



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

MEMORANDUM

DATE: July 30, 2024

TO: USAID/Uganda, Mission Director, Daniele Nyirandutiye

FROM: USAID OIG Africa Regional Office, Audit Director, Ryan Werner /s/

SUBJECT: Financial Audit of USAID Resources Managed by Ministry of Finance Planning and Economic Development in Uganda Under Consolidated Implementation Letter 617-CIL-30-2022, October 1, 2021, to June 30, 2023 (Report No. 4-617-24-112-R)

This memorandum transmits the final audit report on USAID resources managed by Ministry of Finance Planning and Economic Development (MoFPED) in Uganda for the Government-to-Government (G2G) Grant received by seven Regional Referral Hospitals (RRHs) under the G2G RRH Strengthening Activities. The Office of the Auditor General of Uganda appointed the independent audit firm KPMG, Kampala, Uganda to conduct the audit on their behalf. The audit firm stated that it performed its audit in accordance with generally accepted government auditing standards and International Standards on Auditing. 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 MoFPED'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 MoFPED's internal controls; (3) determine whether MoFPED 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 MoFPED as incurred from October 1, 2021, to June 30, 2023; (2) evaluated the control environment, the

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.

adequacy of the accounting systems, and control procedures that pertain to MoFPED'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 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. MoFPED reported expenditures of \$4,032,471 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 \$17,263 in total questioned costs (\$15,090 ineligible and \$2,173 unsupported); four material weaknesses in internal control; and twenty instances of material noncompliance. 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 for the questioned costs and the specifically related findings (four material weaknesses in internal control and four material noncompliance instances). Nevertheless, we suggest that USAID/Uganda determine the allowability of the \$17,263 in 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.

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

Recommendation 1. Verify that Ministry of Finance Planning and Economic Development corrects the sixteen instances of material noncompliance detailed on pages 51 to 54, 56 to 68, 71 to 78, and 79 to 82 of the audit report.

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.