MEMORANDUM

DATE:     May 18, 2020

TO:        USAID/India Mission Director, Keith Simmons

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

SUBJECT:   Financial Audit of IPE Global Limited Under Multiple USAID Agreements in India, April 1, 2018, to March 31, 2019 (5-386-20-039-R)

This memorandum transmits the final audit report on the multiple USAID awards managed by IPE Global Limited (IPE). IPE contracted with the independent certified public accounting firm of P.K. Chopra & Co. to conduct the audit. The audit firm stated that it performed its audit in accordance with U.S. generally accepted government auditing standards and the USAID Financial Audit Guide for Foreign Organizations. However, it did not fully comply with the requirements on having a continuing professional education program and external quality control reviews. The audit firm also disclosed that it did not audit costs of $376,331 incurred by two subrecipients\(^1\). 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.\(^2\)

The audit objectives were to: (1) express an opinion on whether IPE’s fund accountability statement for the period audited was presented fairly, in all material respects; (2) evaluate IPE’s internal controls; (3) determine whether IPE complied with agreement terms (including cost-sharing contributions), and applicable laws and regulations; and (4) determine whether IPE has taken corrective actions on prior audit report recommendations. To answer the audit

\(^1\)  Total unaudited costs of $376,331 comprised of the following:
1) $194,021 were incurred by sub-recipient "JSI Research & Training Institute, Inc.", which is a U.S. non-profit organization that is subject to 2 CFR Part 200 Subpart-F audit requirements (Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards); and
2) $182,302 were incurred by sub-recipient "Strategic Alliance Management Service Pvt. Ltd.", which is a non-U.S. organization and was not subject to Recipient Contracted Audit as the expenditure did not exceed the audit threshold of $750,000 (as provided in ADS Chapter 591.3.2.1(a)) during the audit period.

\(^2\)  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.

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objectives, the audit firm examined the fund accountability statement and supporting documentation; evaluated the effectiveness of the design and operation of the internal control system; conducted tests of the recipient’s compliance with agreement terms and applicable laws and regulations; and assessed the status of prior audit recommendations. The audit covered program revenues and costs of $5,642,347 and $4,517,817, respectively, from April 1, 2018, to March 31, 2019.  

P.K. Chopra & Co. concluded that except for the effects of ineligible questioned costs of $1,810 and the subrecipient costs totaling $376,331 that were not covered by the audit, the fund accountability statement presented fairly, in all material respects, program revenues and costs incurred and reimbursed under the agreements 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 $1,810 questioned costs and recover any amount determined to be unallowable. The audit firm did not identify any material weaknesses in internal control. However, it identified two material instances of noncompliance pertaining to IPE’s noncompliance on the payment of service tax (chargeable to IPE) under the government’s reverse charge mechanism and delay in submission of required reports. In addition, although we are not making a recommendation for the significant deficiency noted in the report, we suggest that the mission determine if the recipient addressed the issue noted.

On the review of cost-sharing which is required under one of the two agreements, P.K. Chopra & Co. reported that IPE did not have cost-sharing contributions during the audited period. Finally, the audit firm reported that for the prior audit recommendations, two had not been satisfactorily addressed during the period of audit; thus, they were reported again as findings in the current audit report and one was pending a management decision by USAID.

During our desk review, we noted issues which the audit firm will need to address in future audit reports. We presented these issues and suggestions in a memorandum to the mission’s controller dated May 18, 2020.

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

**Recommendation 1.** Verify that IPE Global Limited corrects the two material instances of noncompliance detailed in Findings 1 and 2 on pages 48-50 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.

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3 The audit covered two programs: (1) Scaling-up Interventions in Reproductive, Maternal, Neonatal, Child and Adolescent Health Program under Cooperative Agreement AID-386-A-14-00001, and (2) Ending Preventable Maternal and Child Deaths among India’s Urban Poor Program under Cooperative Agreement AID-386-A-15-00014. Program costs totaled $4,894,148 of which $4,517,817 incurred by IPE (prime recipient) was audited by P.K. Chopra & Co. The subrecipient costs that were not audited by P.K. Chopra & Co. totaled $376,331 as discussed on page 1 of this memorandum.
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