



## MEMORANDUM

**DATE:** May 29, 2020

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

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

**SUBJECT:** Financial Audit of USAID Resources Managed by Social Empowerment and Building Accessibility Center Nepal Under Multiple Awards, July 17, 2018, to July 16, 2019 (5-367-20-045-R)

This memorandum transmits the final audit report on the following USAID-funded agreements directly managed and co-implemented by Social Empowerment and Building Accessibility Center Nepal (SEBAC-Nepal):

<b>Award Name (Type)</b>	<b>Award Number</b>	<b>Audit Period</b>
Safe Practices on Water, Sanitation and Hygiene II (Safe WASH II) (close-out audit) (cooperative agreement)	AID-367-A-14-00003	July 17, 2018 – June 30, 2019
Safaa Paani (Wash Recovery Activity) (cooperative agreement)	AID-367-A-16-00001	July 17, 2018 – July 16, 2019
Good Nutrition (SUA AHARA II) (subaward from Helen Keller International)	AID-367-A-16-00006	July 17, 2018 – July 15, 2019
Good Nutrition (SUA AHARA II) (subaward from CARE-Nepal)	AID-367-A-16-00006	January 1, 2019 – June 30, 2019

SEBAC-Nepal contracted with the independent certified public accounting firm of K.B. Chitracar & Co. to conduct the audit. The audit firm stated that it performed its audit in accordance with generally accepted government auditing standards. However, it did not fully comply with the requirements on having a continuing professional education program and external quality control reviews. The audit firm is responsible for the enclosed 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>1</sup>

<sup>1</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.

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 its internal controls; (3) determine whether it complied with agreement terms (including cost-sharing contributions) and applicable laws and regulations; and (4) assess if it has taken corrective actions on prior audit report recommendations. To answer the audit objectives, K.B. Chitracar & Co. reviewed SEBAC-Nepal's project documents and examined documentation supporting its fund accountability statement, obtained an understanding of its control environment, tested the effectiveness of its controls, conducted tests of its compliance with the agreement terms, applicable laws and regulations, and assessed the status of prior audit report recommendations. The audit covered project revenues and costs of \$1,613,914 and \$1,630,734, respectively, from July 17, 2018, to July 16, 2019.

K.B. Chitracar & Co. concluded that the recipient's fund accountability statement presented fairly, in all material respects, project revenues and costs under the agreements for the period audited. The audit firm did not identify any questioned costs, material weaknesses in internal control, or material instances of noncompliance.

Regarding cost-sharing contributions, the audit firm reported that the recipient contributed \$287,153 for the Safe WASH II project, and \$28,135 and \$8,595 for the subawards granted by Helen Keller International and CARE-Nepal, respectively under the Good Nutrition (SUA AHARA II) program. These contributions either fully met or exceeded the cost-share requirements for the relevant periods under each agreement. K.B. Chitracar & Co. also indicated that nothing came to its attention that caused it to believe that SEBAC-Nepal has not provided or accounted for its cost-share in all material respects, in accordance with the agreements for the above programs. For the ongoing Safaa Paani (Wash Recovery Activity) program, the audit firm reported a total cost contribution of \$142,149 during the audited period. The audit firm did not report any questioned costs on these contributions.

In addition, the audit firm reported that SEBAC-Nepal does not have a USAID-authorized indirect cost rate, and it addressed all prior period audit recommendations.

During our desk review, we noted issues that the audit firm will need to address in future audit reports. We presented these issues in a memorandum to the controller dated May 29, 2020.

The report does not include any recommendations. 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