



## MEMORANDUM

**DATE:** August 5, 2020

**TO:** USAID/Uganda, Mission Director, Richard Nelson

**FROM:** USAID OIG Africa Regional Office, Assistant Director, Matthew Rathgeber /s/

**SUBJECT:** Financial Audit of USAID Resources Managed by Energy and Security Group in Uganda Under Award AID-617-TO-17-00003, September 1, 2018, to March 31, 2020 (Report No. 4-617-20-011-N)

This memorandum transmits the final audit report on USAID resources managed by Energy and Security Group (ESG) on locally incurred costs paid in Uganda. USAID/Uganda contracted with the independent certified public accounting firm PricewaterhouseCoopers, Kampala, Uganda, to conduct the audit. The audit firm stated that it performed its audit in accordance with generally accepted government auditing standards (GAGAS). However, it did not have continuing professional education and an external peer review that fully satisfied the requirements of GAGAS. The audit firm is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on ESG's statement of locally incurred costs; the effectiveness of its internal control; or its compliance with the award, laws, and regulations.<sup>1</sup>

The audit objectives were to (1) express an opinion on whether the statement of locally incurred cost for the period audited, was presented fairly, in all material respects; (2) evaluate ESG's internal controls; (3) determine whether ESG complied with award terms and applicable laws and regulations; (4) review the indirect cost rate; and (5) review the implementation status of the prior period recommendations.

To answer the audit objectives, PricewaterhouseCoopers (1) audited the statement of locally incurred costs 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 ESG as incurred from September 1, 2018, to March 31, 2020; (2) evaluated the control environment, the adequacy of the accounting systems, and control procedures that pertain to ESG'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

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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.

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 was not required as this was the first audit engagement. ESG reported locally incurred expenditures of \$2,616,961 in USAID funds during the audited period.

The audit firm concluded the statement of locally incurred costs presented fairly, in all material respects, program costs incurred under the award for the period audited. The audit firm identified \$15,541 in ineligible questioned costs; no material weaknesses in internal control; and two instances of material noncompliance, both of which were related to the questioned costs. 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 or the related instances of noncompliance. Nevertheless, we suggest that USAID/Uganda determine the allowability of the \$15,541 in ineligible questioned costs and recover any amount determined to be unallowable. In addition, although we are not making a recommendation for significant deficiencies noted in the report, we suggest that USAID/Uganda determine if the recipient addressed the issues noted.

During our desk review, we noted several minor issues which the audit firm will need to address in future audit reports. We presented these issues in a memo to the controller, dated August 5, 2020.

Accordingly, we are not making any recommendations.

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").