



MEMORANDUM

DATE: February 13, 2019

TO: USAID/Madagascar, Mission Director, John Dunlop

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

SUBJECT: Financial Audit of USAID Resources Managed by Institut Pasteur de Madagascar Under Grant AID-687-G-13-00003, January 1 to December 31, 2017 (Report No. 4-687-19-048-R)

This memorandum transmits the final audit report on USAID resources managed by the Institut Pasteur de Madagascar (IPM) under the Surveillance and Data for Management project. IPM contracted with the independent certified public accounting firm PricewaterhouseCoopers (PwC), Antananarivo, Madagascar 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. The audit firm is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on IPM'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 IPM's internal controls; (3) determine whether IPM complied with award terms and applicable laws and regulations; and (4) 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 IPM as incurred from January 1 to December 31, 2017;

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.

(2) evaluated the control environment, the adequacy of the accounting systems, and control procedures that pertain to IPM'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; and (4) reviewed the implementation status of prior period recommendations. IPM reported expenditures of \$773,720 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 \$23,822 in total questioned costs (\$10,384 ineligible and \$13,438 unsupported). The audit firm did not report any deficiencies in internal control or instances of material noncompliance. The audit firm also issued a management letter with four findings. OIG considers two findings (associated with the questioned costs identified on the fund accountability statement) to be instances of material noncompliance and will make a recommendation to address them. Another finding identified value-added taxes of \$424 that should have been questioned in the fund accountability statement. Consequently, we will make recommendations to address \$24,246 in total questioned costs (\$10,808 ineligible and \$13,438 unsupported) and two instances of material noncompliance.

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 13, 2019.

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

Recommendation 1. Determine the allowability of \$24,246 in questioned costs (\$10,808 ineligible and \$13,438 unsupported) identified on page 11 of the audit report and pages 20 to 22 of the separate management letter.

Recommendation 2. Verify that Institut Pasteur de Madagascar corrects the two instances of material noncompliance detailed on pages 20 to 21 of the separate management letter.

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").