



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

MEMORANDUM

DATE: August 4, 2023

TO: USAID/Uganda, Mission Director, Richard Nelson

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

SUBJECT: Financial Audit of USAID Resources Managed by Makerere University Joint AIDS Program in Uganda Under Cooperative Agreement 72061721CA00001, October 1, 2021, to September 30, 2022 (Report No. 4-617-23-100-R)

This memorandum transmits the final audit report on USAID resources managed by Makerere University Joint AIDS Program (MJAP) under Local Partner Health Services - East Central (LPHS-EC) Activity. MJAP contracted with the independent audit firm Deloitte and Touché, Kampala, Uganda to conduct the audit. The audit firm stated that it performed its audit in accordance with generally accepted government auditing standards and the USAID Financial Audit Guide for Foreign Organizations. However, it did not have an external peer review or a continuing 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 MJAP'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 MJAP's internal controls; (3) determine whether MJAP 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, Deloitte and Touché (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 MJAP as incurred from October 1, 2021, to September 30, 2022; (2) evaluated the control environment, the adequacy of the accounting systems, and control procedures that pertain to MJAP's ability to report financial data consistent with the assertions embodied in each account of the schedule of expenditures of USAID awards; (3) identified the award terms and pertinent

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.

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) determined that the review of the implementation status of the prior period recommendations is not applicable. The recipient reported expenditures of \$7,696,120 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. The audit firm identified \$278,504 total ineligible questioned costs, of which \$273,985 was attributable to cost-sharing contributions; three material weaknesses in internal control; and two instances of material noncompliance.

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

Recommendation 1. Determine the allowability of \$4,519 in ineligible questioned costs on page 33 of the audit report and recover any amount that is unallowable.

Recommendation 2. Verify that Makerere University Joint AIDS Program corrects the three material weaknesses in internal control detailed on pages 26 to 30 of the audit report.

Recommendation 3. Verify that Makerere University Joint AIDS Program corrects the two instances of material noncompliance detailed on pages 33 to 35 of the audit report.

Recommendation 4. Determine the allowability of \$273,985 in ineligible questioned costs-sharing contributions on page 37 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”). In addition, USAID OIG has determined that this transmittal memo and the enclosed report are not subject to notification and reporting requirements under Section 5274 of the National Defense Authorization Act.²

² The James M. Inhofe National Defense Authorization Act for Fiscal Year 2023 Pub. L. No. 117-263, § 5274. Please direct related inquiries to oignotice_ndaa5274@usaid.gov.