



MEMORANDUM

DATE: November 6, 2019

TO: USAID/Tanzania, Mission Director, Andrew Karas

FROM: USAID OIG Africa Regional Office, Assistant Director, Matthew Rathgeber /s/

SUBJECT: Financial Audit of USAID Resources Managed by T-MARC in Tanzania Under Agreement AID-621-A-17-00001, January 1 to December 31, 2018 (Report No. 4-621-20-017-R)

This memorandum transmits the final audit report on USAID resources managed by T-MARC for Social Enterprise Support Activity (USES) Program. T-MARC contracted with the independent certified public accounting firm PricewaterhouseCoopers (PwC), Dar es Salaam, Tanzania, to conduct the audit. The audit firm stated that it performed its audit in accordance with generally accepted government auditing standards (GAGAS). However, the audit firm did not have continuing professional education and an external peer review that fully met the requirements of GAGAS. The audit firm is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on T-MARC'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 the T-MARC's internal controls; and (3) determine whether T-MARC complied with award terms and applicable laws and regulations; (4) review the indirect cost rate; and (5) review the implementation status of the 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 T-MARC as incurred from January 01, to December 31, 2018; (2) evaluated the control environment, the

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.

adequacy of the accounting systems, and control procedures that pertain to T-MARC'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. T-MARC reported expenditures of \$1,459,060 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 \$2,380 ineligible questioned costs; two material weaknesses in internal control for not having policies and procedures; and two instances of material noncompliance. Since the questioned costs did not meet the OIG's established threshold of \$25,000 for making a recommendation, we are not making a recommendation. Nevertheless, we suggest that USAID/Tanzania determine the allow ability of the \$2,380 in questioned costs and recover any amount determined to be unallowable. In addition one material weakness in internal control was reported in the prior period, is pending management decisions and one material noncompliance relates to identified questioned costs. As such, we will not make recommendations to address them.

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 controller, dated November 6, 2019.

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

Recommendation 1. Verify that T-MARC corrects the one material weakness in internal control detailed on page 26 of the audit report.

Recommendation 2. Verify that T-MARC corrects the one instance of material noncompliance detailed on pages 31 to 32 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").