



## MEMORANDUM

**DATE:** August 28, 2019

**TO:** USAID/Malawi, Mission Director, Littleton Tazewell

**FROM:** USAID OIG Africa Regional Office, Assistant Director, Louis Duncan, Jr. /s/

**SUBJECT:** Financial Closeout Audit of USAID Resources Managed by Dignitas International in Malawi Under Cooperative Agreement 674-A-00-10-00034-00, January 1, 2015, to September 30, 2016 (Report No. 4-612-19-015-N)

This memorandum transmits the final closeout audit report of USAID resources managed by Dignitas International. USAID/Malawi contracted with the independent certified public accounting firm Graham Carr, Lilongwe, Malawi 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 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 Dignitas International's fund accountability statement; the effectiveness of its internal control; or its compliance with the award, laws, and regulations.<sup>1</sup>

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 Dignitas International's internal controls; (3) determine whether Dignitas International complied with award terms and applicable laws and regulations; and (4) review the implementation status of prior period recommendations.

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<sup>1</sup> 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, Graham Carr (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 Dignitas International as incurred from January 1, 2015, to September 30, 2016; (2) evaluated the control environment, the adequacy of the accounting systems, and control procedures that pertain to Dignitas International'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. Dignitas International reported expenditures of \$9,007,000 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 \$2,095,324 in total questioned costs (\$254,693 ineligible and \$1,840,631 unsupported); no material weaknesses; thirteen significant deficiencies in internal control; and five instances of material noncompliance. Since the exact same questioned costs and findings were reported in the issued Agreed-Upon Procedure report 4-612-19-001-O, recommendations to USAID/Malawi relating to these findings and questioned costs are included in report 4-612-19-001-O and consequently will not be included as recommendations again.

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 August 28, 2019.

Accordingly we are not making any additional recommendations.

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”).