



## MEMORANDUM

**DATE:** December 19, 2018

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

**FROM:** USAID OIG Africa Regional Office, Audit Director, Robert Mason /s/

**SUBJECT:** Financial Audit of USAID Resources Managed by SAGCOT Centre Limited in Tanzania Under Multiple Awards, January 1 to December 31, 2017 (Report No. 4-621-19-032-R)

This memorandum transmits the final audit report on USAID resources managed by SAGCOT Centre Limited (SAGCOT) under the following awards:

Award Name (Type)	Award Number	Period audited	Subaward
Responsible and Sustainable commercial agricultural development in the Southern Highlands of Tanzania (grant)	AID-621-G-13-00002	Jan. 1 – Dec. 31, 2017	
SAGCOT Potato Partnership: Upscaling improved seed potato varieties for small holder farmers in Njombe Tanzania (subaward) - closeout		Jan. 1 – Sept. 30, 2017	SSTP 026 agreement under Alliance for a Green Revolution in Africa (AGRA-Mtanga)

SAGCOT contracted with the independent certified public accounting firm PricewaterhouseCoopers (PwC), 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 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 SAGCOT's fund accountability statement; the effectiveness of its internal control; or its compliance with the award, laws, and regulations.<sup>1</sup>

<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.

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 SAGCOT's internal controls; (3) determine whether SAGCOT 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.

To answer the audit objectives, PwC (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 SAGCOT as incurred from January 1 to December 31, 2017; (2) evaluated the control environment, the adequacy of the accounting systems, and control procedures that pertain to SAGCOT'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 prior period recommendations. SAGCOT reported expenditures of \$2,042,240 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 firm reported \$1,082 in ineligible questioned cost. The audit firm also reported three material weaknesses in internal control. All the findings and questioned costs related to the subaward under AGRA-Mtanga. No instances of material noncompliance were reported.

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

**Recommendation I.** Verify that SAGCOT Centre Limited provide Alliance for a Green Revolution in Africa with a copy of PricewaterhouseCoopers' audit report for its review to a) determine the allowability of the \$1,082 in ineligible questioned costs on pages 17 and 23 of the audit report and recover any amount that is unallowable and b) take any appropriate action regarding the three material weaknesses in internal control as detailed on pages 28 to 32 of the 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").