recipient had taken adequate corrective actions on prior audit recommendations. To answer the audit objectives, P. K. Chopra & Co. examined the documentation supporting the financial transactions, performed procedures to evaluate the effectiveness of the design and implementation of the internal controls, and determined compliance with the agreement requirements and applicable laws and regulations. The audit covered revenues and costs of \$4,664,241 and \$4,750,524³, respectively, from April 1, 2016, to March 31, 2017, pertaining to two programs that IPE managed.⁴

P. K. Chopra & Co. concluded that, except for the effects of the questioned costs totaling \$146,204 (ineligible) and the scope limitation on subrecipient costs totaling \$725,554 not covered by the audit, the fund accountability statements presented fairly, in all material respects, program revenues and costs incurred under the two agreements for the period audited. As described in Findings 1 and 2 in the Annexure to Questioned Costs on pages 40–41 of the audit report, the ineligible questioned costs pertained to costs incurred for supplies and equipment and program costs in excess of the approved budgets, which were not reported as a finding in either the report of internal control or report on compliance. We considered these findings as material instances of noncompliance; hence, we are making a recommendation for corrective action (see Recommendation 2 below).

P. K. Chopra & Co. did not identify any significant deficiencies but identified two material weaknesses in internal control pertaining to (a) weak fixed assets management—Finding 1 and (b) noncompliance on the payment of service tax (chargeable to IPE) under the government’s reverse charge mechanism—Finding 2. Based on the descriptions of the two internal control findings on pages 47–48, we consider Finding 2 as a material instance of noncompliance. Additionally, P. K. Chopra & Co. also identified one material instance of noncompliance (Finding 1) pertaining to IPE’s delay in submission of various reports required by the agreements—a recurring finding that was also identified in the prior period audit report.

On the review of cost-sharing which is required under one of the two agreements, P. K. Chopra & Co. reported that IPE did not have cost-sharing contributions during the audited period. Furthermore, P. K. Chopra & Co. reported that the recipient did not have a USAID-authorized indirect cost rate on its agreements, and that all prior audit findings were resolved except for one finding, also relating to IPE’s delay in submission of required reports, which was again reported as a material instance of noncompliance in the current audit.

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 October 31, 2018.

³ The total expenditures of \$4,750,524 include subrecipient costs of \$725,554 incurred by JSI Research & Training Institute, Inc. (a U.S.-based organization) that were not subject to audit. Only costs totaling \$4,024,970, expended by IPE Global Limited, were subject to this audit.

⁴ The two IPE programs subjected to annual financial audits covering the period from April 1, 2016, to March 31, 2017, were: (a) Scaling-up Interventions in Reproductive, Maternal, Neonatal, Child and Adolescent Health Program under Cooperative Agreement AID-386-A-14-00001 and (b) Ending Preventable Maternal and Child Deaths among India’s Urban Poor Program under Cooperative Agreement AID-386-A-15-00014.

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

Recommendation 1. Determine the allowability of \$146,204 in questioned costs (ineligible) identified in the fund accountability statement on page 28, and further detailed in Findings 1 and 2 in the Annexure to Questioned Costs on pages 40–41 of the audit report, and recover any amount that is unallowable.

Recommendation 2. Verify that the IPE Global Limited corrects the two material instances of noncompliance discussed on page 2 of this memorandum and further discussed in Findings 1 and 2 in the Annexure to Questioned Costs on pages 40–41 of the audit report.

Recommendation 3. Verify that the IPE Global Limited corrects the material weakness in internal control identified in the report on internal control on page 46 and further discussed in Finding 1 in the Annexure on page 47 of the audit report.

Recommendation 4. Verify that the IPE Global Limited corrects the material instance of noncompliance identified in the report on compliance on page 50 and further discussed in the Annexure on pages 51–52; and the finding in the report on internal control on page 46 that we considered as a material instance of noncompliance discussed on page 2 of this memorandum and further discussed in Finding 2 in the Annexure on pages 47–48 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 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