



# OFFICE OF INSPECTOR GENERAL

## U.S. Agency for International Development

### MEMORANDUM

**DATE:** April 19, 2023

**TO:** USAID/Uganda, Mission Director, Richard Nelson

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

**SUBJECT:** Financial Audit of USAID Resources Managed by Baylor College of Medicine Children's Foundation Uganda Under Multiple Awards, July 1, 2021, to June 30, 2022 (Report No. 4-617-23-064-R)

This memorandum transmits the final audit report on USAID resources managed by Baylor College of Medicine Children's Foundation (BCMU) Uganda under the following awards:

| Award Name (Type)   | Award Number       | Audit Period                    | Prime Implementer                |
|---|--------------------|---------------------------------|----------------------------------|
| Local Partner Health Services - Eastern Activity (LPHS-E) (cooperative agreement)               | 72061722CA00002    | Oct. 21, 2021–<br>Jun. 30, 2022 |                                  |
| Local Service Delivery for HIV/AIDS (LSDA) Activity (subaward)                                  | 72061720CA00016    | Jul. 1, 2021–<br>Jun. 30, 2022  | Uganda Protestant Medical Bureau |
| Health Integration to Enhance Services in Eastern Uganda (USAID RHITES-E) (subaward) - closeout | AID-617-A-17-00002 | Jul. 1 –<br>Sept. 30, 2021      | Intra Health Uganda              |

BCMU contracted with the independent audit firm Ernst & Young, Kampala, Uganda to conduct the audit. The audit firm stated that it performed its audit in accordance with generally accepted government auditing standards. However, it did not have an external peer review that fully satisfy the standards' requirements. The audit firm is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on BCMU's schedule of expenditures of USAID awards; the effectiveness of its internal control; or its compliance with the award, laws, and regulations.<sup>1</sup>

<sup>1</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 schedule of expenditures of USAID awards for the period audited, was presented fairly, in all material respects; (2) evaluate BCMU's internal controls; (3) determine whether BCMU 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, Ernst & Young (1) audited the schedule of expenditures 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 BCMU as incurred from July 1, 2021, to June 30, 2022; (2) evaluated the control environment, the adequacy of the accounting systems, and control procedures that pertain to BCMU's ability to report financial data consistent with the assertions embodied in each account of the schedule of expenditures 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) determined that the review of implementation status of the prior period recommendations was not required. BMCU reported expenditures of \$3,584,772 in USAID funds during the audited period.

The audit firm concluded the schedule of expenditure for 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. In addition, although we are not making a recommendation for significant deficiency noted in the report, we suggest that USAID/Uganda determine if the recipient addressed the issue noted.

Accordingly, we are not making any recommendations.

During our desk review, we noted several areas for improvement which the audit firm should address in future audit reports. We presented these areas in a memo to the controller, dated April 19, 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").