



## MEMORANDUM

**DATE:** October 17, 2018

**TO:** USAID/Tanzania, Mission Director, Andrew Karas

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

**SUBJECT:** Financial Closeout Audit of USAID Resources Managed by Selian Lutheran Hospital in Tanzania Under Cooperative Agreement AID-621-A-11-00004, January 1 to December 31, 2016 (Report No. 4-621-19-011-R)

This memorandum transmits the final closeout audit report on USAID resources managed by Selian Lutheran Hospital under the AIDS Control Program. The Selian Lutheran Hospital contracted with the independent certified public accounting firm RSM Eastern Africa, Dar es Salaam, Tanzania to conduct the audit. The contract required the audit firm to perform the audit in accordance with generally accepted government auditing standards (GAGAS).

The audit firm states that it performed its audit 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. We do not express an opinion on Selian Lutheran Hospital'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 the Selian Lutheran Hospital's internal controls; (3) determine whether Selian Lutheran Hospital complied with award terms and applicable laws and regulations; (4) review the indirect cost rate; and (5) review the implementation status of 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, RSM Eastern Africa (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 Selian Lutheran Hospital as incurred from January 1 to December 31, 2016; (2) evaluated the control environment, the adequacy of the accounting systems, and control procedures that pertain to Selian Lutheran Hospital'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. Selian Lutheran Hospital reported expenditures of \$863,386 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 \$43,080 in total questioned costs (\$40,485 ineligible and \$2,595 unsupported). The audit firm also reported four instances of material noncompliance and issued a management letter dated July 9, 2018. In addition to the questioned costs identified in the report, we also question \$10,057 identified in the management letter. We are questioning this amount as ineligible based on finding 1.3.2 that certain purchases did not comply with the recipient's procurement policies.

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

**Recommendation 1.** Determine the allowability of \$53,137 in questioned costs (\$50,542 ineligible, \$2,595 unsupported) on pages 10, 12, and 13 of the audit report and page 7 of the management letter and recover any amount that is unallowable.

**Recommendation 2.** Verify that Selian Lutheran Hospital corrects the four instances of material noncompliance detailed on pages 16 to 19 of the audit 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").