



MEMORANDUM

DATE: February 7, 2019

TO: USAID/Mozambique, Mission Director, Jennifer Adams

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

SUBJECT: Financial Closeout Audit of USAID Resources Managed by Procuradoria Geral da República in Mozambique Under Implementation Letter 656-IL-656-013-011-04, September 30, 2013, to December 31, 2016 (Report No. 4-656-19-008-N)

This memorandum transmits the final closeout audit report on USAID resources managed by Procuradoria Geral da República (PGR). USAID contracted with the independent certified public accounting firm Deloitte and Touche (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 generally accepted government auditing standards except that the audit firm did not have an external peer review as required by GAGAS. The audit firm is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on PGR's fund accountability statement; the effectiveness of its internal control; or its compliance with the award, laws, and regulations.¹

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.

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 PGR's internal controls; (3) determine whether PGR 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, Deloitte Mozambique (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 PGR as incurred from September 30, 2013, to December 31, 2016; (2) evaluated the control environment, the adequacy of the accounting systems, and control procedures that pertain to PGR'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 most of the recommendations emanating from prior audits had been resolved, except for those pertaining to cash management and internal audit. PGR reported expenditures of \$1,312,578 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 \$591,945 in total questioned costs (\$406,238 ineligible and \$185,707 unsupported). The audit firm also reported six instances of material noncompliance.

The audit firm concluded that PGR's internal controls were "not conducive to a reliable financial reporting framework" and did not "lead to sound cash management practices". The report does not contain detailed findings for these two conclusions but refers users to the instances of noncompliance and the follow up on previous audit recommendations. Page 68 of the audit report contains information regarding the unresolved cash management and internal audit recommendations.

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 February 7, 2019.

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

Recommendation 1. Determine the allowability of \$591,945 in questioned costs (\$406,238 ineligible, \$185,707 unsupported) on pages 25 and 27 of the audit report and recover any amount that is unallowable.

Recommendation 2. Verify that Procuradoria Geral da República corrects the six instances of material noncompliance detailed on pages 48 to 60 of the audit report.

Recommendation 3. Verify that Procuradoria Geral da República implements the unresolved prior audit recommendations detailed on page 68 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”).