



MEMORANDUM

DATE: September 27, 2019

TO: USAID/Mozambique, Mission Director, Jennifer Adams

FROM: USAID OIG Africa Regional Office, Assistant Director, Louis Duncan, Jr. /s/

SUBJECT: Financial Closeout Audit of USAID Resources Managed by Thembaletu Development NPC in Mozambique Under Cooperative Agreement AID-656-A-00-11-00047-00, October 1, 2013, to December 31, 2015 (Report No. 4-656-19-017-N)

This memorandum transmits the final audit report on USAID resources managed by Thembaletu Development NPC. USAID/Mozambique contracted with the independent certified public accounting firm Deloitte & Touche, Johannesburg, South Africa to conduct the audit. The contract required the audit firm to perform the audit in accordance with generally accepted government auditing standards (GAGAS).

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 Thembaletu Development NPC's fund accountability statement; 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 fund accountability statement for the period audited was presented fairly, in all material respects; (2) evaluate Thembaletu Development NPC's internal controls; (3) determine whether Thembaletu Development NPC complied with award terms and applicable laws and regulations; (4) review the indirect cost rate if applicable; and (5) review the implementation status of the prior period recommendations.

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.

To answer the audit objectives, Deloitte & Touche (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 Thembaletu Development NPC as incurred from October 1, 2013, to December 31, 2015; (2) evaluated the control environment, the adequacy of the accounting systems, and control procedures that pertain to Thembaletu Development NPC'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. Thembaletu Development NPC reported expenditures of \$1,840,272 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 \$66,017 in total questioned costs (\$41,808 ineligible and \$24,209 unsupported). In addition, the audit firm identified 3 significant deficiencies in internal control and 11 instances of material noncompliance. Although we are not making a recommendation for the three significant deficiencies in internal control noted in the report, we suggest that USAID/Mozambique determine if the recipient addressed the issues noted.

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

Recommendation 1. Determine the allowability of \$66,017 in questioned costs (\$41,808 ineligible and \$24,209 unsupported) on page 13 of the audit report and recover any amount that is unallowable.

Recommendation 2. Verify that Thembaletu Development NPC corrects the 11 instances of material noncompliance detailed on pages 23 to 33 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”).