



## MEMORANDUM

**DATE:** September 4, 2018

**TO:** USAID/Malawi, Mission Director, Littleton Tazewell

**FROM:** Regional Inspector General/Pretoria, Robert Mason /s/

**SUBJECT:** Closeout Audit of USAID Resources Managed by Global AIDS Interfaith Alliance in Malawi Under Agreement 674-A-00-10-0091-00, September 22, 2010, to April 30, 2016 (Report No. 4-612-18-014-N)

This memorandum transmits the final audit report on USAID resources managed by Global AIDS Interfaith Alliance (GAIA). USAID/Malawi contracted with the independent certified public accounting firm Graham Carr, Blantyre, Malawi to conduct the audit. The audit firm stated that the contract required the audit firm to perform the audit in accordance with generally accepted government auditing standards (GAGAS) and USAID OIG Guidelines for Financial Audits Contracted by Foreign Recipients.<sup>1</sup>

The audit firm states that it performed its audit in accordance with GAGAS except that the audit firm did not have continuing professional education and external quality control review programs that fully satisfied the requirements set forth in GAGAS. The audit firm is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on GAIA's fund accountability statement; the effectiveness of its internal control; or its compliance with the award, laws, and regulations.<sup>2</sup>

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<sup>1</sup> On June 30, 2017, USAID OIG rescinded its Guidelines for Financial Audits Contracted by Foreign Recipients, recognizing the Agency's role to impose requirements on its implementing partners and contractors as a management function. This contracted audit, however, was initiated before that date and follows the Guidelines.

<sup>2</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.

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 the GAIA's internal controls; (3) determine whether GAIA 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, Graham Carr (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 GAIA as incurred from September 22, 2010, to April 30, 2016; (2) evaluated the control environment, the adequacy of the accounting systems, and control procedures that pertain to GAIA'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) determined that there were no prior period recommendations. GAIA reported expenditures of \$2,634,841 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 \$31,107 in total questioned costs (\$8,523 ineligible and \$22,584 unsupported). The audit firm also identified two significant deficiencies in internal control and eight instances of material noncompliance.

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 September 4, 2018.

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

**Recommendation 1.** Determine the allowability of \$31,107 in questioned costs (\$8,523 ineligible and \$22,584 unsupported) on pages 13 and 15 of the audit report and recover any amount that is unallowable.

**Recommendation 2.** Verify that Global Aids Interfaith Alliance corrects the two significant deficiencies in internal control detailed on pages 18 and 19 of the audit report.

**Recommendation 3.** Verify that Global Aids Interfaith Alliance corrects the eight instances of material noncompliance detailed on pages 22 to 29 of the audit report.

We ask that you provide your written notification of actions planned or taken to reach management decision. We appreciate the assistance extended during the engagement.

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”).