



MEMORANDUM

DATE: May 27, 2020

TO: USAID/India Acting Mission Director, Keith E. Simmons

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

SUBJECT: Financial Audit of the Tuberculosis Health Action Learning Initiative Project in India Managed by the World Health Partners, Cooperative Agreement AID-386-A-16-00004, April 1, 2018, to March 31, 2019 (5-386-20-044-R)

This memorandum transmits the final audit report on the Tuberculosis Health Action Learning Initiative Project in India managed by the World Health Partners (WHP). WHP 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 generally accepted government auditing standards. 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 WHP's fund accountability statement; the effectiveness of its internal control; or its compliance with the awards, laws, and regulations.¹

The audit objectives were to (1) express an opinion on whether WHP's fund accountability statement for the period audited was presented fairly, in all material respects; (2) evaluate WHP's internal controls; (3) determine whether WHP complied with agreement terms and applicable laws and regulations (including cost-sharing contributions); and (4) determine whether WHP had taken adequate corrective actions on prior audit report recommendations. To answer the audit objectives, the audit firm examined the fund accountability statement and its supporting documents; evaluated the internal control system and assessed all related risks; reviewed compliance with agreement terms and applicable laws and regulations; and assessed the status of prior audit report recommendations. The audit covered project revenues and costs of \$1,380,637 and \$1,530,610, respectively, from April 1, 2018, to March 31, 2019.

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.

Kumar Mittal & Co. concluded that, except for the effect of the questioned costs totaling \$8,318 (ineligible), the fund accountability statement presented fairly, in all material respects, project revenues and costs incurred under the agreement 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 \$8,318 in ineligible questioned costs and recover any amount determined to be unallowable.

The audit firm identified three material weaknesses in internal control. One was related to the questioned costs in the fund accountability statement. The other two were related to the booking of expenses against an incorrect budget category and the subrecipient's nonreversal of goods and service taxes resulting in excess claims to USAID in prior years that was rectified in the current year. The audit firm also identified one material instance of noncompliance related to variances between the recipient's monthly expenditure report and the quarterly financial federal report. The audit firm issued a management letter to WHP identifying two internal control matters and immaterial instances of noncompliance.

Regarding the review of cost-sharing contributions, the audit firm reported that WHP and its subrecipient contributed \$814,235 for the period audited. The audit firm reported questioned costs of \$133 (ineligible) on these contributions. According to the audit firm, WHP has already fulfilled the required cost-sharing contributions of \$771,835; thus, the questioned costs has no effect on its contribution. Nevertheless, we suggest that the mission verify that WHP subsequently reverses the \$133 in its books and reflect it in its report to USAID. Finally, the audit firm reported that all prior audit findings have been resolved.

During our desk review, we noted issues that the audit firm will need to address in future audit reports. We presented these issues in a memorandum to the mission's controller dated May 27, 2020.

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

Recommendation 1. Verify that the World Health Partners corrects the three material weaknesses in internal control identified in the report on internal control on page 46 and detailed in Findings 1-3 on pages 47-50 of the report.

Recommendation 2. Verify that the World Health Partners corrects the one material instance of noncompliance identified in the report on compliance on page 43 and detailed in Finding 1 on page 44 of the report.

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