



USAID
FROM THE AMERICAN PEOPLE

OFFICE OF INSPECTOR GENERAL

AGENCY-CONTRACTED AUDIT OF USAID'S
RESOURCES MANAGED BY DELOITTE & TOUCHE
UNDER STRATEGIC OBJECTIVE AGREEMENT NO.
621001-01, CONTRACT NO. 623-C-00-03-00004-00
FOR THE PERIOD NOVEMBER 15, 2002 TO
DECEMBER 31, 2004

AUDIT REPORT NO. 4-621-07-005-N
JUNE 21, 2007

PRETORIA, SOUTH AFRICA

Financial information in this report may be privileged. The restrictions of 18 USC 1905 should be considered before any information is released to the public.



Office of Inspector General

June 21, 2007

MEMORANDUM FOR MISSION DIRECTOR, USAID/TANZANIA, PAMELA WHITE

FROM: Acting Regional Inspector General/Pretoria, Matthew Rathgeber

SUBJECT: Agency-Contracted Audit of USAID's Resources Managed by Deloitte & Touche Under Strategic Objective Agreement No. 621001-01, Contract No. 623-C-00-03-00004-00 for the period November 15, 2002 to December 31, 2004 (Report No. 4-621-07-005-N)

This memorandum transmits the subject report prepared by De Chazal Du Mee, Certified Public Accountants (Dar es Salaam, Tanzania).

The audit was performed in accordance with the U.S. Comptroller General's Government Auditing Standards (GAS). The audit had scope limitations that De Chazal Du Mee did not have continuing professional education and external quality control review programs that fully satisfy the requirements set forth in U. S. Government Auditing Standards.

The Rapid Funding Envelope (RFE) for HIV/AIDS in Tanzania was established by the Tanzania Commission for HIV/AIDS in consultation with eight bilateral donors. In support of interventions in all strategic priority areas defined by the National Policy on HIV/AIDS, RFE funds rapid essential activities and inputs that contribute to longer-term efforts by civil society to combat and mitigate the AIDS epidemic. The program was initially funded by Contract No 623-C-00-03-00004-00 for a total of \$577,227. However, only \$273,119 was disbursed by USAID during the period of audit, which ran from November 15, 2002 to December 31, 2004.

The specific objectives of the audit were to:

- Express an opinion on whether the fund accountability statement for the USAID-funded programs presents fairly, in all material respects, revenues received, costs incurred, and commodities and technical assistance directly procured by USAID for the period audited in conformity with the terms of the agreement and generally accepted accounting principles or other comprehensive basis of accounting (including the cash receipts and disbursements basis and modifications of the cash basis).
- Obtain a sufficient understanding of the recipient's internal control related to the USAID funded programs being audited, assess control risk, and identify reportable conditions, including material internal control weaknesses.
- Perform tests to determine whether the recipient complied, in all material respects, with agreement terms and applicable laws and regulations related to USAID funded programs.

- Perform an audit of the indirect cost rate(s) if the recipient has been authorized to charge indirect costs to USAID using provisional rates and USAID has not yet negotiated final rates with the recipient.
- Determine if the recipient has taken adequate corrective action on prior audit report recommendations.

The auditors rendered a qualified opinion on the Fund Accountability Statement. The audit disclosed the following:

- Total questioned costs of \$5,027 (\$4,126 ineligible and \$901 unsupported).
- Seven reportable internal control weaknesses were noted:
 - i. Lack of documentation to support payments to third party.
 - ii. Failure to budget for certain payments.
 - iii. Excess payment to a sub-recipient.
 - iv. Lack of documentation to support payment to third party.
 - v. Failure to budget for certain payments.
 - vi. Excess payment to a sub-recipient.
 - vii. Lack of timely reporting by sub-recipient.
- Eight instances of material noncompliance were noted:
 - i. Failure to retain documentation to support payment to third party.
 - ii. Failure to budget for certain payments.
 - iii. Excess payment to a sub-recipient.
 - iv. Failure to retain documentation to support payment to third party.
 - v. Failure to budget for certain payments.
 - vi. Excess payment to a sub-recipient.
 - vii. Failure to comply with reporting requirements.
 - viii. Failure to comply with statutory deductions.

Therefore, we are making the following recommendations:

Recommendation No. 1: We recommend that USAID/Tanzania determine the allowability of \$5,027 in questioned costs (\$4,126 ineligible and \$901 unsupported) detailed on pages 18 to 20 of De Chazal Du Mee's audit report, and recover from Deloitte & Touche any amount determined to be unallowable.

Recommendation No. 2: We recommend that USAID/Tanzania require that Deloitte & Touche correct the seven internal control weaknesses (two for lack of documentation, two for incomplete budget, two for excess payments, and noncompliance with reporting requirements) detailed on pages 26 and 27 of De Chazal Du Mee's audit report.

Recommendation No. 3: We recommend that USAID/Tanzania require that Deloitte & Touche correct the eight instances of material noncompliance (two for lack of documentation, two for incomplete budget, two for excess payments, failure to comply with reporting requirements, and failure to comply with statutory deductions) detailed on pages 48 and 49 of De Chazal Du Mee's audit report.

In accordance with Automated Directives System (ADS) 595.3.1.1.a and 595.3.1.5.a, an audit recommendation without management decision may be elevated three months after issuance.

Contract, Grant, or Agreement Officers make management decisions on questioned costs and procedural audit recommendations resulting from Office of Inspector General (OIG) desk reviews of financial audits of contractors and grantees. Mission Directors make management decisions for audit recommendations pertaining to Strategic Objective Grant Agreements that he/she signs. Please have the responsible official provide the Regional Inspector General/Pretoria with written notice within thirty days on any information related to actions planned or taken to implement the report recommendations.

De Chazal Du Mée

Certified Public Accountants



DCDM

**AUDIT OF USAID'S RESOURCES MANAGED BY
DELOITTE & TOUCHE**

UNDER STRATEGIC OBJECTIVE AGREEMENT NO. 621001-01,

CONTRACT NO. 623-C-00-03-00004-00 FOR THE PERIOD

NOVEMBER 15, 2002 TO DECEMBER 31, 2004



De Chazal Du Mée

Certified Public Accountants



DCDM

De Chazal Du Mee
4th Floor Harbourview Towers
Samora Avenue P. O. Box 9912
Dar es Salaam, Tanzania
Tel: +255 22 2112291/2
Fax: +255 22 2112280

31 January 2006

The Controller
USAID Tanzania
P O Box 9130
Dar es Salaam
Tanzania

Our Ref: CAM/ABA/USAID 05/J84

Dear Sir

Subject: Audit of USAID's Resources Managed by Deloitte & Touche under Strategic Objective Agreement No.621001-01, Contract No. 623-C-00-03-00004-00 for the period November 15, 2002 to December 31, 2004

We have completed our audit of the Fund Accountability Statement (FAS) of USAID's Resources Managed by Deloitte & Touche under Strategic Objective Agreement No.621001-01, Contract No. 623-C-00-03-00004-00 for the period November 15, 2002 to December 31, 2004.

We would like to draw your attention to our findings that are set out in the accompanying report. The matters referred to in this report came to our notice during the normal course of our audit of Fund Accountability Statement (FAS).

Yours faithfully

DE CHAZAL DU MEE

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1. Executive Summary

1.1 Introduction

The Rapid Funding Envelope (RFE) for HIV/AIDS in Tanzania was established by the Tanzania Commission for HIV/AIDS (TACAIDS) in consultation with eight bilateral donors which are: the Canadian International Development Agency (CIDA), Ireland AID, the Swiss Agency for Development and Co-operation, the Embassy of Finland, The Royal Netherlands Embassy and the United States Agency for International Development (USAID). Two additional donors, namely the UK's Department for International Development (DFID) and the Bernard van Leer Foundation joined the RFE in 2005.

The RFE is governed by the Steering Committee consisting of representatives from TACAIDS and the funding agencies. It is formally administered by Deloitte & Touche and Management Sciences for Health (MSH). The RFE supports interventions in all strategic priority areas defined by the National Policy on HIV/AIDS. It funds rapid essential activities and inputs that contribute to longer-term efforts by civil society to combat and mitigate the AIDS epidemic. It is designed to allow Civil Society Organisations (CSOs) to implement projects sooner rather than later, build capacity for implementing longer-term interventions, improve project co-ordination and management skills, and test and again experience and lessons learned on innovative HIV/AIDS interventions.

The RFE was initially designed as a short term mechanism in anticipation of the creation of a more permanent arrangement for funding civil society's work in HIV/AIDS. Donor agencies and TACAIDS have agreed on the initial short-term nature of the RFE and resulting implications on programs that can receive RFE support.

The RFE provides support to not-for-profit civil society institutions, academic institutions and partnerships in Tanzania Mainland and Zanzibar for short-term projects of 6-12 months.

1. Executive Summary (Continued)

1.1 Introduction (Continued)

a). Three general principles define the types of projects that RFE funds:

- Projects that are aligned with the national policy and strategic framework for HIV/AIDS as set out by TACAIDS under the Zanzibar Round;
- Projects which are short term but focus on essential activities that will contribute to the longer-term objectives of the national response. Projects should be for a minimum of 1 month (or single action) and a maximum of 12 months, (9 months for the second round); and
- Finally, the RFE funds projects that promote institutional partnerships.

The RFE supports projects in all the priority areas of HIV/AIDS. These are:

- Prevention, Advocacy, Information Education Communication/Behavioural Change Communication;
 - Care and Support;
 - Research to provide baseline information or assess effectiveness;
 - Impact Mitigation; and
 - Institutional strengthening including monitoring and evaluation.
- ❖ The overall objective of the RFE is to assist TACAIDS in the fight against HIV/AIDS. During the period from November 15, 2002 to December 31, 2004, RFE has registered the following achievements:
- The RFE has supported the Donor community by being a conduit to rapid effective utilization of funds for HIV/AIDS relief in Tanzania;
 - CSO's have had a central body to which to apply for funds, therefore, creating a useful database from which Donors can tap into so as not to result in duplication of efforts;

1. Executive Summary (Continued)

1.1 Introduction (Continued)

- The RFE has facilitated increased resources for CSO's via the mobilization and disbursement of significant contribution to national response; it provides support for TACAIDS objectives; and has filled critical gaps and funded innovative projects;
- Sub recipients have been strengthened, both financially and technically, allowing them to expand their activities and reach, which, in turn has assisted in laying a solid foundation for further funding;
- The RFE has also built on existing institutional capacity, improving the quality of CSO's, which have had the benefit of RFE funding; and
- The RFE has achieved an efficient contract making process, constituted by rapid application review and notification, assisted by clear guidelines and formats.

In summary, the RFE has successfully filled a much needed a gap wherein donors can be assured that their funds are being utilized by CSO's whose organizational and financial capacities have been stringently reviewed so as to ensure minimal misuse of funds, but at the same time ensuring that the funds are placed in a much needed intervention.

The organizations receiving funding are able to tap into a resource of financial, organizational and technical expertise, which would normally not be easily available to them.

1.1.1 Responsibility of Fund Managers

Deloitte & Touche is a leading international accounting and management firm which provides grant management and financial oversight.

It is Deloitte & Touche's responsibility to prepare financial statements, which give a true and fair view of the state of the Programme's affairs at the end of the financial year. The auditors are responsible for reporting on these financial statements.

Deloitte & Touche confirms that suitable accounting policies have been used and applied consistently in the preparation of the financial statements for the period December 15, 2002 to December 31, 2004.

1. Executive Summary (Continued)

1.1.1 Responsibility of Fund Managers (Continued)

Deloitte & Touche is responsible for designing effective internal controls, for properly recording transactions in the accounting records, for safeguarding the assets of the Rapid Funding Envelope for HIV/AIDS Relief in Tanzania and hence for taking reasonable steps for the prevention and detection of fraud, error or non-compliance with laws or donor agreements and other relevant regulations.

1.2 USAID-authorized provisional indirect cost rate.

There was no USAID authorized provisional indirect cost rate in respect of this contract.

1.3 Title

Audit of the Fund Accountability Statement of USAID resources managed by Deloitte & Touché under Strategic Objective Grant Agreement No. 621001-01, Contract No. 623-C-00-03-00004-00 for the period November 15,2002 to December 31,2004.

1.4 Period covered

Audit of the Fund Accountability Statement of USAID resources managed by Deloitte & Touché under Strategic Objective Grant Agreement No. 621001-01, Contract No. 623-C-00-03-00004-00 covers the period from November 15,2002 to December 31,2004.

1.5 Status of prior year recommendations

This is the first audit of the Fund Accountability Statement of USAID resources managed by Deloitte & Touché under Strategic Objective Grant Agreement No. 621001-01, Contract No. 623-C-00-03-00004-00 for the period November 15,2002 to December 31,2004. and therefore, follow up of a prior year recommendations is not applicable.

1.6 Objectives

The objective of this exercise was to conduct a financial audit of the USAID resources managed by the recipient under Strategic Objective No. 621001-01, Rapid Funding Envelope (RFE) from November 15, 2002 to December 31, 2004 in accordance with U.S. Government Auditing Standards and the USAID "Guidelines for Financial Audits Contracted by Foreign Recipients (Guidelines)". The financial audit included a specific audit of all the recipient's USAID funded programs.

The specific objectives of the audit of the USAID funds are to:

- Express an opinion on whether the fund accountability statement for the USAID-funded programs presents fairly, in all material respects, program revenue received, costs incurred, and commodities/technical assistance directly procured by USAID for the period audited in conformity with the terms of the agreements and generally accepted accounting principles or other comprehensive basis of accounting (including the cash receipts and disbursements basis and modifications of the cash basis);
- Evaluate and obtain a sufficient understanding of the recipient's internal controls related to the USAID-funded programs and, access control risk, and identify reportable conditions, including material internal control weaknesses. This evaluation must include the internal controls related to required cost sharing contributions;
- Perform tests to determine whether the recipient complied, in all material respects, with agreement terms (including cost sharing, if applicable) and applicable laws and regulations related to USAID -funded programs. All material instances of non-compliance and all illegal acts that have occurred or are likely to have occurred must be identified. Such tests must include the compliance requirements related to required cost sharing contributions, if applicable;
- Perform audit of the indirect cost rate(s) if the foreign recipient has been authorised to charge indirect costs to USAID using provisional rates and USAID has not yet negotiated final rates with the recipient; and
- Determines if the recipient has taken adequate corrective action on prior audit report recommendations.

In assisting in the preparation of the Fund Accountability Statement, the Contractor was required to ensure that the expenditures incurred are firstly, "*reasonable*" and secondly "*allocable*" and thirdly, "*allowable*", and "*appropriately charged*" to the USAID account. Furthermore, unsupported items of expenditure and erroneous charges are required to be reported to USAID Tanzania separately.

1.7 Scope of work

The scope of work included the following steps as the basis for the audit programs and the review. They are not considered all-inclusive or restrictive in nature and do not relieve the auditor from exercising due professional care and judgement. We modified the steps to fit local conditions and specific contract design, implementation procedures and agreement provisions. The limitations of scope (note 1.9) were communicated to the appropriate RIG office. The steps included the following:

1.7.1 Pre- Audit Steps

- Review of the agreements between USAID and the recipient;
- Review sub agreements between the recipient and other implementing entities;
- Review of the budgets, implementation letters and written procedures approved by USAID;
- Review of OMB Circular A-122 " Cost Principles for Non profit Organisations" and;
- All program financial and progress reports; and chart of accounts, organisational charts; accounting systems descriptions; procurement policies and procedures; and receipt, warehousing and distribution procedures for materials, as necessary to successfully complete the required work.

1.7.2 Fund Accountability Statement

- Examined the fund accountability statement for USAID contracts including the budgeted amounts by category and major items; the revenue received from USAID for the period from November 15, 2002 to December 31, 2004, the costs reported by recipient as incurred during that period; and the commodities/ technical assistance directly procured by USAID for the recipient's use.
- Prepared the fund accountability statement from the books and records maintained by the recipient;
- Expressed opinion on the fund accountability statement in accordance with Statement on Auditing Standards (SAS) No.62 (AU623). The fund accountability statement separately identified those revenue and costs applicable to each specific USAID agreement;
- Reviewed direct and indirect costs (management fees) billed to and reimbursed by USAID, identifying and qualifying any questioned costs. Questioned costs were presented in the fund accountability statement in two separate categories: (a) ineligible costs that are explicitly questionable because they are unreasonable; prohibited by the agreements or applicable laws and regulations; or not program related; and (b) unsupported costs that are not supported with adequate documentation or did not have required prior approval or authorisations.

1.8 Audit procedures

Our work was carried out in accordance with U.S. *Government Auditing Standards, June 2003 Revision*, the "Guidelines for Financial Audits Contracted by Foreign Recipients, June 2003 Revision and the

USAID Agreement with the recipient. The procedures performed to address this objective fully complied with the minimum procedures contained in Section B of the approved Statement of Work.

1.8.1 Income

- ❖ **Traced fund transfers to the Deloitte and Touche (Recipient) 's accounting records; traced the cash transfers to the respective centre's bank accounts by date;**
- ❖ **Assessed that differences on movements of exchange rates on receipts and bank transactions or translation, have been properly calculated and accounted for;**
- ❖ **Reviewed the accounting treatment for exchange differences and how the exchange differences in the financial reports have been arrived at with a view to ascertain accuracy of the amounts reported in the financial records; and Confirmed funds received from USAID in respect of Grant Income for the period November 15, 2002 to December 31, 2004.**

1.8.2 Expenditure

- **Determined if payments have been made in accordance with agreed terms and applicable laws and regulations. In performing these tests, specific cost principles were applied to transactions selected for testing to determine the (1) Allocability (2) Reasonability (3) Eligibility and (4) Support for transactions. The working papers evidence that these attributes have been tested;**
- ❖ **Determined if funds have been expended for purposes not authorized or not in accordance with applicable agreement terms and identified these costs as questioned in the fund accountability statement;**
- ❖ **Identified any costs not considered appropriate, classifying and explaining why these costs are questioned;**
- ❖ **Determined whether any commodities were directly procured by USAID for the recipient's use, did exist or were used for their intended purposes in accordance with the agreements. If not, the cost and purpose of such commodities would be questioned;**
- ❖ **Determined whether any technical assistance directly procured by USAID for the recipient, was used for its intended purpose in accordance with the agreements. If not, the cost of such technical assistance would be questioned;**
- ❖ **Determined if any amount of cost sharing funds was calculated and accounted for as required by the Agreements or applicable cost principles;**

1.8.2 Expenditure (Continued)

- ❖ Determined if the cost sharing funds were provided according to the terms of the Agreements and quantified any shortfalls;
- ❖ Determined whether those who received services and benefits were eligible to receive them; and
- ❖ Determined whether the recipient's financial reports (including those on the status of cost sharing contributions) and claims for advances and reimbursements contained information that is supported by books and records.

1.8.3 Cash and bank balances

- ❖ Reviewed bank reconciliation statements for all accounts;
- ❖ Reviewed the translation of foreign currency balances at the year end; and
- ❖ Sent confirmation letters for balances at year end and obtained these confirmations.

1.8.4 Management fee

- ❖ Reviewed management fee agreement between USAID and Deloitte & Touché in respect of financial, grant management and monitoring and evaluation services for the period November 2002 to December 2004;
- ❖ Reviewed timesheets in respect of the above; and
- ❖ Confirmed funds received from USAID in respect of management fee for the period November 15, 2002 to December 31, 2004.

1.8.5 Advances

- ❖ Reviewed list of advances; and
- ❖ Reviewed subsequent retirement of advance balances as at 31 December 2004.

1.8.6 Compliance with sub grants agreement

- ❖ Reviewed funding agreements and all other applicable documents such as financial guideline and accounting manual and confirm that the project is complying in particular with the following:
 - a) the obligations of both parties are adhered to; and

b) reporting requirements are being met.

- ❖ Ensured that the project/sub recipient is complying with the applicable laws and regulations of Tanzania.

1.8.7 Internal control

- ❖ Determined whether a satisfactory system of internal control and documentation exists for the procurement of goods and equipment;
- ❖ Reviewed the system to determine whether it is capable of tracing expenditure through all the stages of payment and delivery of goods and equipment;
- ❖ Reetermined whether the assets of the project are being used in the interest of the project;
- ❖ Determined whether there are breaches of government regulations e.g. on taxation and other compulsory deductions;
- ❖ Determined whether there are unauthorised expenditure, wasteful expenditure, irregular payments, suspected or actual fraud and losses of cash and stores; and
- ❖ Identified specific deficiencies and areas of weaknesses in systems and controls and make recommendations for improvement.

1.9 Scope Limitations

"We do not have a continuing education program that fully satisfies the requirement set forth in Chapter 3, paragraph 3.45 of U.S. Government Auditing Standards. However, our current program provides for at least 40 hours of continuing education and training every two years. We are taking appropriate steps to implement a continuing education program that fully satisfies the requirement."

"We did not have an external quality control review by an unaffiliated audit organization as required by Chapter 3, paragraph 3.52 of U.S. Government Auditing Standards, since no such program is offered by professional organizations in Tanzania. We believe that the effects of this departure from U.S. Government Auditing Standards is not material because we participate in the National Board of Accountants and Auditors (NBAA) of Tanzania internal quality control review program which requires our office to be subjected, every three years, to an extensive quality control review by partners and managers from other affiliate offices."

1.9.1 Summary of Report on Fund Accountability Statement

In view of the limitations of scope in the above paragraph and questioned costs discussed in the report on Fund Accountability Statement, we issued a qualified opinion.

1.9.2 Summary of Report on Internal Control Compliance

The results of our tests disclosed certain matters involving internal control and its operation that we consider reportable conditions. These included the following:

- (1) \$4,126 in costs that are explicitly questioned because they are not program related, not budgeted for, or overspent ; and

(2) \$901 in costs that are not supported with adequate documentation or did not have required prior approvals or authorizations.

(3) Follow -Up on Prior Audit Recommendations

There were no prior audit findings and recommendations.

(4) Cost sharing

There was no cost sharing in this contract.

These conditions have been reported in detail on pages 18 to 24.

1.8.3 Summary of Report on Compliance

The results our tests disclosed instances of non compliances that have been reported in detail on page to . These non compliance instances included:

(1) \$4,126 in costs that are explicitly questioned because they are not program related, unreasonable, or overspent ;

(2) \$901 in costs that are not supported with adequate documentation or did not have required prior approvals or authorizations;

(3) Non compliance with Sub Grant Agreement- Quarterly reports was not submitted to Deloitte and Touche on time by Sub recipients;

(4) Non Compliance with local statutory deductions;

(5) Follow -Up on Prior Audit Recommendations;

There were no prior audit findings and recommendations.

(6) Cost sharing.

There was no cost sharing in this contract.

These conditions have been reported in detail on pages 47to 58.

2 Brief Summary on Audited Fund Accountability Statement

2.1 Revenue and costs incurred

The total funds received from USAID and cost incurred in respect of sub recipients and management fees during the year are summarised below:

Audit of USAID's Resources Managed by Deloitte & Touche under Strategic Objective Grant Agreement No. 621001-01, Contract No.623-C-00-03-00004-00 for the period November 15,2002 to December 31,2004.

<u>Details</u>	<u>US\$</u>
Revenue from USAID	651,112
Costs incurred	590,215
Excess of revenue over cost incurred	<u>60,897</u>

2.2 Questioned costs

The following were the questioned costs:

<u>Details</u>	<u>US\$</u>
Ineligible expenditure	4,126
Un supported payments- Sub recipients	901
Total	<u><u>5,027</u></u>

2.3 Follow -Up on Prior Audit Recommendations

There were no prior audit findings and recommendations.

2.4 Cost sharing

There was no cost sharing in this contract.

3 Brief Summary of Recommendations

3.1 Compliance

USAID has to decide whether the above reported questioned costs are allowable

Deloitte & Touche should ensure that progress reports are submitted with 15 days of the end of each quarter for review and next quarter disbursements.

Management should ensure compliance to regulations governing deductions and submission of statutory deductions.

Exemptions from the relevant laws if any, should be sought in advance.

3.2 Internal control

Deloitte & Touche should ensure that all Projects payments are fully supported and that related goods or services have been received.

Deloitte & Touche should ensure that payments are made for budgeted activities.

Sub recipient management should ensure that prior approval for over expenditure is obtained from Deloitte & Touche.

De Chazal Du Mée



DCDM

Certified Public Accountants

De Chazal Du Mée
4th Floor Harbourview Towers
Samora Avenue P. O. Box 9912
Dar es Salaam, Tanzania
Tel : +255 22 2112291/2
Fax : +255 22 2112280

Managing Partner

Deloitte & Touche
10 th Floor, PPF Tower
Cmn of Ohio & Garden Avenue
P. O. Box 1559
Dar es Salaam
Tanzania

Our Ref: CAM/ABA/ICA05/J30

Dear Sir

Independent Auditor's Report on Fund Accountability Statement

We have audited the fund accountability statement of USAID's Resources Managed by Deloitte and Touche under Strategic Objective Grant Agreement No. 621000-01 for the period November 15, 2002 to December 31, 2004. The fund accountability statement is the responsibility of Deloitte and Touche. Our responsibility is to express an opinion on the fund accountability statement based on our audit. We conducted our audit of the fund accountability statement in accordance with *U.S. Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the fund accountability statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the fund accountability statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

"Except as discussed in the following paragraph(s), we conducted our audit of the fund accountability statement in accordance with U.S. Government Auditing Standards issued by the Comptroller General of the United States...."

"We do not have a continuing education program that fully satisfies the requirement set forth in Chapter 3, paragraph 3.45 of U.S. Government Auditing Standards. However, our current program provides for at least 80 hours of continuing education and training every two years. We are taking appropriate steps to implement a continuing education program that fully satisfies the requirement."

De Chazal Du Mée



DCDM

Certified Public Accountants

De Chazal Du Mée
4th Floor Harbourview Towers
Samora Avenue P. O. Box 9912
Dar es Salaam, Tanzania
Tel: +255 22 2112291/2
Fax: +255 22 2112280

"We did not have an external quality control review by an unaffiliated audit organization as required by Chapter 3, paragraph 3.52 of U.S. Government Auditing Standards, since no such program is offered by professional organizations in Tanzania. We believe that the effects of this departure from U.S. Government Auditing Standards is not material because we participate in the National Board of Accountants and Auditors (NBAA) of Tanzania internal quality control review program which requires our office to be subjected, every three years, to an extensive quality control review by partners and managers from other affiliate offices."

The results of our tests disclosed the following material questioned costs as detailed in the fund accountability statement:

- (1) \$4,126 in costs that are explicitly questioned because they are not program related, unreasonable, or prohibited by the terms of the agreements; and
- (2) \$901 in costs that are not supported with adequate documentation or did not have required prior approvals or authorizations.

In our opinion, except for the effects of the questioned costs and limitations of scope discussed in the preceding paragraphs, the fund accountability statement referred to above presents fairly, in all material respects, program revenues, costs incurred and reimbursed, and commodities and technical assistance directly procured by USAID for the year then ended in accordance with the terms of the agreements and in conformity with the basis of accounting described in Note 1.

*In accordance with U.S. Government Auditing Standards, we have also issued our reports dated August 17, 2006, on our consideration of Deloitte & Touche's internal control over financial reporting and our tests of its compliance with certain provisions of laws and regulations. Those reports are an integral part of an audit performed in accordance with U.S.

Government Auditing Standards and should be read in conjunction with this Independent Auditor's Report in considering the results of our audit.

This report is intended for the information of Deloitte & Touche and USAID. However, upon release by USAID, this report is a matter of public record and its distribution is not limited.

De Chazal Du Mée
DE CHAZAL DU MEE
Per Christopher A. Mageka

Date: 20/04/2007
(17)

FUND ACCOUNTABILITY STATEMENT FOR THE PERIOD NOVEMBER 15, 2002 TO DECEMBER 31,2004

	<u>QUESTIONED COSTS</u>				Notes
	2004	2004	2004	2004	
	<u>Budget</u>	<u>Actual</u>	<u>Ineligible</u>	<u>Unsupported</u>	
	<u>US\$</u>	<u>US\$</u>	<u>US\$</u>	<u>US\$</u>	
Revenue					
Contract income	293,442	273,119			
Management fee	522,773	377,993			
	<u>816,215</u>	<u>651,112</u>			
Costs Incurred					
Workshop for drafting the training manual on					
Nutritional care for PLWHA	3,215	3,109	291	191	5&6
Technical editing and review of the draft manual	1,230	1,396	321	-	7
In cooperating pre test suggestions and final editing of the manual	1,096	-			
Printing of the training manual	2,185	-			
Technical review workshop of 3 booklets	3,523	3,813	133	-	8
Designing and dissemination of 3 booklets	17,451	17,781	-	-	
Workshop for developing scripts for radio programs (2 nd quarter)	2,180	2,331	151		9
Workshop for developing scripts for radio programs (3 rd quarter)	2,180	2,192	12		10
Quality control of publications and training (consultant)	1,466	855	-	-	
Program management	5,587	5,967	380	-	11
Overheads	4,734	1,434	-	-	
Recording and airing of Radio Programs	8,789	-			

FUND ACCOUNTABILITY STATEMENT FOR THE PERIOD NOVEMBER 15, 2002 TO DECEMBER 31,2004

	<u>QUESTIONED COSTS</u>				Notes
	2004	2004	2004	2004	
	<u>Budget</u>	<u>Actual</u>	<u>Ineligible</u>	<u>Unsupported</u>	
	<u>US\$</u>	<u>US\$</u>	<u>US\$</u>	<u>US\$</u>	
Training of trainers on nutrition and HIV and pre-test of the manual - Kilimanjaro	5,876	-			
Training of counsellors health workers and caregivers pretest of manual and practice of trainers-Kilimanjaro	14,120	-			
Training of trainers on nutrition and HIV-Mbeya	5,762	-			
Training of counsellors health workers and caregivers pretest of manual and practice of trainers-Mbeya	14,177	-			
Quality control of publications and training (Consultants)	244	-			
Program management	5,587	-			
Pre-test the concepts and images prior to translation	381	391	-		
Translate texts to colloquial Swahili and collect appropriate artwork	2,280	2,280	1,115	309	12 (a)& (b)
Pre-test first draft of text and artwork	381	381	-		
Finalise materials in consultation with reference groups	29,380	26,814	-	114	13

FUND ACCOUNTABILITY STATEMENT FOR THE PERIOD NOVEMBER 15, 2002 TO DECEMBER 31,2004

	<u>QUESTIONED COSTS</u>				Notes
	2004	2004	2004	2004	
	<u>Budget</u>	<u>Actual</u>	<u>Ineligible</u>	<u>Unsupported</u>	
	<u>US\$</u>	<u>US\$</u>	<u>US\$</u>	<u>US\$</u>	
Distribution of materials via NGO and CBO	3,500	3,500	-	-	
Travel to target district	4,622	3,693	43	143	14 (a) & (b)
Collect quantitative baseline information on target audience	460	2,085	1,680	144	15 (a)& (b)
Final evaluation	1,637	1,637	-	-	
Printing and distribution	141,137	127,014	-	-	
Program management	5,131	5,131	-	-	
Overheads	5,131	388			
Bank charges	-	30			
Costs for financial, grant management and monitoring and evaluation services					
	<u>522,773</u>	<u>377,993</u>			
Total Costs Incurred	816,215	590,215			
Total Questioned Costs			4,126	901	
Outstanding Fund Balance		60,897			16

**NOTES TO FUND ACCOUNTABILITY STATEMENT FOR THE PERIOD
NOVEMBER 15, 2002 TO DECEMBER 31, 2004**

1 BASIS OF ACCOUNTING

The fund accountability statement has been prepared on a cash basis. No account is taken of funds not yet received and liabilities for goods and services remaining unpaid at the end of the financial period.

2 FOREIGN CURRENCY TRANSLATION

Receipts from USAID and Payments dominated in Tanzania Shillings has been converted into USD at an average rate of Tshs 1,052.42/ 1 US\$ while cash and bank balances have been converted at a closing rate of Tshs 1,042.96/ 1 US\$.

3 CONTRACT INCOME

The total contract award amounted to US\$ 577,227. However, the total of US\$ 273,119 as detailed in the table below were released to recipient, Deloitte and Touche during the period November 15, 2002 to December 31,2004. The actual funds were released by USAID on the basis of the approved sub recipients' proposals.

<u>Date received</u>	<u>2004</u> <u>Actual</u> <u>US\$</u>
26 June 2003	44,819
28 November 2003	107,706
14 May 2004	89,232
14 August 2004	21,520
01 October 2004	9,842
	<hr style="width: 100%; border: 0.5px solid black;"/>
	273,119
	<hr style="width: 100%; border: 0.5px solid black;"/>

4 MANAGEMENT FEE

This represents funds received from USAID for financial, contract management and monitoring and evaluation services for the period November 15, 2002 to December 31, 2004. Management fee is billed one month in arrears.

**NOTES TO FUND ACCOUNTABILITY STATEMENT FOR THE PERIOD
NOVEMBER 15, 2002 TO DECEMBER 31, 2004**

5 Payments amounting to US\$ 191 (Tshs 200,000) in respect of workshop for drafting the training manual on nutritional care for PLWHA by Sub recipient - Centre for Counselling Nutrition and Health Care (COUSENUTH) were not fully supported with third party documents. Unsupported costs are explained in detail on pages 28 to 29.

6 Payments amounting to US\$ 291 (Tshs 316,400) in respect of workshop for drafting the training manual on nutritional care for PLWHA by Sub recipient- Centre for Counselling Nutrition and Health Care (COUSENUTH) comprised payments not budgeted for amounting to US\$ 67 (Tshs 70,500) and overspent payments amounting to US\$ 264 (Tshs 235,900) . There was no evidence that prior approval from Deloitte and Touche was obtained by Sub recipient. Un budgeted costs and over expenditures in respect of Sub recipient , COUSENUTH are explained in detail on pages 30 to 32 and 33 to 37 respectively.

7 Payments amounting to US\$ 321 (Tshs 338,000) in respect of technical editing and review of the draft manual (2) by Sub recipient- Centre for Counselling Nutrition and Health Care (COUSENUTH) were overspent. There was no evidence that prior approval from Deloitte and Touche was obtained by Sub recipient. Un budgeted costs and over expenditures in respect of Sub recipient , COUSENUTH are explained in detail on pages 30 to 32 and 33 to 37 respectively.

8 Payments amounting to US\$ 133 (Tshs 139,000) in respect of technical review of the draft manual (2) by Sub recipient- Centre for Counselling Nutrition and Health Care (COUSENUTH) comprised payments not budgeted for amounting to US\$ 85 (Tshs 89,000) and overspent payments amounting to US\$ 48 (Tshs 50,000) . There was no evidence that prior approval from Deloitte and Touche was obtained by Sub recipient. Un budgeted costs and over expenditures in respect of Sub recipient , COUSENUTH are explained in detail on pages 30 to 32 and 33 to 37 respectively.

9 Payments amounting to US\$ 151 (Tshs 158,915) in respect of workshop for developing scripts for radio programs (2nd quarter) by Sub recipient- Centre for Counselling Nutrition and Health Care (COUSENUTH) were overspent. There was no evidence for prior approval from Deloitte and Touche was obtained by Sub recipient. Over expenditures in respect of Sub recipient , COUSENUTH are explained in detail on pages 33 to 37 .

10. Payments amounting to US\$ 12 (Tshs 12,629) in respect of workshop for developing scripts for radio programs (3rd quarter) by Sub recipient- Centre for Counselling Nutrition and Health Care (COUSENUTH) were overspent. There was no evidence that prior approval from Deloitte and Touche was obtained by Sub recipient. Over expenditures in respect of Sub recipient , COUSENUTH are explained in detail on pages 33 to 37 .

**NOTES TO FUND ACCOUNTABILITY STATEMENT FOR THE PERIOD
NOVEMBER 15, 2002 TO DECEMBER 31, 2004**

11 Payments amounting to US\$ 321 (Tshs 338,000) in respect of technical editing and review of the draft manual (2) by Sub recipient- Centre for Counselling Nutrition and Health Care (COUSENUTH) were overspent. There was no evidence that prior approval from Deloitte and Touche was obtained by Sub recipient. Over expenditures in respect of Sub recipient , COUSENUTH are explained in detail on pages 33 to 37 .

12 (a). Payments for photography amounting to US\$ 309 (Tshs 325,000) in respect of translation of texts to colloquial Swahili and collect appropriate work by Sub recipient - East Africa Development Communication Foundation (EADCF) were not fully supported with third party documents. Unsupported costs in respect of Sub recipient , EADCF are explained in detail on pages 38 to 40.

12 (b) Payments for photography amounting to US\$ 1,115 (Tshs 1,173,500) in respect of translation of texts to colloquial Swahili and collect appropriate work by Sub recipient - East Africa Development Communication Foundation (EADCF) were over spent. Over expenditures in respect of Sub recipient , EADCF are explained in detail on pages 44 to 46 .

13. Payment for travelling allowance amounting to US\$ 114 (Tshs 120,000) in respect of finalisation of materials in consultation with reference group not supported by signature of the Sub recipient staff. Unsupported costs in respect of Sub recipient , EADCF are explained in detail on pages 38 to 40.

14(a) Payment for participants allowance amounting to US\$ 143 (Tshs 150,000) in respect of travel to target districts of qualitative baseline information was not supported by signed payment voucher to evidence the receipt of cash advance by Sub recipient staff. Unsupported costs costs in respect of Sub recipient , EADCF are explained in detail on pages 38 to 40.

14(b) Payment for telephone charges amounting to US\$ 43 (Tshs 45,000) in respect of travel to target districts was not budgeted for. Un budgeted costs in respect of Sub recipient, EADCF are explained in detail on pages 41 to 43 .

15 (a) Payments for transport amounting to US\$ 144 (Tshs 151,000) in respect of collection of qualitative 1baseline information were not supported by bus tickets. Unsupported costs in respect of Sub recipient , EADCF are explained in detail on pages 38 to 40.

15 (b) Payments amounting to US\$ 1,680 (Tshs 1,768,500) in respect of collection of qualitative baseline information. by Sub recipient - East Africa Development Communication Foundation (EADCF) comprised payments not budgeted for amounting to US\$ 53 (Tshs 56,500)and overspent payments amounting to US\$ 1,627 (Tshs 1,712,000) . There was no evidence that prior approval from Deloitte and Touche was obtained by Sub recipient. . Un budgeted costs and over expenditures in respect of Sub recipient, EADCF are explained in detail on pages 41 to 43 and 44 to 46 respectively .

**NOTES TO FUND ACCOUNTABILITY STATEMENT FOR THE PERIOD
NOVEMBER 15, 2002 TO DECEMBER 31, 2004**

16 OUTSTANDING FUND BALANCE

	2004
	<u>US\$</u>
Cash and bank balance	10
Sub recipient advances*	61,480
Exchange gain	<u>(593)</u>
	60,897

*These constitute advances made to Sub recipients as at 31 December 2005: COUNSENUTH US\$ 60,873 and EADCF US\$ 607. The costs incurred in the Fund Accountability Statement do not include advances made to Sub recipients as at 31 December 2005.

De Chazal Du Mée

Certified Public Accountants

DCDM



De Chazal Du Mée
4th Floor Harbourview Towers
Samora Avenue P. O. Box 9912
Dar es Salaam, Tanzania
Tel : +255 22 2112291/2
Fax : +255 22 2112280

Managing Partner

Deloitte & Touche

10 th Floor, PPF Tower

Cm of Ohio & Garden Avenue

P. O. Box 1559

Dar es Salaam

Tanzania

Our Ref: CAM/ABA/ICA05/130

Dear Sir

Independent Auditor's Report on Internal Controls

We have audited the fund accountability statement of USAID's Resources Managed by Deloitte & Touche under Strategic Objective Grant Agreement No.621000-01 as of and for the period November 15, 2002 to December 31, 2004 and have issued our report on it dated August 17, 2006.

Except for not having a fully satisfactory continuing education program and/or not conducting an external quality control review by an unaffiliated audit organisation (as described in our report on the fund accountability statement), we conducted our audit in accordance with U.S. Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the fund accountability statement is free of material misstatement.

Management of Deloitte and Touche is responsible for establishing and maintaining internal control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected



The Chazal Du Mée
4th Floor Harbourview Towers
Samora Avenue P. O. Box 9912
Dar es Salaam, Tanzania
Tel : +255 22 2112291/2
Fax : +255 22 2112280

benefits and related costs of internal control policies and procedures. The objectives of internal control are to provide management with reasonable, but not absolute, assurance that the assets are safeguarded against loss from unauthorized use or disposition; transactions are executed in accordance with management's authorization and in accordance with the terms of the agreements; and transactions are recorded properly to permit the preparation of the fund accountability statement in conformity with the basis of accounting described in Note 1 to the fund accountability statement. Because of inherent limitations in internal control, errors or fraud may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the fund accountability statement of Deloitte & Touche for the period November 15, 2002 to December 31, 2004, we obtained an understanding of internal control. With respect to internal control, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the fund accountability statement and not to provide an opinion on internal control. Accordingly, we do not express such an opinion.

We noted certain matters involving internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants (AICPA). Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control that, in our judgment, could adversely affect the recipient's ability to record, process, summarize, and report financial data consistent with the assertions of management in the fund accountability statement.

The summary of reportable conditions is presented below:

- ◆ Payments amounting to US\$ 191 (Tshs 200,000) in respect of Sub Recipient - Centre for Counselling Nutrition and Health Care (COUSENUTH) were not fully supported with third party documents.
- ◆ Payment s amounting to US\$ 152 (Tshs 158,500) in respect of Sub recipient- Centre for Counselling Nutrition and Health Care (COUSENUTH) were not budgeted for. These payments are considered ineligible.
- ◆ Payment s amounting to US\$ 1,136 (Tshs 1,196,564) in respect of Sub recipient- Centre for Counselling Nutrition and Health Care (COUSENUTH) were overspent. These payments are considered ineligible.

De Chazal Du Mée

Certified Public Accountants



De Chazal Du Mée
4th Floor Harbourview Towers
Samora Avenue P. O. Box 9912
Dar es Salaam, Tanzania
Tel : +255 22 2112291/2
Fax : +255 22 2112280

- ◆ Payments amounting to US\$ 710 (Tshs 746,000) in respect of Sub Recipient - East Africa Development Communication Foundation (EADCF) were not fully supported with third party documents.
- ◆ Payments amounting to US\$ 401 (Tshs 421,500) in respect of Sub Recipient-East Africa Development Communication Foundation (EADCF) were not budgeted for. These payments are considered ineligible.
- ◆ Payments amounting to US\$ 2,437 (Tshs 2,564,000) in respect of Sub Recipient-East Africa Development Communication Foundation (EADCF) were overspent . These payments are considered ineligible.
- ◆ Non compliance with Sub Grant Agreement-Quarterly reports were not submitted on time by Sub Recipient.

The above conditions are detailed in our findings and recommendations section on internal control from pages 28 to 37 and 56.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control elements does not reduce to a relatively low level the risk that errors or fraud in amounts that would be material in relation to the fund accountability statement may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe none of the reportable conditions described above is a material weakness.

This report is intended for the information of Deloitte & Touche and the U.S. Agency for International Development (USAID). However, upon release by USAID, this report is a matter of public record and its distribution is not limited.

De Chazal Du Mée
DE CHAZAL DU MÉE

Date 20/04/2007

Dr Christopher A. Magoka

(27)

Audit of USAID's Resources Managed by Deloitte & Touche under Strategic Objective Grant Agreement No. 6210001-01, Contract No. 623-C-00-030-00004-00

8. Findings and Recommendations on Internal Controls

We detail our findings and recommendations in the tables below:

8.1 UNSUPPORTED PAYMENTS-CENTER FOR COUNSELING, NUTRITION AND HEALTH CARE (COUNSENUTH)

Criteria / Condition	Cause/Effect	Recommendation	Management comment
<p>According to Circular No.A.122 cost principles for Non-Profit Organasation, attachment A section 2 (g),costs to be allowable under an award must be adequately documented.</p> <p>However, payments made by the Sub recipient-COUNSENUT amounting to US\$ 191 (TShs 200,000) were not supported by third party documents.</p> <p>These payments are detailed in the table below:</p>	<ul style="list-style-type: none"> ❖ RFE for HIV/ AIDS management did not adequately review the quarterly financial reports to ensure that that all payments were adequately supported by third party documents. ❖ Project funds might have been used for unauthorised activities. 	<p>Deloitte and Touche should ensure that all Projects payments are fully supported and that related goods or services have been received.</p>	<p>The payments made were for transport allowances to participants. The participants signed against their names. These were not transport charges rather transport allowances.</p>

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Quarter	Activity Number	Activity Name	Pv number	Amount US\$	Amount Tshs	Details
1& 2	1	Workshop for drafting the training manual on nutritional care for PLWHA	3		143	Being transport charges not supported by bus tickets.
1& 2	1	Workshop for drafting the training manual on nutritional care for PLWHA	3		48	Being transport charges not supported by bus tickets.
Total					191	200,000

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8. 2. INELIGIBLE PAYMENTS (UN BUDGETED COSTS)- COUNSELING, NUTRITION AND HEALTH CARE (COUNSENUH)

Criteria/Condition	Cause/Effect	Recommendation	Management comment
<p>According to Circular No.A-122. cost principles for Non- Profit Organisation attachment A Section 4(b) any cost allocable to a particular award or other cost objective under these principles may not be shifted to other to other Federal awards to overcome funding deficiencies, or to avoid restrictions imposed by law or by the terms of the award.</p> <p>However, payments made by the Sub recipient-COUNSENUH amounting to US\$ 152 (TShs 158,500) were not budgeted for .</p> <p>These payments are detailed in the table below:</p>	<ul style="list-style-type: none"> ❖ RFE for HIV/ AIDS management did not adequately review the quarterly financial reports to ensure that all payments were budgeted for and were within the budget limit. ❖ Project funds might have been used for unauthorised activities. 	<p>Deloitte and Touche should ensure that payments are made for budgeted activities.</p> <p>Sub recipient management should ensure that a prior approval for over expenditure is obtained from Deilotte and Touche.</p>	<p>Noted. Step 5 of the RFE grant making process (Financial Management) requires facilitating of financial reviews. As Grant Manager we developed a system of reviewing financial accountability at the end of every quarter.</p>

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Quarter	Activity Number	Activity Name	Pv number	Amount US\$	Amount Tshs	Details
1& 2	1	Workshop for drafting the training manual on nutritional care for PLWHA	2	48	50,000	Being transport charges amounting to Tshs 50,000. This expenditure line was not budgeted for.
1&2	1	Workshop for drafting the training manual on nutritional care for PLWHA	2	19	20,500	Being stationery cost amounting to Tshs 20,500. This amount was not budgeted for.
1& 2	5	Technical review workshop of 3 booklets	18	48	50,000	Being secretarial service cost amounting to Tshs 50,000. This amount was not budgeted for.
1& 2	5	Technical review workshop of 3 booklets	18	10	10,000	Being transport cost amounting to Tshs 10,000. This amount was not budgeted for.

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Quarter	Activity Number	Activity Name	Pv number	Amount US\$	Amount Tshs	Details
1&2	7	Technical review workshop of 3 booklets	41	27	28,000	Being transport allowance amounting to Tshs 28,000. This amount was not budgeted for.
Total				152	158,500	

Audit of USAID's Resources Managed by Deloitte & Touche under Strategic Objective Grant Agreement No. 6210001-01, Contract No. 623-C-00-030-00004-00

8. 3. INELIGIBLE PAYMENTS (OVER EXPENDITURE)- COUNSELING, NUTRITION AND HEALTH CARE (COUNSENUTH)

Criteria/Condition	Cause/Effect	Recommendation	Management comment
<p>According to Contract to sub recipient, Counselling, Nutrition and Health Care (COUNSENUTH), section 13 (e), the grant will not be used for any purposes (including the specified expenditure lines) other than those set out in the Project without the express written consent of Deloitte & Touche.</p> <p>However, payments made by the Sub recipient- COUNSENUTH amounting to US\$ 1,136 (TShs 1,196,564) were over expended for compared to the budget ed amounts for those activities. These payments are detailed in the table below:</p>	<ul style="list-style-type: none"> ❖ RFE for HIV/ AIDS management did not adequately review the quarterly financial reports to ensure that all payments were budgeted for and were within the budget limit. ❖ Project funds might have been used for unauthorised activities. 	<p>Deloitte and Touche should ensure that payments are made for budgeted activities.</p> <p>Sub recipient management should ensure that a prior approval for over expenditure is obtained from Deloitte and Touche.</p>	<p>Most of these over budget were done on the first quarter. We detected them and raise the issues to sub grantee and were cleared in the subsequent quarters by charging them against contingency fund.</p>

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Quarter	Activity Number	Activity Name	Pv number	Amount US\$	Amount Tshs	Details
1& 2	1	Workshop for drafting the training manual on nutritional care for PLWHA	3	15	15,900	Being over expenditure amounting to Tshs 15,900 in respect of stationery. Total budget for this activity was Tshs 44,000 while actual expenditure amounted to Tshs 59,900. It was not evident that a prior approval of overspent amount was obtained by Sub recipient from Deloitte & Touche.
1& 2	1	Workshop for drafting the training manual on nutritional care for PLWHA	3	57	60,000	Being over expenditure amounting to Tshs 60,000 in respect of transport. Total budget for this activity was Tshs 90,000 while actual expenditure amounted to Tshs 150,000. It was not evident that a prior approval of overspent amount was obtained by Sub recipient from Deloitte & Touche
1& 2	1	Workshop for drafting the training manual on nutritional care for PLWHA	2	152	160,000	Being over expenditure amounting to Tshs 160,000 in respect of Daily subsistence allowance. Overpayment was due to the fact that payment was made to four participants who were paid for one extra day which was neither budgeted nor attached evidence that a prior approval of overspent amount was obtained by Sub recipient from Deloitte & Touche . We consider this payment un reasonable.

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Quarter	Activity Number	Activity Name	Pv number	Amount US\$	Amount Tshs	Details
1& 2	2	Technical editing and review of the draft manual (2)	23	17	18,200	Being over expenditure amounting to Tshs 18,200 in respect of coffee and coffee expenses. Total budget for this expenditure line was Tshs 45,000 while actual expenditure amounted to Tshs 63,200. It was not evident that a prior approval of overspent amount was obtained by Sub recipient from Deloitte & Touche .
1& 2	2	Technical editing and review of the draft manual (2)	23	304	320,000	Being over expenditure amounting to Tshs 320,000 in respect of Daily Subsistence Allowance (DSA). Total budget for this expenditure line was Tshs 720,000 while actual expenditure amounted to Tshs 1,040,000. It was not evident that a prior approval of overspent amount was obtained by Sub recipient from Deloitte & Touche .

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Quarter	Activity Number	Activity Name	Pv number	Amount US\$	Amount Tshs	Details
1&2	5	Technical review workshop of 3 booklets	18		51,000	Being over expenditure amounting to Tshs 51,000 in respect of Transport Allowance (DSA). Total budget for this expenditure line was Tshs 70,000 while actual expenditure amounted to Tshs 121,000. It was not evident that a prior approval of overspent amount was obtained by Sub recipient from Deloitte & Touche.
2	7	Workshop for developing scripts for radio programs (2 nd quarter)			151	Being over expenditure amounting to Tshs 158,915 in respect of Workshop for developing scripts for radio programs (2 nd quarter). Total budget for this expenditure line was Tshs 2,294,000 while actual expenditure amounted to Tshs 2,452,915. It was not evident that a prior approval of overspent amount was obtained by Sub recipient from Deloitte & Touche.

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Quarter	Activity Number	Activity Name	Pv number	Amount US\$	Amount Tshs	Details
3	8	Workshop for developing scripts for radio programs (3 rd quarter)			12,629	Being over expenditure amounting to Tshs 12,629 in respect of Workshop for developing scripts for radio programs (2 nd quarter). Total budget for this expenditure line was Tshs 2,294,000 while actual expenditure amounted to Tshs 2,306,629. It was not evident that a prior approval of overspent amount was obtained by Sub recipient from Deloitte & Touche.
1&2	15	Program management		380	399,920	Being over expenditure amounting to Tshs 399,920 in respect of Program management (1 st and 2 nd quarter). Total budget for this expenditure line was Tshs 5,880,000 while actual expenditure amounted to Tshs 6,279,920. It was not evident that a prior approval of overspent amount was obtained by Sub recipient from Deloitte & Touche.
Total				1,136	1,196,564	

**Audit of USAID's Resources Managed by Deloitte & Touche under Strategic Objective Grant Agreement No. 6210001-01,
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8.4 UNSUPPORTED PAYMENTS-EAST AFRICA DEVELOPMENT COMMUNICATION FOUNDATION (EADCF)

Criteria/Condition	Cause/Effect	Management Comment	Management Comment
<p>According to Circular No.A-122, cost principles for Non-Profit Organisation attachment A section 2(g) costs to be allowable under an award, they must be adequately documented.</p> <p>However, payments made by the Sub recipient-EADCF amounting to US\$ 710 (TShs 746,000) were not supported by third party documents.</p> <p>These payments are detailed in the table below:</p>	<ul style="list-style-type: none"> ❖ RFE for HIV/AIDS management did not adequately review the quarterly financial reports to ensure that all payments were adequately supported by third party documents. ❖ Project funds might have been used for unauthorised activities. 	<p>Management should ensure that all Project payments are fully supported and that related goods or services have been received.</p>	<p>Noted. We carried a special audit on October 2003 and review of accountabilities on February 2004. We discovered these anomalies and suggested the proper way of managing the fund to sub grantee. Most of the problems were resolved in the subsequent quarters.</p>

**Audit of USAID's Resources Managed by Deloitte & Touche under Strategic Objective Grant Agreement No. 6210001-01,
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Quarter	Activity Number	Activity Name	Fv number	Amount US\$	Amount Tshs	Details
1-4	Simchezo Activity No.3	Collection of qualitative baseline information	4-8-03	16	17,000	Being part of transport cost from Dar es Salaam to Tunduru in respect to Si Mchezo Activity 3. There were no bus tickets to support this amount
1-4	Simchezo Activity No.3	Collection of qualitative baseline information	4-8-03	128	134,000	Being part of transport cost within Tunduru District in respect to Si Mchezo Activity 3. There were no receipts supporting this amount.
1-4	Simchezo Activity 2	Travel to target districts	5-8-03	143	150,000	Being participants allowance amounting to Tshs 150,000. There were no recipient' signatures on the payment voucher to evidence the receipt of advance.
1-4	Soul City Activity 5	Finalise materials in consultation with reference group	3-8-04	114	120,000	Being travelling allowance not supported.

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Quarter	Activity Number	Activity Name	Pv number	Amount US\$	Amount Tshs	Details
1-4	Soul City Activity 3	Translate texts to colloquial Swahili and collect appropriate work	1-10-03	309	325,000	Being part of photography cost amounting to Tshs 325,000 This amount was not supported by suppliers' invoice/receipts or contract.
Total				710	746,000	

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8.5 INELIGIBLE PAYMENTS (UN BUDGETED COSTS)- EAST AFRICA DEVELOPMENT COMMUNICATION FOUNDATION (EADCF)

Criteria/Condition	Cause/Effect	Recommendation	Management comment
<p>According to Circular No.A-122. cost principles for Non- Profit Organisation attachment A section 4(b) any cost allocable to a particular award or other cost objective under these principles may not be shifted to other to other Federal awards to overcome funding deficiencies, or to avoid restrictions imposed by law or by the terms of the award.</p> <p>However, payments made by the Sub recipient- EADCF amounting to TShs 401 (Tshs 421,500) were not budgeted for . In addition it was not evident that written consent was obtained from Deloitte & Touche.</p> <p>These payments are detailed in the table below:</p>	<ul style="list-style-type: none"> ❖ RFE for HIV/ AIDS management did not adequately review the quarterly financial reports to ensure that all payments were budgeted for and were within the budget limit. ❖ Project funds might have been used for unauthorised activities. 	<p>Deloitte & Touche should ensure that payments are made for budgeted for activities.</p> <p>Sub recipient management should ensure that prior approval for over expenditure is obtained from Fund Manager</p>	<p>Noted. On our first quarter liquidation (accountability) review done on February 2004 we discovered all these over expenditures. We advised the sub grantee to seek approval from grant manager for all budget deviations.</p>

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Quarter	Activity Number	Activity Name	Pv number	Amount US\$	Amount Tshs	Details
Quarter	Activity Number	Activity Name	Pv number	Amount US\$	Amount Tshs	Details
1-4	Simchezo Activity 3	Collection of qualitative baseline information	4-8-03	18	19,200	Being photocopy expenses amounting to Tshs 19,200. This amount was not budgeted for.
1-4	Simchezo Activity 3	Collection of qualitative baseline information	4-8-03	35	37,300	Being stationery expenses amounting to Tshs 37,300. This amount was not budgeted for.
1-4	Simchezo Activity 2	Travel to target districts	4-8-03	43	45,000	Being telephone charges amounting to Tshs 45,000. This expenditure line was not budgeted for.

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RQuarter	Activity Number	Activity Name	Pv number	Amount US\$	Amount Tshs	Details
1-4	Soul City Activity 3	Translate texts to colloquial Swahili and collect appropriate artwork	1-10-03	162	170,000	Being participants allowance amounting to Tshs 170,000. This amount was not budgeted for.
1-4	Soul City Activity 3	Translate texts to colloquial Swahili and collect appropriate artwork	1-10-03	143	150,000	Being transport cost amounting to Tshs 150,000. This amount was not budgeted for.
Total				401	421,500	

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8.6 INELIGIBLE PAYMENTS (OVER EXPENDITURE)- EAST AFRICA DEVELOPMENT COMMUNICATION FOUNDATION (EADCF)

Criteria/Condition	Cause/Effect	Recommendation	Management comment
<p>According to Contract to sub recipient, East African Development Communication Foundation (EADCF), section 13 (e), the grant will not be used for any purposes (including the specified expenditure lines) other than those set out in the Project without the express written consent of Deloitte & Touche.</p> <p>However, payments made by the Sub recipient-EADCF amounting to US\$ 2,437 (Tshs 2,564,000) were over expended for some items in comparison to the budgeted amounts for those activities. In addition it was not evident that written consent was obtained from Deloitte and Touche.</p>	<ul style="list-style-type: none"> ❖ RFE for HIV/AIDS management did not adequately review the quarterly financial reports to ensure that all payments were budgeted for and were within the budget limit. ❖ Project funds might have been used for unauthorised activities. 	<p>Deloitte & Touche should ensure that payments are made for budgeted for activities.</p> <p>Sub recipient management should ensure that prior approval for over expenditure is obtained from Fund Manager</p>	<p>All these over expenditure were charged against contingency fund. In the subsequent quarters the sub grantee asked approval from grant manager.</p>

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Quarter	Activity Number	Activity Name	Pv number	Amount US\$	Amount Tshs	Details
1-4	Simchezo Activity 3	Collection of qualitative baseline information	4-8-03	163	172,000	Being over expenditure amounting to Tshs 172,000 in respect of transport cost from Dar es Salaam to Tunduru. Total budget for this activity was Tshs 72,000 while actual expenditure amounted to Tshs 244,000. It was not evident that prior approval of the overspent amount was obtained by Sub recipient from Deloitte & Touche
1-4	Simchezo Activity 3	Collection of qualitative baseline information	4-8-03	284	298,500	Being over expenditure amounting to Tshs 298,500 in respect of transport cost within Tunduru. Total budget for this activity was Tshs 80,000 while actual expenditure amounted to Tshs 378,500 It was not evident that a prior approval of overspent amount was obtained by Sub recipient from Deloitte & Touche .
1-4	Simchezo Activity 3	Collection of qualitative baseline information	4-8-03	342	360,000	Being over expenditure amounting to Tshs 360,000 in respect of travelling allowances. Total budget for this activity was Tshs 240,000 while actual expenditure amounted to Tshs 600,000 It was not evident that a prior approval was from Deloitte & Touche.

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Quarter	Activity Number	Activity Name	Pv number	Amount US\$	Amount Tshs	Details
1-4	Simchezo Activity 3	Collection of qualitative baseline information	4-8-03	838	881,500	Being over expenditure amounting to Tshs 881,500 in respect of participants' allowance. Total budget for this activity was Tshs 90,000 while actual expenditure amounted to Tshs 971,500 It was not evident that prior approval was from Deloitte & Touche.
1-4	Soul City Activity 3	Translate texts to colloquial Swahili and collect appropriate artwork	1-10-03	810	852,000	Being over expenditure amounting to Tshs 852,000 in respect of photography cost. Total budget for this expenditure line was Tshs 300,000 while actual expenditure amounted to Tshs 1,152,000. It was not evident that prior approval for overspent amount was obtained by Sub recipient from Deloitte & Touche.
Total				2,437	2,564,000	

De Chazal Du Mée

Certified Public Accountants



De Chazal Du Mée
4th Floor Harbourview Towers
Samora Avenue P. O. Box 9912
Dar es Salaam, Tanzania
Tel : +255 22 2112291/2
Fax : +255 22 2112280

Managing Partner

Deloitte & Touche 10 th Floor, PPF Tower
Crn of Ohio & Garden Avenue
P. O. Box 1559
Dar es Salaam
Tanzania

Independent Auditor's Report on Compliance

We have audited the fund accountability statement of Deloitte & Touche for the period November 15, 2002 to December 31, 2004.

We conducted our audit in accordance with U.S. Government Auditing Standards issued by the Comptroller General of the United States. *Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the fund accountability statement is free of material misstatement resulting from violations of agreement terms and laws and regulations that have a direct and material effect on the determination of the fund accountability statement amounts.

Compliance with agreement terms and laws and regulations applicable to Deloitte & Touche is the responsibility of Deloitte & Touche's management. As part of obtaining reasonable assurance about whether the fund accountability statement is free of material misstatement, we performed tests of Deloitte and Touche's compliance with certain provisions of agreement terms and laws and regulations. However, our objective was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion. We also performed tests of Deloitte and Touche's compliance with certain provisions of agreement terms.

Material instances of non compliance are failures to follow requirements or violations of agreement terms and laws and regulations that cause us to conclude that the aggregation of misstatements resulting from those failures or violations is material to the fund accountability statement. The results of our compliance tests disclosed the following material instances of non-compliance, the effects of which are shown as questioned costs in Deloitte & Touche's fund accountability statement for the period November 15, 2002 to December 31, 2004.

De Chazal Du Mée

Certified Public Accountants



De Chazal Du Mée
4th Floor Harbourview Towers
Samora Avenue P. O. Box 9912
Dar es Salaam, Tanzania
Tel : +255 22 2112291/2
Fax : +255 22 2112280

The summary of reportable conditions is presented below:

- ◆ Payments amounting to US\$ 191 (Tshs 200,000) in respect of Sub Recipient - Centre for Counselling Nutrition and Health Care (COUSENUTH) were not fully supported with third party documents.
- ◆ Payments amounting to US\$ 152 (Tshs 158,500) in respect of Sub recipient- Centre for Counselling Nutrition and Health Care (COUSENUTH) were not budgeted for. These payments are considered ineligible.
- ◆ Payments amounting to US\$ 1,136 (Tshs 1,196,564) in respect of Sub recipient- Centre for Counselling Nutrition and Health Care (COUSENUTH) were overspent. These payments are considered ineligible.
- ◆ Payments amounting to US\$ 710 (Tshs 746,000) in respect of Sub Recipient - East Africa Development Communication Foundation (EADCF) were not fully supported with third party documents.
- ◆ Payments amounting to US\$ 401 (Tshs 421,500) in respect of Sub Recipient-East Africa Development Communication Foundation (EADCF) were not budgeted for. These payments are considered ineligible.
- ◆ Payments amounting to US\$ 2,437 (Tshs 2,564,000) in respect of Sub Recipient-East Africa Development Communication Foundation (EADCF) were overspent . These payments are considered ineligible.
- ◆ Non compliance with Sub Grant Agreement-Quarterly reports were not submitted on time by Sub Recipient.
- ◆ Non compliance with Statutory deductions.

The above conditions have been detailed in our findings and recommendations on report on compliance section page 50 to 58.

De Chazal Du Mée

Certified Public Accountants



De Chazal Du Mee
4th Floor Harbourview Towers
Samora Avenue P. O. Box 9912
Dar es Salaam, Tanzania
Tel : +255 22 2112291/2
Fax : +255 22 2112280

We considered these material instances of non compliance in forming our opinion on whether Deloitte & Touche's fund accountability statement for the period November 15, 2002 to December 31, 2004. is presented fairly, in all material respects, in accordance with the terms of the agreements and in conformity with the basis of accounting described in Note 1 to the fund accountability statement, and this report does not affect our report on the fund accountability statement dated August 17, 2006.

This report is intended for the information of Deloitte and Touche and the U.S. Agency for International Development (USAID). However, upon release by USAID, this report is a matter of public record and its distribution is not limited.

De Chazal Du Mée

DE CHAZAL DU MEE

Dr Christopher A. Mageka

Date

20/04/2007

Audit of USAID's Resources Managed by Deloitte & Touche under Strategic Objective Grant Agreement No. 6210001-01, Contract No. 623-C-00-030-00004-00

10. Findings and Recommendations on Compliance

10.1 UNSUPPORTED PAYMENTS-CENTER FOR COUNSELING, NUTRITION AND HEALTH CARE (COUNSENUTH)

Criteria/Condition	Cause/Effect	Recommendation	Management comment
<p>According to Circular No.A-122. cost principles for Non- Profit Organisation attachment A section 2(g) costs to be allowable under an award, they must be adequately documented.</p> <p>Payments made by the Sub recipient-COUNSENUT amounting to US\$ 191 (TShs 200,000) were not supported by third party documents.</p> <p>These payments are detailed in the table on page 29.</p>	<ul style="list-style-type: none"> ❖ RFE for HIV/ AIDS management did not adequately review the quarterly financial reports to ensure that all payments were adequately supported by third party documents. ❖ Project funds might have been used for unauthorised activities. 	<p>USAID has to decide whether the above reported questioned costs are allowable.</p>	<p>The payments made were for transport allowances to participants. The participants signed against their names. These were not transport charges rather transport allowances.</p>

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10.2 INELIGIBLE PAYMENTS (UN BUDGETED COSTS)- COUNSELING, NUTRITION AND HEALTH CARE (COUNSENUTH)

Criteria/Condition	Cause/Effect	Recommendation	Management comment
<p>According to Circular No.A-122. cost principles for Non-Profit Organisation Section 4(b) any cost allocable to a particular award or other cost objective under these principles may not be shifted to other to other Federal awards to overcome funding deficiencies, or to avoid restrictions imposed by law or by the terms of the award .</p> <p>Payments made by the Sub recipient- COUNSENUTH amounting to US\$ 152 (TShs 158,500) were not budgeted for..</p> <p>These payments are detailed in the table on pages 31 to 32.</p>	<ul style="list-style-type: none"> ◆ RFE for HIV/ AIDS management did not adequately review the quarterly financial reports to ensure that all payments were budgeted for and were within the budget limit. ◆ Project funds might have been used for unauthorised activities. 	<p>USAID has to decide whether the above reported questioned costs are allowable.</p>	<p>Noted. Step 5 of the RFE grant making process (Financial Management) requires facilitating of financial reviews. As Grant Manager we developed a system of reviewing financial accountability at the end of every quarter.</p>

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10.3 INELIGIBLE PAYMENTS (OVERSPENT COSTS)- COUNSELING, NUTRITION AND HEALTH CARE (COUNSENUTH)

Criteria/Condition	Cause/Effect	Recommendation	Management comment
<p>According to Contract to Sub recipient, Centre for Counselling, Nutrition, and Health Care (COUNSENUTH), section 13 (e), the grant will not be used for any purposes (including the specified expenditure lines) other than those set out in the Project without the express written consent of Deloitte & Touche.</p> <p>Payments made by the Sub recipient- COUNSENUTH amounting to US\$ 1,136 (TShs 1,196,564) were not budgeted for.</p> <p>These payments are detailed in the table on pages 33 to 37.</p>	<ul style="list-style-type: none"> ◆ RFE for HIV/AIDS management did not adequately review the quarterly financial reports to ensure that all payments were budgeted for and were within the budget limit. ◆ Project funds might have been used for unauthorised activities. 	<p>USAID has to decide whether the above reported questioned costs are allowable.</p>	<p>Most of these over budget were done on the first quarter. We detected them and raise the issues to sub grantee and were cleared in the subsequent quarters by charging them against contingency fund.</p>

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10.4 UNSUPPORTED PAYMENTS-EAST AFRICA DEVELOPMENT COMMUNICATION FOUNDATION (EADCF)

Criteria/Condition	Cause/Effect	Recommendation	Management comment
<p>According to Circular No.A-122. cost principles for Non-Profit Organisation attachment A section 2(g) costs to be allowable under an award, they must be adequately documented.</p> <p>Payments made by the Sub recipient-EADCF amounting to US\$ 710 (TShs 746,000) were not supported by third party documents.</p> <p>These payments are detailed in the table on pages 39 to 40.</p>	<ul style="list-style-type: none"> ❖ RFE for HIV/ AIDS management did not adequately review the quarterly financial reports to ensure that all payments were adequately supported by third party documents. ❖ Project funds might have been used for unauthorised activities. 	<p>USAID has to decide whether the above reported questioned costs are allowable</p>	<p>Noted. We carried a special audit on October 2003 and review of accountabilities on February 2004. We discovered these anomalies and suggested the proper way of managing the fund to sub grantee. Most of the problems were resolved in the subsequent quarters.</p>

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**10.4 INELIGIBLE PAYMENTS (UN BUDGETED COSTS)- EAST AFRICA DEVELOPMENT COMMUNICATION FOUNDATION
(EADCF)**

Criteria/Condition	Cause/Effect	Recommendation	Management comment
<p>According to Circular No.A-122. cost principles for Non- Profit Organisation attachment A section 4(b) any cost allocable to a particular award or other cost objective under these principles may not be shifted to other to other Federal awards to overcome funding deficiencies, or to avoid restrictions imposed by law or by the terms of the award.</p> <p>Payments made by the Sub recipient-EADCF amounting to US\$ 401 (TShs 421,500 were either not budgeted for for some items in comparison to the budget for those activities.</p> <p>These payments are detailed in the table on pages 42 to 43.</p>	<ul style="list-style-type: none"> ◆ RFE for HIV/AIDS management did not adequately review the quarterly financial reports to ensure that all payments were budgeted for and were within the budget limit. ◆ Project funds might have been used for unauthorised activities. 	<p>USAID has to decide whether the above reported questioned costs are allowable</p>	<p>Noted. On our first quarter liquidation (accountability) review done on February 2004 we discovered all these over expenditures. We advised the sub grantee to seek approval from grant manager for all budget deviations.</p>

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10.4 INELIGIBLE PAYMENTS (OVERSPENT COSTS)- EAST AFRICA DEVELOPMENT COMMUNICATION FOUNDATION (EADCF)

Criteria/Condition	Cause/Effect	Recommendation	Management comment
<p>According to Contract to Sub recipient, East Africa Development Communication Foundation (EADCF) section 13 (e), the grant will not be used for any purposes (including the specified expenditure lines) other than those set out in the Project without the express written consent of Deloitte & Touche.</p> <p>Payments made by the Sub recipient-EADCF amounting to US\$ 2,437 (TShs 2,564,000) were overspent for for some items in comparison to the budgeted amounts for those activities.</p> <p>These payments are detailed in the table on pages 45 to 46.</p>	<ul style="list-style-type: none"> ◆ RFE for HIV/AIDS management did not adequately review the quarterly financial reports to ensure that all payments were budgeted for and were within the budget limit. ◆ Project funds might have been used for unauthorised activities. 	<p>USAID has to decide whether the above reported questioned costs are allowable</p>	<p>All these over expenditure were charged against the contingency fund. In the subsequent quarters the sub grantee asked approval from grant manager.</p>

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10.5 NON COMPLIANCE WITH SUB GRANT AGREEMENT

Criteria/Condition	Cause/Effect	Recommendation	Management comment
<p>According to the Sub recipient Agreement, the Sub recipient is responsible for ensuring that the progress reports and evaluation reports on the project are provided to Deloitte and Touche as follows:</p> <p>1.1 within 15 days of the end of each quarter;</p> <p>1.2 the project completion report within two months of completion of implementation; and</p> <p>1.3 the post completion report within 30 days of 12 months after the completion date of the project.</p> <p>We noted Sub recipients had not remitted some of the quarterly progress reports on time.</p> <p>These are detailed in the table on below:</p>	<p>Non compliance with Sub recipient Agreement.</p> <p>Though Deloitte and Touche took up the matter and the situation subsequently rectified, the cause of the condition was lack of capacity in Accounting function of the Sub recipients.</p>	<p>Deloitte and Touche should ensure that progress reports are submitted within 15 days of the end of each quarter for review and next quarter disbursements.</p>	<p>The reports were misplaced, we asked for the copies from COUNSENUTH. The reports are in place in the file.</p>

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Date funds were released to Sub recipient	Sub recipient	Amount (Tshs)	Date of retirement	Delay period
02/07/2003	COUNSENUTH	11,892,825	10/02/2004	4 months
07/11/2003	COUNSENUTH	28,808,700	08/07/2004	5 months
18/05/2004	COUNSENUTH	53,344,290	11/02/2005	6 months
13/10/2004	COUNSENUTH	10,358,040	11/02/2005	1 month
26/06/2003	EADCF	35,275,102.50	6/11/2003	1 month
06/11/2003	EADCF	84,543,213.75	14/05/2004	3 months

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10.6 NON COMPLIANCE WITH STATUTORY DEDUCTIONS

Criteria/Condition	Cause/Effect	Recommendation	Management comment
<p>According to Sec. 7 - (2) (a) of Income Act, 2004 payments of wages, salary, payment in lieu of leave, fees, commissions, bonuses, gratuity or any subsistence, travelling, entertainment or other allowance received in respect of employment or service rendered;</p> <p>However, PAYE and other statutory deductions on salary payments made to Sub recipients staff, have not been deducted and remitted to the Revenue Authorities.</p>	<p>Sub recipients are exposed to interest and penalties from relevant the authorities due to non- deduction and submission of the relevant statutory deductions, and is in contravention of the Income Tax Act 2004 section 7(2)(a).</p> <p>We were un able to determine the cause.</p>	<p>Management should ensure compliance to regulations governing deductions and submission of statutory deductions.</p> <p>Exemptions from the relevant laws if any should be sought in advance.</p>	<p>Noted. In most cases we do not fund the salaries by 100% our concern was to make sure the program management funds were paid according to the approved budget.</p>

U.S. Agency for International Development
Office of Inspector General
1300 Pennsylvania Ave, NW
Washington, DC 20523
Tel: (202) 712-1150
Fax: (202) 216-3047
www.usaid.gov/oig