



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

### MEMORANDUM

**DATE:** November 9, 2022

**TO:** USAID/Nigeria, Mission Director, Anne Patterson

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

**SUBJECT:** Financial Audit of USAID Resources Managed by Nuru Nigeria Under Cooperative Agreement 72062021CA00002, April 9 to December 31, 2021 (Report No. 4-620-23-023-R)

This memorandum transmits the final audit report USAID resources managed by Nuru Nigeria under the Building Sustainable Livelihoods in Nigeria program. Nuru Nigeria contracted with the independent audit firm Bakertilly, Lagos, Nigeria 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 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 Nuru Nigeria's schedule of expenditures of USAID awards; the effectiveness of its internal control; or its compliance with the award, laws, and regulations.<sup>1</sup>

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 Nuru Nigeria's internal controls; (3) determine whether Nuru Nigeria 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, Bakertilly (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 Nuru Nigeria as incurred from April 9 to December 31, 2021; (2) evaluated the control environment, the adequacy of the accounting systems, and control procedures that pertain to Nuru Nigeria's ability to report financial data consistent with the assertions embodied in each 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

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<sup>1</sup> 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.

material effect on the schedule of expenditures of USAID awards; (4) determined that the review of the indirect cost rate was not applicable; and (5) determined that the implementation status of the prior period recommendations was not applicable since this was first year of audit. Nuru Nigeria reported expenditures of \$819,546 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. The audit firm identified \$2,412 in total questioned costs (\$1,832 ineligible and \$580 unsupported); three material weaknesses in internal control; 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/Nigeria determine the allowability of the \$2,412 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/Nigeria determine if the recipient addressed the issues noted. Since one instance of material weakness in internal control and one instance of material noncompliance relates to the questioned costs, we will not be making a recommendation for those items. The audit firm issued a management letter.

During our desk review, we noted several areas for improvement which the audit firm should address in future audit reports. We presented these areas in a memo to the controller, dated November 9, 2022.

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

**Recommendation 1.** Verify that Nuru Nigeria corrects the two material weaknesses in internal control detailed on pages 37 to 38 and 40 to 41 of the audit report.

**Recommendation 2.** Verify that Nuru Nigeria corrects the one instance of material noncompliance detailed on pages 36 and 37 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").