



## MEMORANDUM

**DATE:** January 16, 2020

**TO:** USAID/Tanzania, Mission Director, Andrew Karas

**FROM:** USAID OIG Africa Regional Office, Audit Director, Matthew Rathgeber /s/

**SUBJECT:** Financial Audit of USAID Resources Managed by Deloitte Consulting Limited in Tanzania Under Cooperative Agreement AID-621-A-16-00002, January 1 to December 31, 2018 (Report No. 4-621-20-029-R)

This memorandum transmits the final audit report on USAID resources managed by Deloitte Consulting Limited (Deloitte Consulting) for Boresha Afya Program, Southern Region. Deloitte Consulting contracted with the independent certified public accounting firm PricewaterhouseCoopers (PwC), 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, USAID Financial Audit Guidelines for Foreign Organizations.<sup>1</sup> However, the audit firm did not have continuing professional education and an external peer review. The audit firm is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on Deloitte Consulting's fund accountability statement; the effectiveness of its internal control; or its compliance with the award, laws, and regulations.<sup>2</sup>

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 Deloitte Consulting's internal controls; (3) determine whether Deloitte Consulting 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.

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 On June 30, 2017, USAID OIG rescinded its "Guidelines for Financial Audits Contracted by Foreign Recipients," recognizing the Agency's role to impose requirements on its implementing partners and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

<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.

To answer the audit objectives, PwC (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 Deloitte Consulting as incurred from January 1 to December 31, 2018; (2) evaluated the control environment, the adequacy of the accounting systems, and control procedures that pertain to Deloitte Consulting'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) reviewed the implementation status of the prior period recommendations. Deloitte Consulting reported expenditures of \$26,989,370 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. The audit firm identified \$98,946 in total unsupported questioned costs; eight material weaknesses in internal control; and five instances of material noncompliance of which four are repeat findings, therefore we will not make a recommendation on repeated findings.

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 controller, dated January 16, 2020.

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

**Recommendation 1.** Determine the allowability of \$98,946 in unsupported questioned costs on pages 22 and 23 of the audit report and recover any amount that is unallowable.

**Recommendation 2.** Verify that Deloitte Consulting Limited corrects the eight material weaknesses in internal control detailed on pages 32 to 48 of the audit report.

**Recommendation 3.** Verify that Deloitte Consulting Limited corrects the one instance of material noncompliance detailed on pages 56 to 57 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").