



OFFICE OF INSPECTOR GENERAL U.S. Agency for International Development

MEMORANDUM

DATE: October 24, 2022

TO: USAID/Tanzania, Mission Director, Kate Somvongsiri

FROM: USAID OIG Africa Regional Office, Audit Director, Robert Mason /s/

SUBJECT: Financial Audit of USAID Resources Managed by T-MARC Tanzania Under Multiple Agreements, January 1 to December 31, 2021 (Report No. 4-621-23-007-R)

This memorandum transmits the final audit report on USAID resources managed by T-MARC Tanzania under 1) cooperative agreement AID-621-A-17-00001, USAID Social Enterprise Support Activity, and 2) subagreement under AID-621-A-17-00002, Tulong Afya Project. T-MARC Tanzania contracted with the independent audit firm AUDITAX, 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. However, it did not have an external peer review or a continuing professional education program that fully satisfy the standards' requirements. The audit firm is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on T-MARC Tanzania's schedule of expenditures of USAID awards; 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 schedule of expenditures of USAID awards for the period audited, was presented fairly, in all material respects; (2) evaluate the T-MARC Tanzania's internal controls; (3) determine whether T-MARC Tanzania 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, AUDITAX (1) audited the schedule of expenditures of USAID awards 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 Tanzania as incurred from January 1 to December 31, 2021; (2) evaluated the control environment, the adequacy of the accounting systems, and control procedures that pertain to T-MARC Tanzania's ability to report financial data consistent with the assertions embodied in each

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.

account of the schedule of expenditures of USAID awards; (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 schedule of expenditures of USAID awards; (4) determined that the indirect cost rate is not applicable; and (5) reviewed the implementation status of the prior period recommendations. T-MARC Tanzania reported expenditures of \$6,582,794 in USAID funds during the audited period.

The audit firm concluded the schedule of expenditures of USAID awards presented fairly, in all material respects, program revenues and costs incurred under the award for the period audited, except for \$3,387 in total questioned costs (\$1,030 ineligible and \$2,357 unsupported). The audit firm also identified three material weaknesses in internal control and four 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 allowability of the \$3,387 in questioned costs and recover any amount determined to be unallowable. Since one instance of material noncompliance relates to the questioned costs, we will not be making a recommendation for it.

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

Recommendation 1. Verify that T-MARC Tanzania corrects the three material weaknesses in internal control detailed on pages 36 to 41 of the audit report.

Recommendation 2. Verify that T-MARC Tanzania corrects the three instances of material noncompliance detailed on pages 45 to 47 of the audit report.

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

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").