



MEMORANDUM

DATE: August 7, 2018

TO: USAID/Ghana, Mission Director, Sharon Cromer

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

SUBJECT: Audit of USAID Resources Managed by Savelugu-Nanton Municipal Assembly in Ghana Under Agreement 641-A18-FY15-IL#009, May 26, 2015, to December 31, 2016 (Report No. 4-641-18-096-R)

This memorandum transmits the final audit report on USAID resources managed by Savelugu-Nanton Municipal Assembly (SNMA) in Ghana under agreement 641-A18-FY15-IL#009. The mission contracted with Ghana's Supreme Audit Institute, Ghana Audit Service, 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), issued by the U.S. Comptroller General, except that the audit firm did not have an external quality control review program 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 SNMA's fund accountability statement; 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 fund accountability statement for the period audited, was presented fairly, in all material respects; (2) evaluate SNMA's internal controls; (3) determine whether SNMA complied with award terms and applicable laws and regulations; (4) review the indirect cost rate; (5) review whether cost-sharing/counterpart contributions were provided and accounted for by SNMA in accordance with the terms of the agreements; and (6) review the implementation status of the prior period recommendations.

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.

To answer the audit objectives, Ghana Audit Service (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 SNMA as incurred from May 26, 2015, to December 31, 2016; (2) evaluated the control environment, the adequacy of the accounting systems, and control procedures that pertain to SNMA'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; (5) reviewed cost sharing contributions; and (6) determined that the implementation status of the prior period recommendations was not applicable. SNMA reported expenditures of \$819,136 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 \$2,907 in total questioned costs (\$924 ineligible and \$1,983 unsupported). The audit firm also reported three significant deficiencies in internal control and one instance of material noncompliance. In addition, the audit report also outlined \$102,404 in unsupported questioned costs regarding cost-sharing contributions.

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 August 7, 2018.

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

Recommendation 1. Determine the allowability of \$2,907 in questioned costs (\$924 ineligible and \$1,983 unsupported) on pages 14 and 16 of the audit report and recover any amount that is unallowable.

Recommendation 2. Verify that Savelugu-Nanton Municipal Assembly corrects the three significant deficiencies in internal control detailed on pages 21 to 23 of the audit report.

Recommendation 3. Verify that Savelugu-Nanton Municipal Assembly corrects the one instance of material noncompliance detailed on page 27 of the audit report.

Recommendation 4. Determine the allowability of \$102,404 in unsupported questioned cost sharing contributions identified on pages 30 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”).