



MEMORANDUM

DATE: February 2, 2018

TO: Mission Director, USAID/Tanzania, Andrew Karas

FROM: Regional Inspector General/Pretoria, John Vernon

SUBJECT: Audit of USAID Resources Managed by The President's Office, Ethics Secretariat, in Tanzania Under Grant Agreement No. 621-0014.08, Implementation Letter 1, January 1, 2013, to June 30, 2016 (Report No. 4-621-18-055-R)

Enclosed is the final audit report on The President's Office, Ethics Secretariat (Ethics Secretariat). Ethics Secretariat contracted with the Supreme Audit Institution, National Audit Office of Tanzania, Dar es Salaam, Tanzania to conduct the audit.

The National Audit Office of Tanzania (NAOT) states it performed its audit in accordance with generally accepted government auditing standards (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. NAOT is responsible for the enclosed auditor's report and the conclusions expressed in it. We do not express an opinion on NAOT's fund accountability statement.

The audit objectives were to: (1) express an opinion on whether the fund accountability statement for the period January 1, 2013, to June 30, 2016, was presented fairly, in all material respects; (2) evaluate Ethics Secretariat's internal control structure related to USAID-funded programs; (3) determine whether Ethics Secretariat complied, in all material respects, with agreement terms and applicable laws and regulations related to USAID funded program; (4) conduct an audit on indirect cost rate.

To answer the audit objectives, NAOT (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 Ethics Secretariat as incurred from January 1, 2013, to June 30, 2016, and (2) determined that the review of the indirect cost rate was not applicable. RIG/Pretoria performed a quality control review of this audit and found that working papers did not contain sufficient documentation to support the opinions in the report on internal control and compliance even though NAOT produced findings. Ethics Secretariat spent \$1,125,750 in USAID funds during the audited period.

The audit concluded that the fund accountability statement presented fairly, in all material respects, the funds received and costs incurred for Ethics Secretariat for the period under review, except for \$64,292 in questioned costs (\$22,873 in unsupported and \$41,419 in ineligible questioned costs) and two instances of material noncompliance. The compliance findings contained ineligible question costs amounting to \$61,342¹ that were not included in questioned costs on the fund accountability statement. Additionally, the management letter included one material weakness in internal control (incomplete accounting records finding 2.2.7) and four significant deficiencies in internal controls (findings 2.2.4 to 2.2.6 and 2.2.8) that we judged should have been included in the audit report. Total questioned costs amounts to \$125,634 (\$102,761 ineligible and \$22,873 unsupported).

To address the weaknesses identified in the report, the National Audit Office of Tanzania made and OIG concurs with the following recommendations to USAID/Tanzania's management, which we will track.

Recommendation 1. Determine the allowability of the \$125,634 in questioned costs (\$102,761 ineligible and \$22,873 unsupported) identified on pages 13 and 22 of the National Audit Office of Tanzania's audit report and recover from the Ethics Secretariat the amounts determined to be unallowable.

Recommendation 2. We recommend that USAID/Tanzania verify that Ethics Secretariat corrects the one material weaknesses and four significant deficiencies in internal control detailed on pages 6 to 13 of The National Audit Office of Tanzania's management letter.

Recommendation 3. We recommend that USAID/Tanzania verify that Ethics Secretariat corrects the two instances of material noncompliance detailed on pages 3 to 8 of the National Audit Office of Tanzania's management letter.

Recommendation 4. We recommend that USAID/Tanzania assess the adequacy of internal control and compliance with the terms of its agreement with the Ethics Secretariat.

Within 30 days, we ask that you provide written notification of actions planned or taken to reach management decision for the recommendations. A management decision has to

¹ \$18,153 + 43,189 = \$61,342 (page 22 of the report, paragraphs a and b)

be acknowledged no later than 6 months from the date of this memorandum. Please provide evidence of final action to the Audit Performance and Compliance Division.

cc: USAID/Tanzania, Contracting Officer, Ayana Angulo
USAID/Tanzania, Controller, Kristine Smathers
Office of Acquisition and Assistance (OAA), Cost Audit and Support Division
Executive Secretariat
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