



## MEMORANDUM

**DATE:** November 19, 2018

**TO:** USAID/Nigeria, Mission Director, Stephen M. Haykin

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

**SUBJECT:** Financial Audit of USAID Resources Managed by Interfaith Mediation Centre in Nigeria Under Agreement AID-620-A-12-00003, May 1, 2016, to April 30, 2017 (Report No. 4-620-19-018-R)

This memorandum transmits the final audit report on USAID resources managed by Interfaith Mediation Centre. Interfaith Mediation Centre contracted with the independent certified public accounting firm S.S. Afemikhe & Co., Lagos, Nigeria 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 generally accepted government auditing standards. The audit firm is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on Interfaith Mediation Centre'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 Interfaith Mediation Centre's internal controls; (3) determine whether Interfaith Mediation Centre 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, S.S. Afemikhe & Co. (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 Interfaith Mediation Centre as incurred from May 1, 2016, to April 30, 2017; (2) evaluated the control environment, the adequacy of the accounting systems, and control procedures that pertain to Interfaith Mediation Centre'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) determined that there were no prior period recommendations. Interfaith Mediation Centre reported expenditures of \$971,196 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. However, the audit identified \$6,014 in ineligible questioned costs. In addition, the audit firm reported two material weaknesses in internal control. Moreover, we identified additional ineligible questioned costs of \$92,806 for the unexplained difference noted by the audit firm on the opening fund balance reported in the current period of \$104,300 and the closing fund balance reported in the prior period audit report of \$197,106. The audit firm also issued a management letter with the report.

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 memo to the controller, dated November 19, 2018.

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

**Recommendation 1.** Determine the allowability of \$98,820 in ineligible questioned costs on pages 19, 20, 25, and 26 of the audit report and recover any amount that is unallowable.

**Recommendation 2.** Verify that Interfaith Mediation Centre corrects the two material weaknesses in internal control identified on page 25 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").