



MEMORANDUM

DATE: November 24, 2020

TO: USAID/Uganda, Mission Director, Richard Nelson

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

SUBJECT: Financial Audit of USAID Resources Managed by Transcultural Psychosocial Organisation in Uganda Under Multiple Agreements, January 1 to December 31, 2019 (Report No. 4-617-21-002-N)

This memorandum transmits the final audit report on USAID resources managed by Transcultural Psychosocial Organisation (TPO) under the following agreements:

| Award Name (Type) | Award Number | Audit Period | Prime Implementer |
|---|-------------------------------------|------------------------|--------------------------|
| Peaceful Co-existence and Resilience Activity (cooperative agreement) | 72061718CA00003 | Jan. 1 – Dec. 31, 2019 | |
| Keeping Children in Healthy and Protective Families (sub-agreement) - closeout | UG-17-SUBAGR-8301-000P0359695-01-00 | Jan. 1 – May 31, 2019 | Catholic Relief Services |
| Sustainable Outcomes for Children and Youth in Central and Western Uganda (sub-agreement) | UG-15-SUBAGR-000P0359-01-00 | Jan. 1 – Dec. 31, 2019 | Catholic Relief Services |

USAID/Uganda contracted with the independent certified public accounting firm Deloitte & Touche, Kampala, Uganda, to conduct the audit. The audit firm stated that it performed its audit in accordance with generally accepted government auditing standards (GAGAS). However, it did not have a continuing professional education and an external peer review that fully satisfied 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 TPO'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 TPO's internal controls; (3) determine whether TPO 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, Deloitte & Touche (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 TPO as incurred from January 1 to December 31, 2019; (2) evaluated the control environment, the adequacy of the accounting systems, and control procedures that pertain to TPO'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. TPO reported expenditures of \$1,001,564 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 \$6,888 in total questioned costs (\$6,854 unsupported and \$34 ineligible). The auditors identified no material weaknesses in internal control; and four instances of material noncompliance, two of which specifically related to the questioned costs. 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/Uganda determine the allowability of the \$6,888 in questioned costs and recover any amount determined to be unallowable. In addition, although we are not making a recommendation for significant deficiencies noted in the report, we suggest that USAID/Uganda determine if the recipient addressed the issues noted.

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 November 24, 2020.

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

Recommendation I. Verify that Transcultural Psychosocial Organisation corrects the two instances of material noncompliance detailed on pages 56 to 59 of the audit report.

We ask that you provide your written notification of actions planned or taken to reach management decision.

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”).