



# OFFICE OF INSPECTOR GENERAL

## U.S. Agency for International Development

### MEMORANDUM

**DATE:** September 26, 2022

**TO:** USAID/Nepal Mission Director, Sepideh Keyvanshad

**FROM:** OIG Asia Regional Office, USDH NFA Coordinator, Rhonda Horried /s/

**SUBJECT:** Financial and Closeout Audits of Multiple USAID Awards Managed by National Society for Earthquake Technology – Nepal, July 16, 2020, to July 15, 2021 (5-367-22-030-R)

This memorandum transmits the final audit report of the National Society for Earthquake Technology – Nepal (NSET) under the following awards.

Award Name	Award No.	Audited Period
Program for Enhancement of Emergency Response – Stage 4 (PEER IV)	AID-OFDA-G-14-00201	July 16, 2020 – July 15, 2021
Housing Reconstruction Technical Assistance Program (HRTAP)- Baliyo Ghar in Nepal	AID-367-A-15-00005	July 16, 2020 – July 15, 2021
Technical Support for Building Code Implementation in Nepal (TSBCIN) Daro Ghar, Digo Basti - Strong House, Resilient Settlement	AID-OFDA-G-17-00251	July 16, 2020– December 31, 2020 (Closeout Audit)
Technical Support for Resilient Community Program (TESRECT) – “My Village is Resilient Program”	720FDA19GR00207	July 16, 2020 – July 15, 2021

NSET contracted with the independent certified public accounting firm PKF T. R. Upadhya & Co. to conduct the audit. The audit firm stated that it performed its audit in accordance with generally accepted government auditing standards and USAID Financial Audit Guide for Foreign Organizations. However, it did not have an external quality control review or a continuing professional education program that fully satisfied the standards’ requirements. The audit firm is responsible for the enclosed report and the conclusions expressed in it. We do not express an

opinion on NSET's schedules of expenditures of USAID awards; the effectiveness of its internal control; or its compliance with the awards, laws, and regulations.<sup>1</sup>

The audit objectives were to: (1) express an opinion on whether NSET's schedules of expenditures of USAID awards for the periods audited, were presented fairly, in all material respects; (2) evaluate NSET's relevant internal controls; (3) determine whether NSET complied with the agreement terms (including cost-sharing contributions), and applicable laws and regulations; and (4) perform an audit of indirect cost rates; (5) express an opinion on whether NSET's general purpose financial statements for the period audited were presented fairly, in all material respects; (6) determine whether NSET had taken corrective actions on prior audit report recommendations; and (7) review the closeout procedures for Grant AID-OFDA-G-17-00251.

To answer the audit objectives, the audit firm reported that it examined NSET's schedules of expenditures of USAID awards and supporting documentation; evaluated the effectiveness of the design and operation of the internal control systems; conducted tests of the recipient's compliance with agreement terms and applicable laws and regulations. The audit covered program revenues and costs of \$1,072,051 and \$1,252,207, respectively, from July 16, 2020, to July 15, 2021.

The audit firm concluded that, except for the effect of the questioned costs of \$5,218 (\$1,436 ineligible and \$3,782 unsupported), the schedules of expenditures of USAID awards presented fairly, in all material respects, program revenues and costs incurred under the agreements for the periods 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 USAID/Nepal determine the allowability of the \$5,218 in questioned costs and recover any amount determined to be unallowable. The audit firm identified one material weakness in internal control and two instances of material noncompliance. In addition, although we are not making a recommendation for five significant deficiencies noted in the report, we suggest that USAID/Nepal determine if the recipient addressed the issues noted. The audit firm stated that the agreements did not require cost-sharing contributions. The audit firm reported that all programs have USAID-authorized provisional indirect cost rates and that the schedule of computation of indirect cost rate was fairly stated in all material respects. The audit firm issued an unmodified audit opinion on the general purpose financial statements with an emphasis of matter; noted that the prior audit recommendations were partially addressed at the end of the audit period; and provided a list of non-expendable items of the closed-out project. The audit firm also issued a management letter to the recipient.

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

**Recommendation I.** Verify that National Society for Earthquake Technology – Nepal have corrected the one material weakness in internal control detailed on pages 29 and 30 of the audit report.

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<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.

**Recommendation 2.** Verify that National Society for Earthquake Technology – Nepal have corrected the two instances of material noncompliance detailed on pages 39 and 40 of the audit report.

We ask that you provide your written notification of actions planned or taken to reach management decision.

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”).