



MEMORANDUM

DATE: November 6, 2019

TO: USAID/Mozambique, Mission Director, Jennifer Adams

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

SUBJECT: Financial Audit of USAID Resources Managed by N'weti Comunicação para Saúde in Mozambique Under Multiple Awards, January 1 to December 31, 2018 (Report No. 4-656-20-015-R)

This memorandum transmits the final audit report on USAID resources managed by N'weti Comunicação para Saúde (N'weti) in Mozambique under the following awards:

Award Name (Type)	Award Number	Period	Prime implementer
Service Delivery and Support for Orphans and Vulnerable Children (COVida) (subagreement)	AID-656-A-16-000010	Jan. 1,-Dec. 31, 2018	Family Health International (FHI 360)
Increased Family Planning and Reproductive Health(IFPP) (subagreement)	AID-656-A-16-00005-01	Jan. 1,-Dec. 31, 2018	Pathfinder
Hlayisa-Community Based HIV Services for South Region (cooperative agreement)	AID-656-A-17-00003	Jan. 1,-Dec. 31, 2018	

N'weti contracted with the independent certified public accounting firm KPMG, Maputo, Mozambique to conduct the audit. The audit firm stated that it performed its audit in accordance with generally accepted government auditing standards (GAGAS) and USAID Financial Audit Guidelines for Foreign Organizations 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 N'weti'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 N'weti's internal controls; and (3) determine whether N'weti complied with award terms and applicable laws and regulations; and (4) review the implementation status of the prior period recommendations.

To answer the audit objectives, KPMG (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 N'weti as incurred from January 1 to December 31, 2018; (2) evaluated the control environment, the adequacy of the accounting systems, and control procedures that pertain to N'weti'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 the prior period recommendations. N'weti reported expenditures of \$3,783,037 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 did not identify any questioned costs; no material weaknesses in internal control; and no instances of material noncompliance. However, the indirect costs charged to the fund accountability statement of the subaward under FHI360 totalling \$253,776 were charged at an effective indirect cost rate of 336 percent and the allowability thereof should be determined.

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 issue identified above, we recommend that USAID/Mozambique:

Recommendation I. Verify that N'weti Comunicação para Saúde provides Family Health International with a copy of the audit report for their review to determine the allowability of indirect costs charged to the fund accountability in excess of the allowable rate relating to the subaward AID-656-A-16-000010 as detailed on pages 16 and 17.

We appreciate the assistance extended during the engagement.

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.

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”).