



## MEMORANDUM

**DATE:** June 4, 2018

**TO:** USAID/Southern Africa/Power Africa Trade Africa (PATA), Power Africa Coordinator, Andrew Herscowitz

**FROM:** Regional Inspector General/Pretoria, Rob Mason /s/

**SUBJECT:** Audit of USAID Resources Managed by Tony Blair Africa Governance Initiative in East Africa Under Power Africa Senior Advisors Group Project, Cooperative Agreement AID-623-A-14-00001, January 1, 2015, to December 31, 2016 (Report No. 4-674-18-082-R )

This memorandum transmits the final audit report on the Tony Blair Africa Governance Initiative's implementation of the Power Africa Senior Advisors Group Project in East Africa. The Tony Blair Africa Governance Initiative contracted with the independent certified public accounting firm Moore Stephens LLP, London, United Kingdom to conduct the audit. The audit firm stated that the contract required the audit firm to perform the audit in accordance with generally accepted government auditing standards (GAGAS).

The audit firm states that it performed its audit in accordance with GAGAS except that the audit firm did not have continuing professional education and external quality control review programs that fully satisfied the requirements set forth in GAGAS. The audit firm is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on Tony Blair Africa Governance Initiative's fund accountability statement; the effectiveness of its internal control; or its compliance with the award, laws, and regulations.<sup>1</sup>

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<sup>1</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.

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 the Tony Blair Africa Governance Initiative's internal controls; (3) determine whether Tony Blair Africa Governance Initiative complied with award terms and applicable laws and regulations, including cost sharing ; (4) review the indirect cost rate; and (5) review the implementation status of the prior period recommendations.

To answer the audit objectives, Moore Stephens LLP (1) audited the fund accountability statement for the award including the budgeted amounts by category and major items and the revenues received from USAID for the period covered by the audit and the costs reported by Tony Blair Africa Governance Initiative as incurred from January 1, 2015, to December 31, 2016; (2) evaluated the control environment, the adequacy of the accounting systems, and control procedures that pertain to the Tony Blair Africa Governance Initiative's ability to report financial data consistent with the assertions embodied in each account of the fund accountability statement; (3) identified the award terms and pertinent laws and regulations and determined which of those, if not observed, could have a direct and material effect on the fund accountability statement; (4) determined that the review of the indirect cost rate was not applicable; and (5) reviewed the implementation status of the prior period recommendations. Tony Blair Africa Governance Initiative spent \$1,827,505<sup>2</sup> in USAID funds during the audited period.

The audit firm concluded the fund accountability statement presented fairly, in all material respects, program revenues and costs incurred under the award for the period audited except for \$154,582 in total questioned costs (\$28,552<sup>3</sup> ineligible and \$126,030<sup>4</sup> unsupported). The audit identified one material weakness; and four significant deficiencies in internal control. The audit also identified \$346,125<sup>5</sup> unsupported questioned cost sharing contributions.

During our desk review, we noted a minor issue which the audit firm should address in future audit reports. We presented this issue in a memorandum to the controller, dated June 4, 2018.

To address the issues identified in the report, we recommend that USAID/Southern Africa/PATA:

**Recommendation I.** Determine the allowability of \$154,582 in questioned costs (\$28,552 ineligible, \$126,030 unsupported) on pages 23 to 48 of the audit report and recover any amount that is unallowable.

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<sup>2</sup> Total expenditure for 2015 and 2016 (\$1,047,170 + \$780,335 = \$1,827,505).

<sup>3</sup> Total ineligible cost for 2015 and 2016 (\$18,898 + \$9,654 = \$28,552).

<sup>4</sup> Total unsupported cost for 2015 and 2016 (\$107,361 + 18,669 = \$126,030).

<sup>5</sup> Total unsupported cost sharing for 2015 and 2016 (\$173,875 + 172,250 = \$346,125).

**Recommendation 2.** Verify that Tony Blair Africa Governance Initiative corrects the one material weakness and four significant deficiencies in internal control detailed on pages 50 to 62 of the audit report.

**Recommendation 3.** Determine the allowability of \$346,125 in unsupported questioned cost sharing on pages 17 and 18 of the audit report and take corrective action deemed necessary under Automated Directives System (ADS) 303.3.10.

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