



MEMORANDUM

DATE: June 5, 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 National Society for Earthquake Technology – Nepal Under Multiple USAID Agreements, July 17, 2018, to July 16, 2019 (5-367-20-049-R)

This memorandum transmits the final audit report on the multiple USAID awards managed by National Society for Earthquake Technology – Nepal (NSET). NSET contracted with the independent certified public accounting firm of CSC & 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 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 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.¹

The audit objectives were to (1) express an opinion on whether NSET's fund accountability statement for the period audited was presented fairly, in all material respects; (2) evaluate NSET's internal controls; (3) determine whether NSET complied with agreement terms (including cost-sharing contributions), and applicable laws and regulations; (4) perform an audit of the indirect cost rates; (5) to express an opinion on whether the NSET's general purpose financial statements (GPFS) for the period audited was presented fairly, in all material respects; and (6) determine whether NSET has taken corrective actions on prior audit report recommendations. The audit firm reported that none of the agreements required cost sharing. To answer the audit objectives, the audit firm examined the fund accountability statements 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

¹ 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.

and applicable laws and regulations; determined the actual indirect cost rates, examined the GPFS and supporting documentation, and assessed the status of prior audit recommendations. The audit covered program revenues and costs of \$2,931,009 and \$4,178,748, respectively, from July 17, 2018, to July 16, 2019.²

CSC & Co. concluded that except for the effects of ineligible questioned costs of \$282,361, the fund accountability statements presented fairly, in all material respects, program revenues and costs incurred under the agreements for the period audited. The ineligible costs pertained to excess indirect costs charged to USAID. The audit firm did not identify any material weaknesses in internal control. However, it identified one material instance of noncompliance related to questioned costs above. The audit firm also identified an internal control matter which was discussed in a separate section titled “Summary of findings and recommendations.”

The audit firm reported that all three programs (PEER IV, Baliyo Ghar, and TSBCIN) have USAID-authorized provisional indirect cost rates and that the schedule of the computation of the indirect cost rate was fairly stated in all material respects. The audit firm reported that it issued an unmodified audit opinion on the GPFS with an Emphasis of Matter on the financial statements. Further, the prior audit findings were not repeated during the audit period.

During our desk review, we noted issues which the audit firm will need to address in future audit reports. We presented these issues in a memorandum to the mission’s controller dated June 5, 2020.

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

Recommendation 1. Determine the allowability of \$282,361 in ineligible questioned costs identified on page 6 and detailed on page 14 of the audit report and recover any amount that is unallowable.

Recommendation 2. Verify that the National Society for Earthquake Technology – Nepal corrects the material instance of noncompliance detailed on page 19 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.

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

² The audit covered three NSET programs for the period audited: (a) Program for Enhancement of Emergency Response (PEER IV) under Agreement AID-OFDA-G-14-00201; (b) Housing Reconstruction Technical Assistance Program Baliyo Ghar under Cooperative Agreement AID-367-A-15-00005; and (c) Technical Support for Building Code Implementation in Nepal (TSBCIN) under Agreement AID-OFDA-G-17-00251.