



MEMORANDUM

DATE: March 12, 2019

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 Deloitte Consulting Limited in Tanzania Under Cooperative Agreement AID-621-A-16-00002, October 1, 2016, to December 31, 2017 (Report No. 4-621-19-050-R)

This memorandum transmits the final audit report on USAID resources managed by Deloitte Consulting Limited. Deloitte Consulting Limited 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 an external quality control 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 Deloitte Consulting Limited's fund accountability statement; the effectiveness of its internal control; or its compliance with the award, laws, and regulations.

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 Deloitte Consulting Limited's internal controls; (3) determine whether Deloitte Consulting Limited complied with award terms and applicable laws and regulations; (4) review the indirect cost rate, or determine if the review of the indirect cost rate is not applicable; and (5) review the implementation status of prior period recommendations.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.

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 Deloitte Consulting Limited as incurred from October 1, 2016, to December 31, 2017; (2) evaluated the control environment, the adequacy of the accounting systems, and control procedures that pertain to Deloitte Consulting Limited'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. Deloitte Consulting Limited reported expenditures of \$18,765,808 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 audit firm identified \$21,094 in total questioned costs (\$20,549 ineligible and \$545 unsupported). The audit firm also reported 4 material weaknesses in internal control and 10 instances of material noncompliance. One instance of material noncompliance was previously reported in Report No. 4-621-18-045-R pertaining to this implementer under a different award and for which final action was taken subsequent to the date of this audit report. As such, we will not make a recommendation to address that instance. Consequently, we will make recommendations to address four material weaknesses in internal control and nine instances of material noncompliance. The audit firm also issued a management letter.

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 March 12, 2019.

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

Recommendation 1. Determine the allowability of \$21,094 in questioned costs (\$20,549 ineligible and \$545 unsupported) on pages 21 and 25 of the audit report and recover any amount that is unallowable.

Recommendation 2. Verify that Deloitte Consulting Limited corrects the four material weaknesses in internal control detailed on pages 30 to 38 of the audit report.

Recommendation 3. Verify that Deloitte Consulting Limited corrects the nine instances of material noncompliance detailed on pages 41 to 47 and 50 to 61 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”).