



OFFICE OF INSPECTOR GENERAL U.S. Agency for International Development

MEMORANDUM

DATE: January 19, 2022

TO: USAID/Tanzania, Mission Director, Kate Somvongsiri

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 Tanzania Under Multiple Awards, July 1, 2020, to June 30, 2021 (Report No. 4-621-22-030-R)

This memorandum transmits the final audit report on USAID resources managed by Baylor College of Medicine Children's Foundation Tanzania (Baylor Tanzania) under 1) cooperative agreement number 72062118CA00001, Afya Bora Mtoto Imara; and 2) sub award under Tanzania Health Promotion Support, cooperative agreement 72062120CA00004, for the Tuberculosis and Family Planning Integrated Facility Solution Activity. Baylor Tanzania 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 (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 Baylor Tanzania's schedule of expenditures of USAID awards; 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 expenditures of USAID awards for the period audited, was presented fairly, in all material respects; (2) evaluate Baylor Tanzania's internal controls; (3) determine whether Baylor Tanzania 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, PwC (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 Baylor Tanzania as incurred from July 1, 2020, to June 30, 2021; (2) evaluated the control environment, the

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.

adequacy of the accounting systems, and control procedures that pertain to Baylor Tanzania'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) reviewed the implementation status of the prior period recommendations. Baylor Tanzania reported expenditures of \$3,029,540 in USAID funds during the audited period.

The audit firm concluded the schedule of expenditures of USAID awards presented fairly, in all material respects, program revenues and costs incurred under the award for the period audited except for \$355 in ineligible questioned costs. The audit identified five material weaknesses in internal control (of which three were repeat findings reported in prior period); and nine instances of material noncompliance (of which three were repeat findings reported in the prior period and one pertained to the subaward). Since the questioned costs did not meet the OIG's established threshold of \$25,000 for making a recommendation, we are not making a recommendation for the questioned costs and the specifically related noncompliance finding. Nevertheless, we suggest that USAID/Tanzania determine the allowability of the \$355 in questioned costs and recover any amount determined to be unallowable.

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

Recommendation 1. Verify that Baylor College of Medicine Children's Foundation Tanzania corrects the two material weaknesses in internal control detailed on pages 28 and 31 of the audit report.

Recommendation 2. Verify that Baylor College of Medicine Children's Foundation Tanzania corrects the four instances of material noncompliance detailed on pages 36, 37, 41, and 43 of the audit report.

We ask that you provide your written notification of actions planned or taken to reach management decision.

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").