



## MEMORANDUM

**DATE:** March 20, 2018

**TO:** USAID/Ghana, Mission Director, Sharon Cromer

**FROM:** Regional Inspector General/Pretoria, John Vernon /s/

**SUBJECT:** Audit of USAID Resources Managed by National Health Insurance Authority in Ghana Under Implementation Letter 64I-A11-FY15-IL#010, From February 9, 2015, to December 31, 2016 (Report No. 4-64I-18-063-R)

This memorandum transmits the final audit report on USAID resources managed by National Health Insurance Authority (NHIA) under equitable improvement in health status program. NHIA contracted with the Ghana Audit Service (GAS), Accra, Ghana to conduct the audit. The contract required the audit firm to perform the audit in accordance with generally accepted government auditing standards.

The audit firm states that it performed its audit in accordance with generally accepted government auditing standards (GAGAS), except that the audit firm did not have external quality control review programs that fully satisfied the requirements set forth in GAGAS. The audit firm is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on NHIA's fund accountability statement; 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 fund accountability statement for the period audited was presented fairly, in all material respects; (2) evaluate NHIA's internal controls; (3) determine whether NHIA 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.

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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.

To answer the audit objectives, GAS (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 NHIA as incurred from February 9, 2015, to December 31, 2016; (2) evaluated the control environment, the adequacy of the accounting systems, and control procedures that pertain to NHIA'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 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. NHIA spent \$1,006,935 in USAID funds during the audited period.

The audit firm concluded the fund accountability statement presented fairly, in all material respects, program revenues and costs incurred under the award for the period audited, except for \$146,197 in ineligible questioned costs and three instances of material noncompliance. The report also included questioned cost from cost-share contributions of \$249,763 (\$170,629 in ineligible and \$79,134 in unsupported questioned cost-share contributions). We have identified additional noncompliance findings d and e on pages 31 to 32 for cost-sharing contributions, which we deem to be material noncompliance findings.

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 memorandum to the controller, dated March 20, 2018.

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

**Recommendation 1.** Determine the allowability of \$146,197 in ineligible questioned costs identified on pages 14 and 17 of the Ghana Audit Service's audit report.

**Recommendation 2.** Verify that National Health Insurance Authority corrects the three instances of material noncompliance detailed on pages 24 to 26 and two instances of material noncompliance detailed on pages 31 to 32 of the Ghana Audit Service's audit report.

**Recommendation 3.** Determine the allowability of \$249,763 in questioned cost-sharing contributions (\$170,629 ineligible and \$79,134 unsupported) identified on pages 29 to 32 of the audit report and take any corrective action deemed necessary under ADS 303.3.10.

We ask that you provide your written notification of actions planned or taken to reach management decision. 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").