



## MEMORANDUM

**DATE:** May 16, 2019

**TO:** USAID/Regional Development Mission Asia Director, Peter Malnak

**FROM:** USAID OIG Asia Regional Office Acting Audit Director, Emily Gardiner /s/

**SUBJECT:** Financial Audit of the Asian Disaster Preparedness Center Under Multiple USAID Awards, January 1 to December 31, 2017 (5-486-19-032-R)

This memorandum transmits the final audit report of the Asian Disaster Preparedness Center (ADPC) under multiple USAID awards. 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 U.S. generally accepted government auditing standards (GAGAS) and USAID OIG Guidelines for Financial Audits Contracted by Foreign Recipients.<sup>1</sup>

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.<sup>2</sup>

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 award terms and applicable laws and regulations (including cost-sharing contributions); (4) perform an audit of

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 On June 30, 2017, USAID OIG rescinded its "Guidelines for Financial Audits Contracted by Foreign Recipients," recognizing the Agency's role to impose requirements on its implementing partners and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

<sup>2</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.

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; evaluated ADPC's internal control systems; tested compliance with agreement terms and applicable laws and regulations; determined the actual indirect cost rates for the year ended December 31, 2017; and assessed the status of prior audit recommendations. ADPC manages and is the prime recipient for six programs and a subrecipient for one program.<sup>3</sup> The audit covered program revenues and costs of \$2,790,107 and \$2,894,845, respectively, for the period audited.

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

Regarding the review of cost-sharing contributions, which is required under the SERVIR program, the audit firm reported that the recipient contributed total cost-sharing contributions of \$117,335 during 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, BNPBI, and CBDRM programs.

Finally, the audit firm reported that (1) the schedule of computation of the indirect cost rate is fairly stated in all material respects; and (2) the prior audit recommendation had been satisfactorily addressed.

During our desk review, we noted several minor issues which the audit firm will need to address in future audit reports. We presented these issues in a memorandum to the controller dated May 16, 2019.

Given the above results of the audit, we are not making any recommendation for inclusion in USAID's Consolidated Audit and Compliance Tracking System. We appreciate the assistance extended during the engagement.

OIG does not routinely distribute independent public accounting reports beyond the immediate addressees because a high percentage of these reports contain information restricted from

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<sup>3</sup> One program was subjected to a closeout audit covering the period from January 1 to June 2, 2017 (Grant Agreement AID-OFDA-G-12-00012 Program for Reduction of Vulnerability to Floods in Thailand [OFDFL]). Five programs were subjected to annual financial audits covering the period from January 1 to December 31, 2017 (Grant Agreement AID-388-G-13-00001 USAID's Strengthening Earthquake Resilience in Bangladesh [SERB], Cooperative Agreement AID-486-A-14-00002 SERVIR-Mekong [SERVIR], Grant Agreement AID-OFDA-G-16-00019 Strengthening Emergency Response Capacity of Humanitarian NGOs in Cambodia [USCH2], Grant Agreement AID-OFDA-G-16-00098 Strengthening Hospital Preparedness For Emergencies in South Asian Countries [HOPESA], and Grant Agreement AID-OFDA-G-16-00003 Program for Strengthening the Technical and Organizational Capacity of Badan Nasional Penanggulangan Bencana Training Center in Indonesia [BNPBI]). This is the first audit of ADPC as a subrecipient covering the period from July 1, 2017, to December 31, 2017 (Cooperative Agreement AID-OFDA-A-17-00013 Institutionalising Sustainable Community Based Disaster Risk Management [CBDRM]).

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