



OFFICE OF INSPECTOR GENERAL

U.S. Agency for International Development

MEMORANDUM

DATE: March 2, 2023

TO: USAID/Malawi, Acting Mission Director, Anna Toness

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

SUBJECT: Financial Audit of USAID Resources Managed by Pakachere Institute for Health and Development Communication in Malawi Under Multiple Awards, March 1, 2020, to February 28, 2022 (Report No. 4-612-23-057-R)

This memorandum transmits the final audit report on USAID resources managed by Pakachere Institute for Health and Development Communication (Pakachere) in Malawi under the following awards:

Award Name (Type)	Award Number	Audit Period	Prime Implementer
Expanding Malawi HIV and AIDS Prevention with Local Organizations Working for an Effective Epidemic Response (EMPOWER)	72061220CA00002	Mar. 1, 2020 – Feb. 28, 2022	FHI 360
Local Endeavors for HIV/AIDS Prevention and Treatment (LEAP)	72061219CA00007	Mar. 1, 2021 – Feb. 28, 2022	

Pakachere contracted with the independent certified public accounting firm Bakertilly, Lilongwe, Malawi 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 continuing professional education and an external peer review that fully satisfied the requirements of GAGAS. The audit firm is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on Pakachere's schedule of expenditures; 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 expenditure of

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.

USAID award for the period audited was presented fairly, in all material respects; (2) evaluate Pakachere's internal controls; (3) determine whether Pakachere 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, Bakertilly (1) audited the schedule of expenditure 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 Pakachere as incurred from March 1, 2020, to February 28, 2022; (2) evaluated the control environment, the adequacy of the accounting systems, and control procedures that pertain to Pakachere's ability to report financial data consistent with the assertions embodied in each account of the schedule of expenditure of USAID awards; (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 schedule of expenditures of USAID awards; (4) determined that the review of the indirect cost rate was not applicable; and (5) reviewed the implementation status of the prior period recommendations. Pakachere reported expenditures of \$2,277,198 in USAID funds during the audited period.

The audit firm concluded the schedule of expenditure of USAID awards presented fairly, in all material respects, program revenues and costs incurred under the award for the period audited. The audit firm identified no questioned costs; no material weaknesses in internal control; and no instances of material noncompliance. The audit firm also issued a management letter.

Accordingly, we are not making any recommendations.

During our desk review, we noted an area for improvement which the audit firm should address in future audit reports. We presented this area in a memo to the controller, dated March 2, 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").