



MEMORANDUM

DATE: July 3, 2019

TO: USAID/India Mission Director, Mark A. White

FROM: USAID OIG Asia Regional Office Acting Audit Director, David Clark /s/

SUBJECT: Financial Audit of IPE Global Limited Under Multiple USAID Agreements in India, April 1, 2017, to March 31, 2018 (5-386-19-043-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 P.K. Chopra & Co. to conduct the audit. The contract required the audit firm to perform the audit in accordance with U.S. generally accepted government auditing standards (GAGAS) and USAID OIG Guidelines for Financial Audits Contracted by Foreign Recipients.¹

P.K. Chopra & Co. stated that it performed its audit in accordance with GAGAS except that 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 \$924,448 incurred by a subrecipient, JSI Research & Training Institute, Inc., because the subrecipient is not subject to audit.² P.K. Chopra & Co. is responsible for the enclosed auditor's 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.³

¹ On June 30, 2017, USAID OIG rescinded its Guidelines for Financial Audits Contracted by Foreign Recipients, recognizing the Agency's role to impose requirements on its implementing partners and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. The mission, however, asked the auditors in its contract to follow the Guidelines, and this contracted audit followed that Guidelines.

² JSI Research & Training Institute, Inc. is a U.S. nonprofit subrecipient that is subject to a 2 CFR Part 200 Subpart F audit (Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards).

³ 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 the recipient's fund accountability statements for the period audited were presented fairly, in all material respects; (2) evaluate the recipient's internal controls; (3) determine whether the recipient complied with agreement terms and applicable laws and regulations (including cost-sharing contributions); and (4) determine if the recipient had taken adequate corrective actions on prior audit recommendations. To answer the audit objectives, P.K. Chopra & Co. reviewed program documents and procedures; examined the fund accountability statement; evaluated the recipient's internal control systems; tested compliance with agreement terms and applicable laws and regulations; and assessed the status of prior audit recommendation. The audit covered program revenues and costs of \$5,428,747 and \$5,340,533,⁴ respectively, from April 1, 2017 to March 31, 2018.

P.K. Chopra & Co. concluded that, except for the effects of the questioned costs totaling \$287 (ineligible) and the subrecipient costs totaling \$924,448 that were not covered by the audit, the fund accountability statements presented fairly, in all material respects, program revenues and costs incurred under the two 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 \$287 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 two significant deficiencies noted in the report, we suggest that the mission determine if the recipient addressed the issues 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. Furthermore, P.K. Chopra & Co. reported that the recipient did not have a USAID-authorized indirect cost rate on its agreements, and that all prior audit findings were resolved except for one finding which was again reported as a material instance of noncompliance in the current audit.

During our desk review, we noted a few issues which the audit firm will need to address in future audit reports. We presented these issues in a memorandum to the controller dated July 3, 2019.

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

⁴ The audit covered two projects: (i) Scaling-up Interventions in Reproductive, Maternal, Neonatal, Child and Adolescent Health (RMNCH+A) Program under Cooperative Agreement AID-386-A-14-00001 and (ii) Ending Preventable Maternal and Child Deaths among India's Urban Poor Program under Cooperative Agreement AID-386-A-15-00014. Program costs totaled \$6,264,981, of which \$5,340,533 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 \$924,448 as discussed on page 1 of this memorandum (paragraph 2).

Recommendation I. Verify that the IPE Global Limited corrects the two material instances of noncompliance identified in the report on compliance on page 47 and detailed in Findings 1 and 2 on pages 48-51 of the 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