



MEMORANDUM

DATE: March 14, 2018

TO: Mission Director, USAID/Malawi, Littleton Tazewell

FROM: Regional Inspector General/Pretoria, John Vernon /s/

SUBJECT: Closeout Audit of USAID Resources Managed by Farmers Union of Malawi Under Cooperative Agreement 612-A-13-00001, For the Year Ended December 31, 2016 (Report No. 4-612-18-057-R)

This memorandum transmits the final closeout audit report on USAID resources managed by Farmers Union of Malawi for the Agriculture Policy Strengthening and Integrating Nutrition Value Chains Programs, under Cooperative Agreements 612-A-13-0000 for the year ended December 31, 2016. The Farmers Union of Malawi contracted with the independent certified public accounting firm of Graham Carr, Lilongwe, 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 and USAID OIG Guidelines for Financial Audits Contracted by Foreign Recipients¹

The audit firm states that it performed its audit in accordance with generally accepted government auditing standards (GAGAS) except that the audit firm did not have an external peer review and continuing professional education program 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 Farmers Union of Malawi's fund accountability statement; the effectiveness of its internal control; or its compliance with the award, laws, and regulations.²

¹ On June 30, 2017, USAID OIG rescinded its Guidelines for Financial Audits Contracted by Foreign Recipients, recognizing the Agency's role to impose requirements on its implementing partners and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.

² 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

The audit objectives were to (1) express an opinion on whether the fund accountability statement as of December 31, 2016, was presented fairly, in all material respects; (2) evaluate the Farmers Union of Malawi's internal controls; and (3) determine whether Farmers Union of Malawi complied with award terms and applicable laws and regulations; (4) perform an audit of the indirect cost; and (5) determine whether Farmers Union of Malawi has taken adequate corrective actions on recommendations in prior audit reports.

To answer the audit objectives, the audit firm (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 Farmers Union of Malawi for the year ended December 31, 2016; (2) evaluated the control environment, the adequacy of the accounting systems, and control procedures that pertain to Farmers Union of Malawi'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 there were no prior recommendations to follow up on. Farmers Union of Malawi spent \$534,339 in USAID funds during the audited period.

The audit firm concluded the fund accountability statement presented fairly, in all material respects, the funds received and costs incurred for Farmers Union of Malawi for the period under review. However, the report disclosed \$47,811 VAT from prior years pending reimbursement from local tax authorities. We made Recommendation I below for a follow up of unrecovered VAT from prior periods.

The audit firm issued a management letter including certain matters regarding internal control to the Farmers Union of Malawi.

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 memorandum to the controller, dated March 14, 2018.

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

Recommendation I. Determine the allowability of the \$47,811 in ineligible questioned costs identified on page 25 of the audit report and recover any amount that is unallowable.

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

supporting working papers; they are not designed to enable us to directly evaluate the quality of the audit performed.

Information Act Exemption Four, 5 U.S.C. 552(b)(4) ("commercial or financial information obtained from a person that is privileged or confidential").