



## MEMORANDUM

**DATE:** May 26, 2020

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

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

**SUBJECT:** Financial Audit of the Project Sambhuya: Engaging Private Sector to Improve Reproductive, Maternal, Neonatal, Child and Adolescent Health Outcomes in India Managed by Solidarity and Action Against the HIV Infection in India, Cooperative Agreement AID-386-A-15-00006, April 1, 2018, to March 31, 2019 (5-386-20-042-R)

This memorandum transmits the final audit report on the Project Sambhuya: Engaging Private Sector to Improve Reproductive, Maternal, Neonatal, Child and Adolescent Health Outcomes in India managed by Solidarity and Action Against the HIV Infection in India (SAATHII). SAATHII contracted with the independent certified public accounting firm of Kumar Mittal & 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 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. 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>2</sup>

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

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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 On June 30, 2017, USAID OIG rescinded its Guidelines for Financial Audits Contracted by Foreign Recipients, recognizing the Agency's role to impose requirements on its implementing partners and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. Although, the audit contract statement of work required "USAID Financial Audit Guide for Foreign Organizations" to be followed as the auditing framework, yet the audit firm referred to the Guidelines in its audit report.

<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.

whether SAATHII has taken corrective actions on prior audit report recommendations. The mission confirmed that the agreement did not require cost-sharing contributions. To answer the audit 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 \$1,348,378 and \$1,626,202, respectively, from April 1, 2018, to March 31, 2019.

Kumar Mittal & Co. concluded that, except for the effects of ineligible questioned costs of \$10,097, 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 \$10,097 questioned costs and recover any amount determined to be unallowable. The audit firm did not identify any material weaknesses in internal control or material instances of noncompliance. In addition, although we are not making a recommendation for the two significant deficiencies noted in the report, we suggest that the mission determine if the recipient addressed the issues noted. The audit firm also issued a management letter to SAATHII identifying an internal control matter.

Finally, the audit firm reported that the prior audit recommendations were satisfactorily addressed.

During our desk review, we noted issues which the audit firm will need to address in future audit reports. We presented these issues and a suggestion in a memorandum to the mission's controller dated May 26, 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