



## MEMORANDUM

**DATE:** July 12, 2019

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

**FROM:** USAID OIG Asia Regional Office Acting Audit Director, David Clark /s/

**SUBJECT:** Financial Audit of IKP Knowledge Park Under Multiple USAID Agreements in India, April 1, 2017, to March 31, 2018 (5-386-19-045-R)

This memorandum transmits the final audit report on the multiple USAID awards managed by the IKP Knowledge Park (IKP). IKP contracted with the independent certified public accounting firm Haribhakti & Co. LLP to conduct the audit. The contract required the audit firm to perform the audit in accordance with the U.S. generally accepted government auditing standards (GAGAS) and USAID OIG Guidelines for Financial Audits Contracted by Foreign Recipients.<sup>1</sup>

Haribhakti & Co. LLP 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. Haribhakti & 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 awards, laws, and regulations.<sup>2</sup>

The audit objectives were to (1) express an opinion on whether IKP's fund accountability statements for the period audited were presented fairly, in all material respects; (2) evaluate IKP's internal controls; (3) determine whether IKP complied with agreement terms and applicable laws and regulations (including cost-sharing contributions); and (4) determine whether IKP has taken corrective actions on prior audit report recommendations. To answer the audit objectives, Haribhakti & Co. LLP reviewed program documents and procedures;

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 On June 30, 2017, USAID OIG rescinded its Guidelines for Financial Audits Contracted by Foreign Recipients, recognizing the Agency's role to impose requirements on its implementing partners and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

examined the fund accountability statements; evaluated IKP's internal control systems; tested compliance with agreement terms and applicable laws and regulations; and assessed status of prior audit recommendations. The audit covered program revenues and costs of \$771,889 and \$857,168, respectively, from April 1, 2017, to March 31, 2018.<sup>3</sup>

Haribhakti & Co. LLP concluded that, except for the effects of the questioned costs amounting to \$8,473 (\$7,588 ineligible, \$885 unsupported), the fund accountability statement presented fairly, in all material respects, program revenues and costs incurred under the agreement for the period audited. Since the questioned costs did not meet the OIG's established threshold of \$25,000 for making a recommendation, we are not making a recommendation. Nevertheless, we suggest that the mission determine the allowability of the \$8,473 questioned costs and recover any amount determined to be unallowable.

The audit firm did not identify any material weaknesses in internal control. However, the audit firm identified five material instances of noncompliance, one of which is related to the questioned costs of \$8,473. The remaining material instances of noncompliance pertained to (1) IKP not adequately defining expenditure line items in the budget, (2) IKP's subawardees exceeding its budgets, (3) IKP and subawardees not timely submitting the monthly and quarterly reports, and (4) IKP's subawardees not conducting periodic physical verification of property. In addition, although we are not making a recommendation for two significant deficiencies noted in the report, we suggest that USAID/India determine if the recipient addressed the issues noted.

Regarding the review of cost-sharing contributions, the audit firm reported that IKP contributed \$577,714 under the Innovations for TB Control Program in India program and \$21,264 under the Feed the Future program during the period audited. The audit firm did not report any questioned costs on these contributions.

For the ten prior audit findings, five findings had not been satisfactorily addressed: (1) two findings were similar in nature and were reported again in the current audit report as a significant deficiency under Finding 2 on page 36 and (2) three findings were reported again in the current audit report as instances of material noncompliance under Findings 1, 2, and 3 on pages 44 and 45 and are covered by Recommendation I below. Further, in response to our inquiry, the mission confirmed that IKP Knowledge Park did not have a USAID-authorized provisional indirect cost rate.

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 July 12, 2019.

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

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<sup>3</sup> The audit covered two programs: (i) Innovations for TB Control in India under Cooperative Agreement No. AID-386-A-13-00003 and (ii) Feed the Future – Sharing Indian Innovations on Agriculture for Nutrition under Cooperative Agreement No. AID-386-A-15-00015.

**Recommendation I.** Verify that IKP Knowledge Park corrects the five instances of material noncompliance identified in the report on compliance on pages 37–40 and detailed in Annexure I (Questioned Costs) and Annexure to noncompliance (Findings 1–3) on pages 41–45 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.

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