



MEMORANDUM

DATE: February 9, 2021

TO: USAID/Malawi, Mission Director, Catie Lott

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

SUBJECT: Financial Closeout Audit of USAID Resources Managed by Malawi Institute of Education Under Cooperative Agreement AID-612-A-14-00005, October 1, 2016, to May 9, 2019 (Report No. 4-612-21-008-N)

This memorandum transmits the final audit report on USAID resources managed by Malawi Institute of Education (MIE) under Cooperative Agreement AID-612-A-14-00005. USAID/Malawi contracted with the independent certified public accounting firm Ernst & Young, Blantyre, Malawi, to conduct the audit. The audit firm stated that it performed its audit in accordance generally accepted government auditing standards (GAGAS). However, it did not have 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 MIE'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 MIE's internal controls; (3) determine whether MIE 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, Ernst & Young (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 MIE as

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.

incurred from October 1, 2016, to May 9, 2019; (2) evaluated the control environment, the adequacy of the accounting systems, and control procedures that pertain to MIE'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) determined that the implementation status of the prior period recommendations is not applicable. MIE reported expenditures of \$1,550,600 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 \$9,509 in total unsupported questioned costs. The audit firm also identified one significant deficiency in internal control and three 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/Malawi determine the allowability of the \$9,509 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/Malawi determine if the recipient addressed the issues noted. Since there are no ongoing agreement with USAID and this is a closeout audit, we do not make a formal procedural recommendation for the remaining material instance of non-compliance. The audit firm issued a management letter.

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 February 9, 2021.

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").