



OFFICE OF INSPECTOR GENERAL

U.S. Agency for International Development

MEMORANDUM

DATE: February 21, 2023

TO: USAID/Mozambique, Mission Director, Helen Pataki

FROM: USAID OIG Africa Regional Office, Audit Director, Robert Mason /s/

SUBJECT: Financial Closeout Audit of USAID Resources Managed by Confederação das Associações Económicas de Mozambique Under Cooperative Agreement AID-656-A-14-00005, June 19, 2014, to December 18, 2020 (Report No. 4-656-23-001-N)

This memorandum transmits the final audit report on USAID resources managed by Confederação das Associações Económicas de Mozambique (CTA), for the Institutional Capacity Support for Mozambique Private Sector project. USAID/Mozambique contracted with the independent audit firm KPMG, Maputo, Mozambique to conduct the audit. The audit firm stated that it performed its audit in accordance with generally accepted government auditing standards. However, it did not have an external peer review or a continuing professional education program that fully satisfy 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 CTA'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 the period audited, was presented fairly, in all material respects; (2) evaluate CTA's internal controls; (3) determine whether CTA 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, KPMG (1) audited the schedule of expenditures of USAID awards 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 CTA as incurred from June 19, 2014, to December 18, 2020; (2) evaluated the control environment, the adequacy of the accounting systems, and control procedures that pertain to CTA's ability to report financial data consistent with the assertions embodied in each account of the schedule of

¹ 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.

expenditures of USAID awards; (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 schedule of expenditures of USAID awards; (4) determined that the review of the indirect cost rate was not applicable; and (5) reviewed the implementation status of the prior period recommendations. CTA reported expenditures of \$1,925,993 in USAID funds during the audited period.

The audit firm concluded the schedule of expenditures of USAID awards presented fairly, in all material respects, program revenues and costs incurred under the award for the period audited except for \$745,479 in total questioned costs (\$130,596 ineligible and \$614,883 unsupported). The audit firm also identified six material weaknesses in internal control and ten instances of material noncompliance (three of the material weaknesses in internal control were also reported as noncompliance). One of the instances of material noncompliance relates to required cost-sharing contributions not made by the recipient resulting in a shortfall at closeout of \$200,000. The audit firm also issued a management letter.

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

Recommendation 1. Determine the allowability of \$745,479 in questioned costs (\$130,596 ineligible, \$614,883 unsupported) on pages 17 and 18 of the audit report and recover any amount that is unallowable.

Recommendation 2. Verify that Confederação das Associações Económicas de Mozambique corrects the three material weaknesses in internal control detailed on pages 30-33, 41, and 45 to 46 of the audit report.

Recommendation 3. Verify that Confederação das Associações Económicas de Mozambique corrects the ten instances of material noncompliance detailed on pages 33 to 40, and 42 to 44 of the audit report.

Recommendation 4. Determine the allowability of \$200,000 shortfall in cost sharing contributions identified on pages 23 and 40 of the audit report and take any corrective action deemed necessary under ADS 303.3.10.3.

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”).