



MEMORANDUM

DATE: June 14, 2019

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

FROM: USAID OIG Asia Regional Office Acting Audit Director, Michael Hutchinson /s/

SUBJECT: Closeout Audit of the Public Health Foundation of India Under Multiple USAID Awards, April 1, 2016, to July 31, 2017 (5-386-19-003-N)

This memorandum transmits the final audit report of the Public Health Foundation of India (PHFI) under multiple USAID awards. USAID/India contracted with the independent certified public accounting firm Bansal & Co. LLP 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

Bansal & Co. LLP 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. Bansal & Co. LLP 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 PHFI's fund accountability statements for the period audited was presented fairly, in all material respects; (2) evaluate PHFI's internal controls; and (3) determine whether PHFI complied with agreement terms and applicable laws and regulations (including cost-sharing contributions). To answer the audit

¹ On June 30, 2017, USAID OIG rescinded its Guidelines for Financial Audits Contracted by Foreign Recipients, recognizing the Agency's role to impose requirements on its implementing partners and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

objectives, Bansal & Co. LLP examined the fund accountability statements and supporting documentation; evaluated the recipient's internal control system; determined compliance with agreement terms and applicable laws and regulations; and assessed status of prior audit recommendations. The audit covered project revenues and costs of \$4,919,042 and \$3,915,598,³ respectively, from April 1, 2016, to July 31, 2017.

Bansal & Co. LLP concluded that, except for the effects of the questioned costs totaling \$474,950 (ineligible), the fund accountability statement presented fairly, in all material respects, project revenues and costs incurred under the agreements for the period audited. The ineligible questioned costs, which were all under the PIPPSE project, pertained to: (1) professional fee paid to Public Health Technologies Trust under a contract to design and develop AIDS Prevention and Treatment System that was not approved by USAID—\$386,617; (2) project allowance paid to employees that was not in accordance with PHFI's Human resources policy—\$49,685; (3) Diwali festival gift paid to employees that was not in accordance with PHFI's Human resources policy—\$594; and (4) closeout expenditures and closeout plan that were not yet approved by USAID—\$38,054.

The audit firm did not identify any material weaknesses in internal control but identified three significant deficiencies in internal control and two material instances of noncompliance. Since USAID/India does not have existing or planned awards with the recipient, we are not making any procedural recommendations.

With regard to cost-sharing contributions, the audit firm reported that (1) the cost-sharing schedule of the PIPPSE project was not prepared because the required cost-sharing contributions based on the life-of-project budget were fully met in the year ended March 31, 2014 and (2) for the SESSIHFI project, the actual cost-sharing contributions were less than budgeted contributions resulting in a shortfall in cost-sharing contributions of \$262,602; and the audit firm did not identify any questioned costs on the cost-sharing contributions during the period audited.

Finally, the audit firm reported that (1) PHFI did not have a USAID-authorized provisional indirect cost rate and (2) there was no audit finding for the previous period audit.

During our desk review, we noted several issues which the audit firm will need to address in future audit reports. We also made one suggestion to the mission. We presented these issues and this suggestion in a memorandum to the controller dated June 14, 2019.

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

³ The audit covers the following projects: AID-386-A-12-00003 (HIV/AIDS Partnership: Impact Through Prevention, Private Sector and Evidence-based Programming [PIPPSE]) and AID-386-A-14-00006 (Strengthening Ecosystem for Sustainable and Inclusive Health Financing in India [SESSIHFI]). Expenditures under the PIPPSE project totaled \$4,206,886. This included \$1,179,325 in total costs incurred by various organizations that were not subject to audit—Family Planning Association of India which was audited by another audit firm (\$302,008) and various subgrantees of which costs did not meet the audit threshold requirement (\$877,317). Only costs totaling \$3,027,561, expended by PHFI, were subject to this audit. Further, expenditures under the SESSIHFI project totaled \$1,079,485. This included \$191,448 in total costs incurred by various subgrantees of which costs did not meet the audit threshold requirement. Only costs totaling \$888,037, expended by PHFI, were subject to this audit.

Recommendation 1. Determine the allowability of \$474,950 in questioned costs (ineligible) identified on pages 20 and 27, and further detailed on pages 22-26 of the audit report, and recover any amount that is unallowable.

Recommendation 2. Determine the allowability of \$262,602 in shortfall in cost-sharing contributions (ineligible) identified on page 38, and further detailed on page 40 of the audit report, and recover any amount that is unallowable.

We ask that you provide written notification of actions planned or taken to reach management decisions. 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 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