



## MEMORANDUM

**DATE:** June 18, 2020

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

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

**SUBJECT:** Closeout Audit of the Read Alliance Project in India Managed by CKS Consulting Private Limited, Cooperative Agreement AID-386-A-13-00006, April 1 to December 31, 2018 (5-386-20-051-R)

This memorandum transmits the final audit report on the Read Alliance Project in India managed by CKS Consulting Private Limited (CKS). CKS 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 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 the recipient's fund accountability statement; the effectiveness of its internal control; or its compliance with the award, laws, and regulations.<sup>2</sup>

The audit objectives were to (1) express an opinion on whether CKS's fund accountability statement for the period audited was presented fairly, in all material respects; (2) evaluate CKS's internal controls; (3) determine whether CKS complied with agreement terms, and applicable laws and regulations; and (4) determine whether CKS has taken corrective actions on prior audit report recommendations. To answer the audit objectives, the audit firm examined the fund accountability statement and supporting documentation; evaluated the effectiveness of the design and operation of the internal control system; and tested CKS's compliance with

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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 On June 30, 2017, USAID OIG rescinded its "Guidelines for Financial Audits Contracted by Foreign Recipients," recognizing the Agency's role to impose requirements on its implementing partners and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.

agreement terms and applicable laws and regulations. The audit firm reported that there were no prior audit recommendations. The audit covered project revenues and costs of \$903,069 and \$801,338, respectively, from April 1 to December 31, 2018.

The audit firm concluded that except for the effects of the ineligible questioned costs totaling \$33,283, the fund accountability statement presented fairly, in all material respects, project revenues and costs incurred under the agreement for the period audited. The ineligible questioned costs pertained to (1) record storage rental for the period after the end of the award - \$12,345; (2) mentorship program costs without adequate supporting documents - \$6,858; (3) salaries charged after the end of the award - \$11,644; (4) other expenses charged after the end of the award - \$2,038; (5) overcharged gratuity costs - \$310; and (6) overcharged overhead costs - \$88.

The audit firm did not identify any material weaknesses in internal control or material instances of noncompliance. The audit firm also issued a management letter to CKS identifying an internal control matter.

During our desk review, we noted issues that the audit firm will need to address in future audit reports. We have presented these issues in a memorandum to the controller dated June 18, 2020.

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

**Recommendation I.** Determine the allowability of \$33,283 in questioned costs (ineligible) identified on page 24 and further detailed on pages 29-37 of the audit report and recover any amount that is unallowable.

We ask that you provide your written notification of actions planned or taken to a reach management decision. We appreciate the assistance extended during the engagement.

The 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