



OFFICE OF INSPECTOR GENERAL U.S. Agency for International Development

MEMORANDUM

DATE: January 31, 2023

TO: USAID/Indonesia, Mission Director, Jeff P. Cohen

FROM: USAID OIG Asia Regional Office, USDH NFA Coordinator, Rhonda Horried /s/

SUBJECT: Financial Audit of the Enhanced MDR-TB Services Project in Indonesia Managed by Majelis Pembina Kesehatan Umum Pimpinan Pusat Muhammadiyah Under award 72049720CA00001, March 18, 2020 to December 31, 2021 (5-497-23-005-R)

This memorandum transmits the audit report on the Enhanced MDR-TB Services (MENTARI TB) project in Indonesia managed by Majelis Pembina Kesehatan Umum Pimpinan Pusat Muhammadiyah (MPKU PP Muhammadiyah), under the cooperative agreement 72049720CA00001, for the period covering March 18, 2020 to December 31, 2021. MPKU PP Muhammadiyah contracted with the independent certified public accounting firm Johan Malonda Mustika & Rekan to conduct the audit. The audit firm stated it performed its audit in accordance with generally accepted government auditing standards (GAGAS). However, the audit firm disclosed that it did not have a continuing professional education program and external peer review that fully satisfies the standards' requirements. 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 schedule of expenditures of USAID awards, the effectiveness of its internal control, or its compliance with the award, laws, and regulations.¹

The audit objectives were to (1) express an opinion on whether the schedule of expenditures of USAID awards for MENTARI TB project for the period audited was presented fairly, in all material respects; (2) evaluate the MPKU PP Muhammadiyah's internal controls; and (3) determine whether MPKU PP Muhammadiyah complied with award terms and applicable laws and regulations. The audit examined the project's revenues and costs of \$2,253,662 and \$2,399,595, respectively, for the audited period.

¹ We reviewed the audit firm's report for conformity with professional reporting standards. Our desk reviews are typically performed to identify items that need clarification or issues that require management attention. Desk reviews are limited to review of the audit report itself and exclude 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 firm concluded that, except for the effect of the questioned costs of \$867 (\$762 ineligible and \$105 unsupported), the schedule of expenditures of USAID awards presented fairly, in all material respects, project revenues and costs incurred under the award for the period audited. The questioned costs are associated with two instances of material noncompliance. The audit firm also identified two material weaknesses in MPKU PP Muhammadiyah's internal controls. 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 USAID/Indonesia determine the allowability of the \$867 in questioned costs and recover any amount determined to be unallowable. The audit firm issued a management letter.

During our desk review, we noted areas for improvement which the audit firm should address in future audit reports. We presented these areas in a memo to the USAID/Indonesia's controller dated January 31, 2023.

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

Recommendation 1. Verify that Majelis Pembina Kesehatan Umum Pimpinan Pusat Muhammadiyah corrects the two instances of material noncompliance detailed on pages 16 to 19 of the audit report.

Recommendation 2. Verify that Majelis Pembina Kesehatan Umum Pimpinan Pusat Muhammadiyah corrects the two instances of material weakness in internal control detailed on pages 19 to 21 of the audit report.

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

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").