



MEMORANDUM

DATE: February 12, 2019

TO: USAID/Tanzania, Mission Director, Andrew Karas

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

SUBJECT: Financial Closeout Audit of USAID Resources Managed by Tanzania Council for Social Development in Tanzania Under Grant Agreement AID-621-G-14-00005, July 1, 2015, to December 9, 2017 (Report No. 4-621-19-044-R)

This memorandum transmits the final closeout audit report on USAID resources managed by Tanzania Council for Social Development (TACOSODE) in Tanzania under grant agreement AID-621-G-14-00005. TACOSODE contracted with the independent certified public accounting firm by Deloitte & Touché, 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 generally accepted government auditing except that the audit firm did not have external peer review and continuing education programs that fully satisfy 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 TACOSODE'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 TACOSODE's internal controls; (3) determine whether TACOSODE 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, Deloitte & Touché (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 TACOSODE as incurred from July 1, 2015, to December 9, 2017; (2) evaluated the control environment, the adequacy of the accounting systems, and control procedures that pertain to TACOSODE'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. TACOSODE reported expenditures of \$1,157,184 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 \$243,662 in total questioned costs (\$7,415 ineligible and \$236,247 unsupported). The audit firm also reported four significant deficiencies in internal control and twelve instances of material noncompliance. However, seven of the instances of material noncompliance were reported in the prior period. As such, we will not make recommendations to address those instances. Consequently, we will make recommendations to address four significant deficiencies in internal control and five instances of material noncompliance.

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

Recommendation 1. Determine the allowability of \$243,662 in questioned costs (\$7,415 ineligible and \$236,247 unsupported) on pages 11, 14, and 17 of the audit report and recover any amount that is unallowable.

Recommendation 2. Verify that Tanzania Council for Social Development corrects the four significant deficiencies in internal control detailed on pages 20 to 23 of the audit report.

Recommendation 3. Verify that Tanzania Council for Social Development corrects the five instances of material noncompliance detailed on pages 26, 27, 32, 34, and 37 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”).