



MEMORANDUM

DATE: August 14, 2019

TO: USAID/India Acting Mission Director, Keith E. Simmons

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

SUBJECT: Financial Audit of Karnataka Health Promotion Trust Under Multiple USAID Awards in India, April 1, 2017, to July 31, 2018 (5-386-19-052-R)

This memorandum transmits the final audit report on the multiple USAID awards managed by the Karnataka Health Promotion Trust (KHPT). KHPT 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 awards, laws, and regulations.²

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

¹ On June 30, 2017, USAID OIG rescinded its Guidelines for Financial Audits Contracted by Foreign Recipients, recognizing the Agency's role to impose requirements on its implementing partners and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

accountability statements; evaluated KHPT's internal control systems; and tested compliance with agreement terms and applicable laws and regulations. The audit covered program revenues and costs of \$2,483,055 and \$2,258,684,³ respectively, from April 1, 2017, to July 31, 2018.⁴

Bansal & Co. LLP concluded that the fund accountability statements presented fairly, in all material respects, program revenues and costs incurred under the two awards for the periods audited. The audit firm did not identify any questioned costs or material weaknesses in internal control. However, it identified one material instance of noncompliance related to a shortfall on cost-sharing contributions amounting to \$133,799 for the OVC program.

Regarding the review of cost-sharing contributions, which are required for both programs, the audit firm reported that KHPT had no cost-sharing contributions for the THALI program during the period reviewed. For the OVC program (closeout), the audit firm identified a shortfall of \$133,799 since KHPT contributed a total of \$541,650 as of the end of the program, which was less than its life-of-project cost-sharing requirement of \$675,449. The audit firm did not report any questioned costs on these contributions.

Finally, the audit firm reported that (1) there are no outstanding prior audit recommendations and (2) KHPT 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 August 14, 2019.

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

Recommendation 1. Determine the allowability of \$133,799 in shortfall in cost-sharing contributions (ineligible) identified in the cost-sharing schedule on page 31 and detailed in Finding 1 on page 37 of the report.

Recommendation 2. Verify that Karnataka Health Promotion Trust corrects the material instance of noncompliance identified in the report on compliance on page 35 and detailed in Finding 1 on page 37 of the report.

We ask that you provide written notification of actions planned or taken to reach management decisions. We appreciate the assistance extended during the engagement.

³ The total expenditures of \$2,258,684 included costs of \$606,412 incurred by various sub-partners that were not subjected to audit per USAID guidelines. Only costs totaling \$1,652,272 and directly incurred by KHPT were subjected to this audit.

⁴ The audit covered two awards: (a) closeout audit of HIV/AIDS Orphan and Vulnerable Children Social Protection (OVC) program under Cooperative Agreement AID-386-A-14-00007 for the period from April 1, 2017 to July 31, 2018; and (b) financial audit of Tuberculosis Health Action Learning Initiative (THALI), Pool 2 program under Cooperative Agreement AID-386-A-16-00005 for the period from April 1, 2017 to March 31, 2018.

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