



## MEMORANDUM

**DATE:** May 29, 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 Room to Read India Trust Under Multiple USAID Awards, April 1, 2018 to March 31, 2019 (5-386-20-046-R)

This memorandum transmits the final audit report of the Room to Read India Trust (RTR) under multiple USAID awards. RTR contracted with the independent certified public accounting firm of Thakur, Vaidyanath Aiyar & Co. to conduct the audit. The audit firm stated that it performed its audit in accordance with generally accepted government auditing standards and the 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 RTR's fund accountability statements; the effectiveness of its internal control; or its compliance with the awards, laws, and regulations.<sup>2</sup>

The audit objectives were to (1) express an opinion on whether RTR's fund accountability statements for the period audited was presented fairly, in all material respects; (2) evaluate RTR's internal controls; (3) determine whether RTR complied with award terms, and applicable laws and regulations; and (4) determine whether RTR has taken corrective actions on prior audit report recommendations. 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; tested compliance with award terms and

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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 On June 30, 2017, USAID OIG rescinded its "Guidelines for Financial Audits Contracted by Foreign Recipients," recognizing the Agency's role to impose requirements on its implementing partners and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. However, the audit firm stated in its audit report that it performed its audit in accordance with these Guidelines.

<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.

applicable laws and regulations; and assessed the status of prior audit recommendations. RTR was the prime recipient for one project and a subrecipient for another project. The audit covered project revenues and costs of \$1,650,679 and \$1,552,634, respectively, from April 1, 2018 to March 31, 2019.<sup>3</sup>

The audit firm concluded that except for the effects of the ineligible questioned cost totaling \$1,862, the fund accountability statements presented fairly, in all material respects, project revenues and costs under the awards for the period audited. The audit firm identified two material weaknesses in internal control and three material instances of noncompliance which are all related to the questioned costs in the fund accountability statements. Since the questioned costs did not meet the OIG's established threshold of \$25,000 for making a recommendation, we are not making recommendations on the questioned costs and on the related material weaknesses in internal control and material instances of noncompliance. Nevertheless, we suggest that the mission determine the allowability of the \$1,862 in questioned costs and recover any amount determined to be unallowable and determine if the recipient addressed the related internal control and noncompliance issues. Although we are not making a recommendation for the three significant deficiencies noted in the report, we suggest that the mission determine if the recipient addressed the issues noted. The audit firm issued a management letter to RTR identifying six internal control matters. Finally, the audit firm reported that there were no prior audit recommendations.

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 controller dated May 29, 2020.

Given the above results of the audit, we are not making any recommendation. 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

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<sup>3</sup> Of the total expenditures of \$1,552,634, \$1,372,921 was incurred under Cooperative Agreement AID-386-A-15-00021 (Scaling Up Early Reading Intervention Program) for which RTR was the prime recipient; and \$179,713 was incurred under grant CMF-RTR-EDU-20151203 (Providing basic literacy skills to children across 100 schools in Rajasthan) for which RTR was a subrecipient.