



MEMORANDUM

DATE: January 24, 2018

TO: Mission Director, USAID/Tanzania, Andrew Karas

FROM: Regional Inspector General/Pretoria, John Vernon

SUBJECT: Audit of USAID Resources Managed by the Ministry of Health, Community Development, Gender, Elderly and Children Through the Primary Health Care Institute – Iringa in Tanzania Under Strategic Objective Agreement 621-0011.01, Implementation Letter 50, July 1, 2014, to December 31, 2016 (Report No. 4-621-18-052-R)

Enclosed is the final audit report on Resources Managed by the Ministry of Health, Community Development, Gender, Elderly and Children Through the Primary Health Care Institute (PHCI) – Iringa. PHCI contracted with the National Audit Office (NAOT), Dar es Salaam, Tanzania to conduct the audit.

NAOT states it performed its audit in accordance with generally accepted government auditing standards (GAGAS). NAOT is responsible for the enclosed auditor's report and the conclusions expressed in it. We do not express an opinion on PHCI's fund accountability statement.

The audit objectives were to: (1) express an opinion on whether the fund accountability statement as of December 31, 2016, was presented fairly, in all material respects; (2) evaluate PHCI's internal control structure related to USAID-funded programs; (3) determine whether PHCI complied, in all material respects, with agreement terms and applicable laws and regulations related to USAID funded program; (4) conduct an audit on indirect cost rate; and (5) determine whether PHCI has taken adequate corrective actions on recommendations in prior audit reports.

To answer the audit objectives, NAOT (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 PHCI as incurred from July 1, 2014, to December 31, 2016; (2) evaluated the control environment, the adequacy of the accounting systems, and control procedures that pertain to PHCI'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 the prior period recommendations. PHCI spent \$3,339,095 in USAID funds during the audited period.

The audit concluded that the fund accountability statement presented fairly, in all material respects, the funds received and costs incurred for PHCI for the period under review, except for \$639,621 in questioned costs (\$633,839 in unsupported and \$5,782 in ineligible questioned costs), two significant deficiencies in internal control, and six instances of material noncompliance.

To address the weaknesses identified in the report, NAOT made and OIG concurs with the following recommendations to USAID/Tanzania's management, which we will track.

Recommendation 1. We recommend that USAID/Tanzania determine the allowability of the \$639,621 in questioned costs (\$5,782 ineligible and \$633,839 unsupported) identified on page 9 of National Audit Office Tanzania's audit report and recover from the Primary Health Care Institute the amounts determined to be unallowable.

Recommendation 2. We recommend that USAID/Tanzania verify that Primary Health Care Institute corrects the two significant deficiencies in internal control detailed on pages 16 to 17 of National Audit Office Tanzania's audit report.

Recommendation 3. We recommend that USAID/Tanzania verify that Primary Health Care Institute corrects the six instances of material noncompliance detailed on pages 20 to 27 of National Audit Office Tanzania's audit report.

Within 30 days, we ask that you provide written notification of actions planned or taken to reach management decision for the recommendations. A management decision has to be acknowledged no later than 6 months from the date of this memorandum. Please provide evidence of final action to the Audit Performance and Compliance Division.

We appreciate the assistance extended to our staff by NAOT employees during the engagement.

cc: USAID/Tanzania, Contracting Officer, Ayana Angulo
USAID/Tanzania, Controller, Kristine Smathers
Office of Acquisition and Assistance (OAA), Cost Audit and Support Division
Executive Secretariat
OIG Deputy Inspector General, Justin Brown
OIG Chief of Staff
OIG Assistant Inspector General (AIG/A), Thomas Yatsco
Principal Deputy AIG/A, Christine Byrne
Deputy AIG/A, Alvin Brown
OIG Investigations
OIG/A/ASD
OIG/M/IM
M/CFO/APC