



## MEMORANDUM

**DATE:** October 17, 2019

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

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

**SUBJECT:** Financial Audit of the Tuberculosis Health Action Learning Initiative Project in India Managed by World Health Partners, Cooperative Agreement AID-386-A-16-00004, April 1, 2017, to March 31, 2018 (5-386-20-002-R)

This memorandum transmits the final audit report on the Tuberculosis Health Action Learning Initiative project in India. World Health Partners (WHP) contracted with the independent certified public accounting firm of Thakur, Vaidyanath Aiyar & Co. to conduct the audit. The audit firm stated that it performed its 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> However, it did not fully comply with the requirements on having a continuing professional education program and external quality control reviews. Thakur, Vaidyanath Aiyar & 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 award, laws, and regulations.<sup>2</sup>

The audit objectives were to (1) express an opinion on whether WHP's fund accountability statement for the period audited, was presented fairly, in all material respects; (2) evaluate WHP's internal controls; (3) determine whether WHP complied with agreement terms and applicable laws and regulations (including cost-sharing contributions); and (4) determine if WHP

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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 On June 30, 2017, USAID OIG rescinded its "Guidelines for Financial Audits Contracted by Foreign Recipients," recognizing the Agency's role to impose requirements on its implementing partners and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 statement of work, however, required the auditors 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.

had taken adequate corrective actions on prior audit recommendations. To answer the audit objectives, Thakur, Vaidyanath Aiyar & Co. reviewed project documents supporting the fund accountability statement; evaluated the recipient's internal controls relevant to the project; performed compliance review to determine WHP's compliance with agreement terms and applicable laws and regulations; and assessed the status of prior audit recommendations. The audit covered project revenues and costs of \$1,779,106 and \$1,860,727, respectively, from April 1, 2017, to March 31, 2018.

Thakur, Vaidyanath Aiyar & Co. concluded that except for the effect of the questioned costs totaling \$28,423 (\$27,486 ineligible and \$937 unsupported), the fund accountability statement presented fairly, in all material respects, project revenues and costs incurred under the agreement for the period audited. Of the \$28,423 total questioned cost, WHP subsequently reversed in its books the amount of \$23,516, and refunded \$2,289 to USAID. Since the remaining questioned costs of \$2,618 (ineligible) 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 \$2,618 in questioned costs and recover any amount determined to be unallowable.

The audit firm identified two material weaknesses in internal control related to the questioned costs in the fund accountability statement. The audit firm also identified six material instances of noncompliance; three were related to the questioned costs and the other three were related to the subrecipient's noncompliance with the financial reporting requirement and WHP's noncompliance with the statutory requirement on registering and deducting professional and income taxes, and insurance contributions from employees' salaries. Although we are not making a recommendation for the two significant deficiencies noted in the audit report, we suggest that the mission determine if the recipient addressed the issues identified. The audit firm also issued a management letter to WHP identifying four internal control matters or immaterial instances of noncompliance.

Regarding the review of cost-sharing contributions, the audit firm reported that WHP contributed \$152,347 for the period audited. The audit firm reported questioned costs of \$960 (ineligible) on these contributions. WHP subsequently reversed the \$960 which has been reflected in its monthly report to USAID. Finally, most of the prior audit recommendations were not satisfactorily addressed; thus, they were reported again in the current audit report.

During our desk review, we noted several issues that the audit firm will need to address in future audit reports. We presented these issues in a memorandum to the controller dated October 17, 2019.

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

**Recommendation 1.** Verify that World Health Partners corrects the two material weaknesses in internal control identified in the report on internal control on page 54 and detailed in Findings 3–4 on pages 57–58 of the report.

**Recommendation 2.** Verify that World Health Partners corrects the six material instances of noncompliance identified in the report on compliance on pages 44–45 and detailed in Findings I–6 on page 46–52 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.

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