



MEMORANDUM

DATE: December 11, 2018

TO: USAID/Mozambique, Mission Director, Jennifer Adams

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

SUBJECT: Financial Audit of USAID Resources Managed by OPHAVELA - Associação Para o Desenvolvimento Socio-Económico in Mozambique Under Cooperative Agreement AID-656-A-16-00011, January 1 to December 31, 2017 (Report No. 4-656-19-028-R)

This memorandum transmits the final audit report on USAID resources managed by OPHAVELA - Associação para o Desenvolvimento Socio-Económico. OPHAVELA contracted with the independent certified public accounting firm Ernst & Young Limitada (EY), Maputo, Mozambique 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 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 OPHAVELA'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 OPHAVELA's internal controls; (3) determine whether OPHAVELA 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.

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, EY (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 OPHAVELA 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 OPHAVELA'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 a fixed indirect costs was applicable; and (5) determined that this was the first year of audit and no prior period recommendations were applicable. OPHAVELA reported expenditures of \$1,124,174 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. The firm did not identify any significant deficiencies or material weaknesses in internal control, nor did it identify any instances of material noncompliance. The audit firm also issued a management letter. Finding one on the management letter pertains to expenses incurred but not recorded in the fund accountability statement, which we consider to be a significant deficiency in internal control. Consequently, we will make a recommendation to address this concern.

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 December 11, 2018.

To address the issue identified in the management letter, we recommend that USAID/Mozambique:

Recommendation 1. Verify that OPHAVELA - Associação Para o Desenvolvimento Socio-Económico corrects the one significant deficiency in internal control detailed on page 2 of the management letter.

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”).