



MEMORANDUM

DATE: June 7, 2018

TO: USAID/Malawi, Mission Director, Littleton Tazewell

FROM: Regional Inspector General/Pretoria, Rob Mason /s/

SUBJECT: Agency-Contracted Closeout Audit of USAID Resources Managed by Mulanje Mountain Conservation Trust in Malawi Under Agreement 674-A-00-10-00019-00, October 1, 2012, to September 30, 2013 (Report No. 4-612-18-008-N)

This memorandum transmits the final audit report on Mulanje Mountain Conservation Trust (MMCT). USAID/Malawi contracted with the independent certified public accounting firm Graham Carr, Lilongwe, Malawi, to conduct the audit. The audit firm stated that the contract required the audit firm to perform the audit in accordance with generally accepted government auditing standards and the USAID OIG Guidelines for Financial Audits Contracted by Foreign Recipients.¹

The audit firm states that it performed its audit in accordance with generally accepted government auditing standards except that the audit firm did not have continuing professional education and external peer review. The audit firm is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on MMCT's fund accountability statement; the effectiveness of its internal control; or its compliance with the award, laws, and regulations.²

The audit objectives were to (1) express an opinion on whether the fund accountability

¹ On June 30, 2017, USAID OIG rescinded its Guidelines for Financial Audits Contracted by Foreign Recipients, recognizing the Agency's role to impose requirements on its implementing partners and contractors as a management function. This contracted audit, however, was initiated before that date and follows the Guidelines.

² 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.

statement for the period audited, was presented fairly, in all material respects; (2) evaluate the MMCT's internal controls; (3) determine whether MMCT complied with award terms and applicable laws and regulations; (4) reviewed the indirect cost rate and (5) reviewed the implementation of prior period recommendations.

To answer the audit objectives, Graham Carr (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 MMCT as incurred from October 1, 2012, to September 30, 2013; (2) evaluated the control environment, the adequacy of the accounting systems, and control procedures that pertain to MMCT'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 of prior period recommendations. MMCT spent \$372,530 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 \$226,627 in total questioned costs (\$2,440 ineligible and \$224,187 unsupported) and \$46,242 shortfall in cost sharing; five significant deficiencies in internal control; and six instances of material noncompliance. We reviewed the management letter which was submitted with the audit report; there were no significant deficiencies or material noncompliance instances reported.

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

Recommendation 1. Determine the allowability of \$226,627 in questioned costs (\$2,440 ineligible, \$224,187 unsupported) on pages 22 and 26 of the audit report and recover any amount that is unallowable.

Recommendation 2. Verify that Mulanje Mountain Conservation Trust corrects the five significant deficiencies in internal control detailed on pages 34 to 38 of the audit report.

Recommendation 3. Verify that Mulanje Mountain Conservation Trust corrects the six instances of material noncompliance detailed on pages 40 of the audit report.

Recommendation 4. Determine the allowability of \$46,242 shortfall in cost sharing identified on page 28 to 29 of the audit report and take corrective action deemed necessary under Automated Directives System (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”).