



MEMORANDUM

DATE: October 19, 2018

TO: USAID/Malawi, Mission Director, Littleton Tazewell

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

SUBJECT: Agreed-Upon Procedures Report of USAID Resources Managed by Dignitas International in Malawi Under Cooperative Agreement 674-A-00-10-00034-00, January 1, 2015, to September 30, 2016 (Report No. 4-612-19-001-O)

This memorandum transmits the final agreed-upon procedures (AUP) report of USAID resources managed by Dignitas International (DI). USAID/Malawi contracted with the independent certified public accounting firm Graham Carr, Lilongwe, Malawi to conduct the AUP. The contract required Graham Carr to perform the agreed-upon procedures in accordance with generally accepted government auditing standards (GAGAS) issued by the Comptroller General of the United States.

The audit firm states it performed the agreed-upon procedures in accordance with GAGAS, except that the audit firm did not have continuing professional education and 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.¹

The AUP objectives were to (1) Conduct agreed upon-procedures of the fund accountability statement of the USAID funded program and report on factual findings related to funds received, and costs incurred for the period; (2) evaluate the DI's internal controls; and (3) determine whether DI complied with award terms and applicable laws and regulations; and (4) determine if DI has taken adequate corrective action on prior audit report 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 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 AUP objectives, Graham Carr (1) conducted agreed upon-procedures of the fund accountability statement of the USAID funded program and report on factual findings related to funds received, and costs incurred for the period January 1, 2015 to September 2016; (2) obtained a sufficient understanding of the DI's internal controls related to the USAID-funded program; (3) performed tests to determine whether DI complied, in all material respects, with agreement terms and applicable laws and regulations related to USAID-funded programs; and (4) reviewed the implementation status of prior period recommendations.

The results of the AUP reported 18 factual findings where DI did not comply with USAID rules and regulations, the agreement signed between USAID and DI, local laws, and internal control policies and procedures. From these factual findings \$2,095,324 questioned costs were identified (\$254,693 ineligible and \$1,840,631 unsupported)

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

Recommendation 1. Determine the allowability of \$2,095,324 in questioned costs (\$254,693 ineligible, \$1,840,631 unsupported) on pages 16, 22, 23 and 27 of the agreed-upon procedures report and recover any amount that is unallowable.

Recommendation 2. Verify that Dignitas International corrects the 18 factual findings detailed on pages 28 to 46 of the agreed-upon procedures report.

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”).