



## MEMORANDUM

**DATE:** August 12, 2019

**TO:** USAID/Nepal Acting Mission Director, Adriana Hayes

**FROM:** USAID OIG Asia Regional Office Audit Director, James C. Charlifue /s/

**SUBJECT:** Financial Audit of Social Empowerment and Building Accessibility Centre-Nepal Under Multiple USAID Agreements, July 16, 2017, to July 16, 2018 (5-367-19-051-R)

This memorandum transmits the final audit report on the multiple USAID agreements managed by the Social Empowerment and Building Accessibility Centre-Nepal (SEBAC-Nepal). SEBAC-Nepal contracted the independent certified public accounting firm of K. B. Chitracar & 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.<sup>1</sup>

K. B. Chitracar & 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 continuing professional education program and external quality control reviews. K. B. Chitracar & 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 statement; 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 SEBAC-Nepal's fund accountability statement for the period audited was presented fairly, in all material respects; (2) evaluate SEBAC-Nepal's internal controls; (3) determine whether SEBAC-Nepal complied with agreement terms and applicable laws and regulations (including cost-sharing contributions); and (4) determine whether SEBAC-Nepal has taken corrective actions on prior audit report

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 On June 30, 2017, USAID OIG rescinded its Guidelines for Financial Audits Contracted by Foreign Recipients, recognizing the Agency's role to impose requirements on its implementing partners and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

recommendations. To answer the audit objectives, K. B. Chitracar & Co. examined the fund accountability statement 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 \$1,757,474 and \$1,840,052, respectively, from July 16, 2017, to July 16, 2018, pertaining to three projects that SEBAC-Nepal managed.<sup>3</sup>

K. B. Chitracar & Co. concluded that the fund accountability statement presented fairly, in all material respects, project revenues and costs incurred under the three projects for the period audited. The audit firm did not identify any material weaknesses in internal control or material instances of noncompliance. The audit firm also issued a management letter to SEBAC-Nepal identifying other internal control matters and a nonmaterial instance of noncompliance.

Regarding the review of cost-sharing contributions, which are required under the four agreements for the three projects, the audit firm reported that SEBAC-Nepal contributed a total of \$330,832 for the period audited. The audit firm did not report any questioned costs on these contributions. For the two sub-award agreements under the SUA AHARA II program (closeout), the audit firm reported cumulative cost-share contributions of \$27,244 and \$12,043 as of the end of their sub-award agreements, which meet the sub-awards' life-of-project requirements.

In addition, the audit firm reported that (1) the recipient has no USAID-authorized provisional indirect cost rate and (2) all prior audit recommendations had been satisfactorily addressed.

During our desk review, we noted several issues which the audit firm will need to address in future audit reports. We also made a suggestion to the mission. We presented the issues and suggestion in a memorandum to the controller dated August 12, 2019.

Given the above results of the audit, we are not making any recommendations 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 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

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<sup>3</sup> The audit covered three projects under four agreements: (a) financial audit of Safe Practices on Water, Sanitation and Hygiene II (Safe WASH II) project under Cooperative Agreement AID-367-A-14-00003; (b) financial audit of Safaa Paani (Water Recovery) program (WRA) under Cooperative Agreement AID-367-A-16-00001; and (c) closeout audit of Good Nutrition program (SUA AHARA II) under Cooperative Agreement AID-367-A-16-00006 (sub-award agreements with Helen Keller International and CARE).