



MEMORANDUM

DATE: February 20, 2018

TO: USAID/Indonesia Mission Director, Erin McKee

FROM: Regional Inspector General/Manila, Matthew Rathgeber /s/

SUBJECT: Financial Audit of USAID/Indonesia's Rupiah Trust Fund, for the Fiscal Years Ended September 30, 2016 and 2017 (5-497-18-004-N)

This memorandum transmits the final audit report on the USAID/Indonesia's Rupiah Trust Fund. USAID/Indonesia contracted the independent certified public accounting firm of Johan Malonda Mustika & Rekan to conduct the audit. The contract required the audit firm to perform the audit in accordance with generally accepted government auditing standards (GAGAS) and USAID OIG Guidelines for Financial Audits Contracted by Foreign Recipients.¹

Johan Malonda Mustika & Rekan 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. Johan Malonda Mustika & Rekan 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.²

The audit objectives were to (1) express an opinion on whether the fund accountability statement for the period audited was presented fairly, in all material respects; (2) evaluate USAID/Indonesia's internal controls related to the trust fund; (3) determine whether USAID/Indonesia complied with trust fund agreement terms and applicable laws and regulations; and (4) determine whether USAID/Indonesia has taken adequate corrective action on prior audit report recommendations, if any. To answer the audit objectives, Johan Malonda Mustika & Rekan performed audit procedures to evaluate the effectiveness of the design and

¹ On June 30, 2017, USAID OIG rescinded its Guidelines for Financial Audits Contracted by Foreign Recipients, recognizing the Agency's role to impose requirements on its implementing partners and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.

² 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.

operation of the internal controls and examined the underlying documentation, which supported the financial transactions recorded as expenditures. The audit covered trust fund receipts of \$2,348,050 and costs of \$2,609,050 for the two-year period ending September 30, 2017.

Johan Malonda Mustika & Rekan concluded that the fund accountability statement presented fairly, in all material respects, trust fund receipts and costs incurred for the period audited. The audit firm did not identify any questioned costs, significant deficiencies or material weaknesses in internal control, or material instances of noncompliance. In addition, the audit firm noted that there were no outstanding prior audit recommendations.

Note 2 to the fund accountability statement presented a reconciliation of the ending fund balance with the cash-in-bank balance as of September 30, 2017. Two of the reconciling items pertained to refunds on lease and value added tax amounting to \$28,723 that were included in the cash-in-bank balance but not recorded in the books. The reconciliation added a note that these refunds were recorded in the books in the subsequent period. In answer to our inquiry, the mission explained that a delay in recording of these refunds occurred because it had encountered problems in recording these transactions in the books. The mission stated that it plans to closely monitor these types of transactions in the future and to prepare a journal voucher to record trust fund collections. Accordingly, we are not making a recommendation for corrective action.

Given the above results of the audit, we are not making any recommendations for inclusion in USAID's Consolidated Audit and Compliance Tracking System. We appreciate the assistance extended to Johan Malonda Mustika & Rekan 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

cc: Controller, USAID/Indonesia
Office of Acquisition and Assistance, Cost Audit and Support Division
Executive Secretariat
Audit Performance and Compliance Division
OIG Deputy Inspector General
OIG Assistant Inspector General for Audit
OIG Principal Deputy Assistant Inspector General for Audit
OIG Cognizant Deputy Assistant Inspector General for Audit
OIG Investigations
OIG Audit's Audit Support Division