



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

MEMORANDUM

DATE: January 11, 2023

TO: USAID/Mozambique, Mission Director, Helen Pataki

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

SUBJECT: Financial Audit of USAID Resources Managed by Conselho Nacional de Combate ao SIDA in Mozambique Under Implementation Letter 656-IL-656-20-18-004, January 1 to December 31, 2021 (Report No. 4-656-23-042-R)

This memorandum transmits the final audit report on USAID resources managed by Conselho Nacional de Combate ao SIDA (CNCS; in English, the National AIDS Council) under the Strengthening HIV Response Systems project, Implementation Letter 656-IL-656-20-18-004. CNCS contracted with the independent audit 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). However, it did not have an external peer review and 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 CNCS'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 CNCS's internal controls; (3) determine whether CNCS complied with award terms and applicable laws and regulation; (4) review the indirect cost rate; and (5) review the implementation status of the prior period recommendations.

To answer the audit objectives, KPMG (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 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 CNCS's ability to report financial data consistent with the assertions embodied in each account of the schedule of expenditures of USAID award; (3) identified the award terms and pertinent laws and regulations and

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.

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 review of the indirect cost rate was not applicable; and (5) determined that the review of the implementation status of the prior period recommendations was not applicable. CNCS reported expenditures of \$1,358,225 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 \$11,950 in total ineligible questioned costs. The auditors also identified one material weakness in internal control and one instance of material noncompliance. Since the questioned costs did not meet OIG's established threshold of \$25,000 for making a recommendation, we are not making one. Nevertheless, we suggest that USAID/Mozambique determine the allowability of the \$11,950 in questioned costs and recover any amount determined to be unallowable. In addition, we are not making recommendations for the material weakness in internal control and the one instance of material noncompliance since they relate to the questioned costs. The auditors issued a management letter.

Accordingly, we are not making any recommendations.

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 January 11, 2023.

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").