CHRISTIAN SOCIAL SERVICES COMMISSION

(CSSC)

Statement of Work for Financial Audits of Foreign Organizations

I. BACKGROUND

On 30th September 2020, the U.S. Agency for International Development (USAID), through the Office of Acquisition and Assistance (OAA) approved a Cooperative Agreement with the name "Advancing the Private Health Sector (LEAPS) with a Cooperative ID Number 72062120CA00008, which hereby provides amount in $10,450,000 for five years from September 30th, 2020, to September 29th, 2025.

During the period to be audited, January 1 - December 31, 2022, Christian Social Services received funds from USAID amounting to USD 2,286,775.44 which are equivalent to TZS 5,314,520,663.06. These funds were allocated and spend in the following budget lines items of the program:

SCHEDULE OF EXPENDITURES	AMOUNT (USD)
	Actuals January 2022 to December 2022
Opening Balance As at 1st January 2022	$ 664,639.67
Income received during the year	$ 2,286,775.44
Total Income during the year	$ 2,951,415.11
Personnel	$ 637,416.16
Fringe Benefit	$ 196,871.89
Consultant	$ 16,379.32
Travel	$ 283,465.13
Supplies	$ 125,034.42
Equipment	$ 10,482.63
Contractual	-
Training and Meetings	$ 1,227,990.21
Other Direct Cost	$ 189,716.27
Direct Costs	$ 2,687,356.01
De Minimis	$ 237,632.70
Total Direct Costs	$ 2,924,988.72

Surplus/Deficit for the year	$ 26,426.40
Explained as	
Cash in Bank Account - CRDB	$ 34,853.78
Creditors and Accruals	$ -158,417.77
Debtors and Prepayments	$ 149,990.39
	$ 26,426.40

Leveraging and Advancing the Private Health Sector (LEAPS) is a five-year activity to establish self-reliant health facilities (HFs) in the Recipient's network. The LEAPS activity will improve the health service delivery of the Recipient's HFs in meeting the health needs of various target populations. Through cost-effective and innovative solutions, LEAPS strengthens the Recipient's capacity to deliver quality services in reproductive, maternal, newborn, child, and adolescent health (RMNCAH) services, TB/HIV/AIDS, and other health areas.

The activity has two components. Component One: Create a network of financially and managerially sustainable HFs and a self-reliant medicine and commodity supply chain company. Component Two: Improve staff skills and retention at HFs and improve their capacity to provide a continuum of quality care of TB/HIV/AIDS and RMNCAH services.
LEAPS is being implemented in a scalable system-wide approach, starting with three dioceses for Component One and four regions for Component Two, and then scaling up to reach a target of 11 dioceses and six regions by year five.

LEAPS embarks on a set of priority strategies, including: -

1. Facilitate the adoption of market-based approaches at Recipient HFs,
2. Support cost-effective, quality improvement (QI) activities to improve health delivery and boost HF business performance,
3. Provision of client-centered HF services to attract more clients,
4. Strengthen management and governance systems to improve efficiency and accountability in the Recipient's facility network,
5. Leverage the existing church network and faith communities to provide comprehensive RMNCAH and TB/HIV/AIDS services to the community, and
6. Strengthen the supply chain to ensure the availability of medicines and medical supplies in the Recipient's HFs network. Applying market-based approaches will help address the financial crisis that Recipient HFs are facing, respond to available market opportunities, establish a foundation of HF self-reliance, and help the Recipient HF network become less dependent on the government and donors for funding. It is anticipated that the proposed strategies will transform the HFs into self-sustaining businesses, which provide quality TB/HIVAIDS and RMNCAH services that respond to healthcare needs and expectations of the target populations.

Geographical Coverage:
PATA is operating in 16 Regions covering a total of 121 Health facilities as detailed in the table below:

Region	Number of facilities
Component 1 (System Strengthening facilities)	
Arusha	3
Kilimanjaro	5
Morogoro	2
Mbeya	2
Kigoma	1
Mwanza	2
Dar es salaam	1
Singida	1
Tanga	1
Lindi	1
Kagera	1
Mara	1
Iringa	1
RMNCAH Facilities	
Mwanza	2
Simiyu	12
Shinyanga	6
Morogoro	24
Arusha	24
HIV Facilities	
Morogoro	10
Njombe	7
Iringa	14

II. TITLE

Audit of the schedule of expenditures of USAID awards for the period from January 1, 2022, through December 31, 2022.

III. OBJECTIVES

The objective of this engagement is to conduct a financial audit of the USAID resources managed by Christian Social Services Commission (CSSC) through the Program known as Leveraging and Advancing the Private Health Sector (LEAPS), for the period between January 1, 2022, and December 31, 2022 in accordance with:

- USAID Financial Audit Guide for Foreign Organizations (hereafter Guide);
- U.S. Generally Accepted Government Auditing Standards26 (GAGAS or the Yellow Book);

hereafter referred to as GAGAS, issued by the Comptroller General of the United States Government Accountability Office; and, as applicable;

- International Standards on Auditing (ISA) issued by the International Auditing and Assurance Standards Board (IAASB), in conjunction with GAGAS; and

- The International Standards of Supreme Audit Institutions (ISSAIs) issued by the International Organization of Supreme Audit Institutions (INTOSAI) for public-sector audits, in conjunction with GAGAS.

The financial audit must include a specific audit of all the recipient's USAID-funded programs. The schedule of expenditures of USAID awards is the financial schedule to be audited in case of no indirect costs or de minimis 10% rate. When the recipient has a NICRA then the organization's general purpose financial statement must be audited in addition to the SEFA. All amounts in the financial audit report must be stated in U.S. dollars. The auditors should indicate the exchange rate(s) used in the notes to the schedule of expenditures of USAID awards.

A. Audit of USAID Funds

Auditors must design steps and procedures in accordance with GAGAS. A financial audit of the funds provided by USAID must be performed in accordance with GAGAS, or other approved standards where applicable, and accordingly includes such tests of the accounting records as deemed necessary under the circumstances. The specific objectives of the audit of the USAID funds are to:

- Express an opinion on whether the schedule of expenditures of USAID awards presents fairly in all material respects in relation to the recipient's financial statements as a whole, in accordance with the terms of the agreements and generally accepted accounting principles.

- Evaluate and obtain a sufficient understanding of the recipient's internal controls related to the USAID-funded programs, assess control risk, and identify reportable conditions, including material weaknesses. This evaluation must include the internal controls related to required cost-sharing contributions.

---

[26] GAGAS incorporates the American Institute of Certified Public Accountants (AICPA), Professional Standards that include Statements on Auditing Standards (SASs). The SASs include an "AU-C" identifier which represents section(s) in the Codification of SASs. The Codification was designed for clarity and converged the standards with the International Standards on Auditing (ISAs). See AICPA Clarified Statements on Auditing Standards (https://www.aicpa.org/research/standards/auditattest/clarifiedsas.html)

- Perform tests to determine whether the recipient complied, in all material respects, with agreement terms (including cost-sharing/matching contributions, if applicable) and applicable laws and regulations related to USAID-funded programs. All material instances of noncompliance 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 any required cost-sharing contributions.

In addition, if applicable:

- Determine if the recipient has taken adequate corrective action on prior audit report recommendations.

- Review cost-sharing/matching contributions to determine whether cost-sharing/matching contributions were provided and accounted for by the recipient in accordance with the terms of the agreements. The auditors will review the cost-sharing/matching table to determine if the computation is fairly presented in accordance with the basis of accounting used by the recipient to prepare the schedule. The auditors should question all cost-sharing/matching contributions that are either ineligible or unsupported costs.

- Perform an audit of the indirect cost rate(s) if the recipient has been authorized to charge indirect costs to USAID using provisional rates. If so, the schedule of expenditures of USAID awards should be reconciled to the USAID funds included in the general-purpose financial statements by a note to the schedule of expenditures of USAID awards. If the recipient does not have a USAID authorized indirect cost rate, this fact must be disclosed in the final audit report.

The audit of the general-purpose financial statements must be performed in accordance with GAGAS if the recipient has been authorized to charge indirect costs to USAID using provisional rates. The objective of this audit is to express an opinion on whether the general-purpose financial statements present fairly, in all material respects, the results of its operations for the year then ended, in conformity with generally accepted accounting principles.

IV. <u>AUDIT SCOPE</u>

The auditor must use the following steps as the basis for preparing audit programs. They are not all-inclusive or restrictive in nature and do not relieve the auditor from exercising due professional care and judgment. The steps must be modified to fit local conditions and specific program design, implementation procedures, and agreement provisions, which may vary from program to program. Any limitations in the scope of work must be communicated as soon as possible to the USAID cognizant Operating Unit.

A. Pre-Audit Document Review

Following is a list of documents applicable to different USAID programs. The auditormust review the applicable documents considered necessary to perform the audit:

1. The agreement between USAID and the recipient.

2. The sub-agreements between the recipient and other implementing entities, as applicable.

3. Contracts and subcontracts with third parties, if any.

4. The budgets, implementation letters, and written procedures approved by USAID.

5. USAID Automated Directives System **Chapter 636, Program Funded Advances**.

6. **2 CFR 200 Subpart F** Audit Requirements, **2 CFR 200 Subpart E** Cost Principles, and **2 CFR 700** on Cost Principles.

7. Federal Acquisition Regulation (FAR), Part 31, Contract Cost Principles and Procedures.

8. **USAID Acquisition Regulation (AIDAR)**, which supplements the FAR.

9. Mandatory Standard Provisions for Non-U.S. Nongovernmental Grantees (**ADS Chapter 303, Grants and Cooperative Agreements to Non-Governmental Organizations**).

10. Standard Provisions Annex for Agreements with Foreign Governments (**ADS Chapter 350, Grants to Foreign Governments**).

11. All program financial and progress reports; charts of accounts, organizational charts; accounting systems descriptions; procurement policies and procedures; and receipt, warehousing, and distribution procedures for materials, as necessary to successfully complete the required work.

12. Any previous audits, financial reviews, etc., that directly relate to the objectives of the audit.

B. Schedule of Expenditures of USAID Awards

The auditor must examine the schedule of expenditures of USAID awards 27 for USAID programs including the budgeted amounts by category and major items; the revenues received from USAID for the period covered by the audit; the costs reported by the recipient as incurred during that period; and the commodities and technical assistance directly procured by USAID for the recipient's use. The schedule of expenditures of USAID awards must include all USAID funds identified by each specific program or agreement. The revenues received from USAID less the costs incurred, after considering any reconciling items, must reconcile with the balance of cash-on-hand or in bank accounts.28 The schedule of expenditures of USAID awards must not include cost-sharing/matching contributions provided from the recipient's own funds or in-kind, which is to be provided in a separate schedule; see Section C.

The audit firm may not prepare or assist the recipient in preparing the schedule of expenditures of USAID awards when the same audit firm will then perform an audit. If a third party prepares or assists the recipient in preparing the schedule of expenditures of USAID awards from the books and records maintained by the recipient, then the recipient must accept the responsibility for the statement’s accuracy before the audit commences.

The schedule of expenditures of USAID awards must separately identify those revenues and costs applicable to each specific USAID agreement. The audit must evaluate program implementation actions and accomplishments to determine whether specific costs incurred are allowable, allocable, and reasonable under the agreement terms and applicable cost principles, and to identify areas where fraud and illegal acts have occurred or are likely to have occurred as a result of inadequate internal control. At a minimum, the auditors must:

- Review direct and indirect costs billed to and reimbursed by USAID and costs incurred but pending reimbursement by USAID, identifying, and quantifying any questioned costs. All costs that are not supported with adequate documentation or are not in accordance with the agreement terms must be reported as questioned. Questioned costs that are pending reimbursement by USAID must

---

27 Schedule of Expenditures of USAID awards is a financial schedule that presents USAID recipient's revenues, costsincurred, cash balance of funds (after considering reconciling items), and commodities directly procured by USAID that were provided by USAID agreements. The opinion on the Schedule of Expenditures of USAID awards must comply with Statement on Auditing Standard SAS No. 62 (AU623).

28 If the recipient does not receive any advances from USAID, i.e., it operates on a reimbursement basis, then therecipient will not hold any balances of USAID funds.

---

be identified in the notes to the schedule of expenditures of USAID awards as not (yet) reimbursed by USAID.

1. Questioned costs must be presented in the schedule of expenditures of USAID awards in two separate categories: ineligible and unsupported costs. Ineligible costs are costs that are explicitly questioned because they are unreasonable, prohibited by the agreements or applicable laws and regulations, or not program related. In addition, if a recipient was required to place USAID funds in an interest-bearing account but did not, then the imputed interest that would have been earned is also classified as an ineligible cost. Unsupported costs are not supported with adequate documentation or did not have required prior approvals or authorizations. All questioned costs resulting from instances of noncompliance with agreement terms and applicable laws and regulations must be included as findings in the report on compliance. Also, the notes to the schedule of expenditures of USAID awards must briefly describe the questioned costs and must be cross-referenced to any corresponding findings in the report on compliance.

2. Review general and program ledgers to determine whether costs incurred were properly recorded. Reconcile direct costs billed to, and reimbursed by, USAID to the program and general ledgers.

3. Review the procedures used to control the funds, including their channeling to contracted financial institutions or other implementing entities. Review the bank accounts and the controls on those bank accounts. Perform positive confirmation of balances, as necessary.

4. Determine whether advances of funds were justified with documentation, including reconciliations of funds advanced, disbursed, and available. The auditors must ensure that all funding received by the recipient from USAID was appropriately recorded in the recipient's accounting records and that those records were periodically reconciled with information provided by USAID.

5. Determine whether program income was added to funds used to further eligible project or program objectives, to finance the non-Federal share of the project or program, or deducted from program costs, in accordance with USAID regulations, other implementing guidance, or the terms and conditions of the award.

6. Review procurement procedures to determine whether sound commercial practices including competition were used, reasonable prices were obtained, and adequate controls were in place over the qualities and quantities received.

7. Review direct salary charges to determine whether salary rates are reasonable for that position, in accordance with those approved by USAID when USAID approval is required and supported by appropriate payroll records. Determine if overtime is charged to the program and whether it is allowable under the terms of the agreements. Determine whether allowances and fringe benefits received by employees are in accordance with the agreements and applicable laws and regulations. The auditors must question unallowable salary charges in the schedule of expenditures of USAID awards.

8. Review travel and transportation charges to determine whether they are adequately supported and approved. Travel charges that are not supported with adequate documentation or not in accordance with agreements and regulations must be questioned in the schedule of expenditures of USAID awards.

9. Review commodities (e.g., supplies, materials, vehicles, equipment, food products, tools, etc.) procured by the recipient as well as those directly procured by USAID for the recipient's use. The auditors must determine whether commodities exist or were used for their intended purposes in accordance with the terms of the agreements, and whether internal control procedures exist and have been placed in operation to adequately safeguard the commodities. As part of the procedures to determine if commodities were used for intended purposes, the auditors must perform end-use reviews for an appropriate sample of all commodities based on the internal control risk assessment (see section IV.D. "Internal Controls" of this Statement of Work). End-use reviews would normally include site visits to verify that commodities exist or were used for their intended purposes in accordance with the terms of the agreements. When conducting end-use reviews, the auditors must ensure that commodities are marked in accordance with grant or contract requirements. The cost of all commodities whose existence or proper use in accordance with the terms of the agreements cannot be verified and must be questioned in the schedule of expenditures of USAID awards (the auditor should determine the cost of

commodities based on supporting documentation available from the recipient or USAID, as appropriate).

10. Review technical assistance and services procured by the recipient. The auditors must determine whether technical assistance and services were used for their intended purposes in accordance with the terms of the agreements. The cost of technical assistance and services not properly used in accordance with the terms of the agreements must be questioned in the schedule of expenditures of USAID awards.

11. If the recipient contracted the technical assistance and services through a U.S. contractor, the auditors are still responsible for determining whether technical assistance and services were used for their intended purposes in accordance with the terms of the agreements. However, the auditors are not responsible for performing additional audit steps for the costs incurred under the technical assistance and services agreements if either USAID or a cognizant U.S. Government agency is responsible for contracting for audits of these costs.

12. For final closeout audits, review unliquidated advances to the recipient and pending reimbursements by USAID. Ensure that the recipient has returned any excess cash to USAID. Also, ensure that all assets (inventories, fixed assets, commodities, etc.) procured with program funds were disposed of in accordance with the terms of the agreements. The auditors must determine whether an annex to the schedule of expenditures of USAID awards showing the balances and details of final inventories of nonexpendable property acquired under the agreements is presented accurately in all material respects in relation to the financial statements. This inventory must indicate which items were titled to the U.S. Government and which were titled to other entities. These closeout audit procedures must be performed for any award that expires during the period audited.

The schedule of expenditures of USAID awards must separately disclose the financial information (revenues, costs, commodities, and technical assistance) for each agreement, and must identify the USAID Operating Unit that provided funding for each agreement. Questioned costs and internal control and compliance findings of any audits of subrecipients must be reported in the recipient's financial audit using the same treatment and procedures as the recipient's own questioned costs and findings.

The auditors must express a single opinion on the schedule of expenditures of USAID awards that includes more than one agreement with USAID. Auditors must not express separate opinions on the schedule of expenditures of USAID awards of each agreement or program unless specifically requested to do so by the USAID Operating Unit.

C. Cost-Sharing/Matching Contribution Schedule

USAID awards may require contributions by the recipient. USAID and recipient awards may establish a life-of-project budget or an annual budget for the cost-sharing/matching contributions. In either case, the review consists principally of inquiries of recipient personnel and analytical procedures applied to financial data supporting the cost- sharing/matching contribution table.

For an agreement with a life-of-project budget for cost-sharing/matching contributions, it is not possible to determine whether the contributions have been made as required until the agreement ends. Nonetheless, USAID and the recipient need reliable information to monitor actual cost-sharing/matching contributions throughout the life of the agreement.

The auditors will review the cost-sharing/matching contributions schedule to determine if the schedule is fairly presented in accordance with the basis of accounting used by the recipient to prepare the schedule. The auditors must question all cost-sharing/matching contributions that are either ineligible or unsupported costs. An ineligible cost is unreasonable, prohibited by the agreements or applicable laws and regulations, or not program related. An unsupported cost lacks adequate documentation or does not have required prior approvals or authorizations. All questioned costs must be briefly described in the notes to the cost sharing/matching contributions. In addition, material questioned costs must be included as findings in the report on compliance. Notes to the cost-sharing/matching contributions schedule must be cross-referenced to the corresponding findings in the report on compliance. Also, significant deficiencies in internal controls related to cost-sharing/matching contributions must be set forth as findings in the report on internal control. In addition, for closeout audits, the auditors will review the cost-sharing/matching contributions schedule to determine if the recipients provided such contributions in accordance with the terms of the agreement. If actual contributions were less than budgeted contributions, the shortfall will be identified in the appropriate column of the cost sharing/matching contributions schedule.

D. Internal Controls

The auditors must review and evaluate the recipient's internal controls related to USAID programs to obtain a sufficient understanding of the design of relevant control policies and procedures and whether those policies and procedures have been placed in operation. The auditor's understanding of the internal controls must be documented in the audit documentation files.

Auditors must prepare the report required by the Guide (Appendix 2), identifying any significant deficiencies or material weaknesses in the design or operation of internal control. A material weakness is a deficiency, or combination of deficiencies, in internal controls, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal controls that is less severe than a material weakness but that is important enough to merit attention by those charged with governance. Any significant deficiencies or material weaknesses must be set forth in the report as "findings". Any other matters related to internal controls – such as suggestions for improving operational or administrative efficiency, effectiveness, or control deficiencies that are not significant deficiencies or material weaknesses – may be reported in a separate management letter to the recipient and referred to in the report on internal control. A copy of the management letter should be provided to the cognizant USAID Operating Unit along with the audit report.

The major internal control components to be studied and evaluated include, but are not limited to, the controls related to each revenue and expense account on the schedule of expenditures of USAID awards. The auditors must:

1. Obtain an understanding of the design of the internal controls related to USAID programs and determine whether they have been placed in operation.

2. Assess inherent risk, control risk, and determine the detection risk. Inherent risk is the susceptibility of an assertion, such as an account balance, to a misstatement that could be material, either individually or when aggregated with other misstatements, assuming that there are no related controls. Control risk is the risk that a material misstatement (either individually or when aggregated with other misstatements) could occur in a relevant assertion and will not be prevented or detected on a timely basis by the entity's internal controls.
3. Detection risk is the risk that the auditor will not detect a material misstatement that exists in an assertion. Detection risk is based upon the effectiveness of an auditing procedure and the auditor's application of that procedure.

4. Summarize the risk assessments for each assertion in the audit documentation file. The risk assessments must consider the following broad categories under which each assertion should be classified: (a) existence or occurrence; (b) completeness; (c) rights and obligations; (d) valuation or allocation; and (e) presentation and disclosure. At a minimum, the audit documentation files must identify the name of the account or assertion, the account balance or the amount represented by the assertion, the assessed level of inherent risk (high, moderate, or low), the assessed level of control risk (high, moderate, or low), the combined risk (high, moderate, or low), and a description of the nature, extent, and timing of the tests performed based on the combined risk. These summary audit documentation files must be cross-indexed to the supporting audit documentation files that contain the detailed analysis of the fieldwork. If control risk is evaluated at less than the maximum level (high), then the basis for the auditor's conclusion must be documented in the audit documentation files.

5. Evaluate the control environment, the adequacy of the accounting systems, and control procedures. Emphasis must be placed on the policies and procedures that pertain to the recipient's ability to record, process, summarize, and report financial data consistent with the assertions embodied in each account of the schedule of expenditures of USAID awards. This evaluation must include, but not be limited to, the internal control systems for:

   a. Ensuring that charges to the program are proper and supported;

   b. Managing cash on hand and in bank accounts;

   c. Procuring goods and services;

   d. Managing inventory and receiving functions;

   e. Managing personnel functions such as timekeeping, salaries, and benefits;

   f. Managing and disposing of commodities (such as vehicles, equipment,and tools, as well as other commodities) purchased either by the program or directly by USAID; and

g. Ensuring compliance with agreement terms and applicable laws and regulations that collectively have a material impact on the schedule of expenditures of USAID awards. The results of this evaluation must be contained in the audit documentation section described in section **IV.E.**of this Statement of Work and presented in the compliance report.

6. Evaluate internal controls established to ensure compliance with cost sharing/matching contribution requirements, if applicable, including both provision and management of the contributions.

7. Include in the study and evaluation other policies and procedures that may be relevant if they pertain to data the auditors use in applying auditing procedures. This may include, for example, policies and procedures that pertain to non- financial data that the auditor uses in analytical procedures.

E. Compliance with Agreement Terms and Applicable Laws and Regulations

In fulfilling the audit requirement to determine compliance with agreement terms and applicable laws and regulations related to USAID programs, the auditors must follow the reporting standards contained in GAGAS for reporting on compliance which incorporate the AICPA Professional Standards. The auditor's report on compliance must set forth as findings all material instances of noncompliance, defined as instances that could have a direct and material effect on the schedule of expenditures of USAID awards, and/or the financial statements, as applicable. Nonmaterial instances of noncompliance must be included in a separate management letter to the recipient and referred to in the report on compliance. A copy of the management letter should be provided to the cognizant USAID Operating Unit along with the audit report.

The auditor's report must include relevant information about identified or suspected fraud based on sufficient, appropriate evidence obtained that a fraud or illegal act either has occurred or is likely to have occurred. In reporting material fraud, illegal acts, and abuse or other noncompliance, the auditors must place their findings in proper perspective. In presenting material irregularities, illegal acts, or other noncompliance, auditors must follow the reporting standards contained in GAGAS. If the auditors conclude that sufficient evidence of any known or likely fraud or illegal acts exists, regardless of whether it is material to the financial statements, they must contact the USAID cognizant Operating Unit or OIG and exercise due professional care in pursuing indications of possible fraud and illegal acts to avoid interfering with potential future investigations or legal proceedings.

In planning and conducting the tests of compliance the auditors must:

1. Identify the agreement terms and pertinent laws and regulations and determine which of those, if not observed, could have a direct and material effect on the schedule of expenditures of USAID awards. The auditors must:

    a) List all standard and program-specific provisions contained in the agreements that cumulatively, if not observed, could have a direct and material effect on the schedule of expenditures of USAID awards;

b) Assess the inherent and control risk that material noncompliance could occur for each of the compliance requirements;

c) Determine the nature, timing and extent of audit steps and procedures to test for errors, fraud, and illegal acts that provide reasonable assurance of detecting both intentional and unintentional instances of noncompliance with agreement terms and applicable laws and regulations that could have a material effect on the schedule of expenditures of USAID awards; and

d) Prepare a summary audit documentation file that adequately identifies each of the specific compliance requirements included in the review, the results of the inherent, control and (detection) risk assessments for each compliance requirement, the audit steps used to test for compliance with each of the requirements based on the risk assessment, and the results of the compliance testing for each requirement. The summary document should be cross-indexed to detail audit documentation that support the facts and conclusions contained in the summary document.

2. Determine if payments have been made in accordance with agreement terms and applicable laws and regulations.

3. Determine if funds have been expended for purposes not authorized or not in accordance with applicable agreement terms. If so, the auditor must identify these costs as questioned in the schedule of expenditures of USAID awards.

4. Identify any costs not considered appropriate, classifying, and explaining why these costs are questioned.

5. Determine whether commodities, whether directly procured by the recipient or directly procured by USAID for the recipient's use, exist or were used for their intended purposes in accordance with the agreements. Ensure that commodities are marked in accordance with grant or contract requirements. If not, the cost of such commodities must be questioned.

6. Determine whether any technical assistance and services, whether procured by the recipient or directly procured by USAID for the recipient's use, were used for their intended purposes in accordance with the agreements. If not, the cost of such technical assistance and services must be questioned.

7. Determine if the amount of cost-sharing/matching funds was calculated and accounted for as required by the agreements or applicable cost principles.

8. Determine if the cost-sharing/matching funds were provided according to the terms of the agreements and quantify any shortfalls.

9. Determine whether those who received services and benefits were eligible to receive them.

10. Determine whether the recipient's financial reports (including those on the status of cost-sharing contributions) and claims for advances and reimbursement contain information that is supported by the books and records.

11. Determine whether the recipient held advances of USAID funds in interest- bearing accounts, and whether the recipient remitted to USAID any interest earned on those advances, except for up to $500 a year that the recipient may retain for administrative expenses. If the recipient was required to place USAID funds in an interest-bearing bank account but did not, then the auditor should determine the amount of interest that was foregone by the recipient, and this amount should be classified as ineligible costs.

F. Follow-Up on Prior Audit Findings

The auditors must review the status of actions taken on audit findings reported in prior audits of USAID-funded programs. Auditors should evaluate whether the audited entity has taken appropriate corrective action and prepared a Summary Schedule of Prior Audit Findings (SSPAF) to address audit findings from previous audit engagements as per 2 CFR 200.511. The corrective action plan and SSPAF must include findings which are required to be reported in accordance with GAGAS. When planning the audit, auditors should ask management of the audited entity to identify previous audit findings, including whether related recommendations have been implemented. Auditors should use this information in assessing risk and determining the nature, timing, and extent of current audit work, including determining the extent to which testing the implementation of the corrective actions is applicable to the current audit objectives.

The auditors must describe the scope of their work on prior audit findings in the summary section of the audit report. The auditors should refer to the most recent recipient audit report for the same award (for a follow-up audit) or other USAID awards (for an initial audit). When corrective action has not been taken and the deficiency remains unresolved for the current audit period, the auditors need to briefly describe the prior finding and status and show the page reference to where it is included in the current report. If there were no prior findings, the auditors must include a note to that effect in this section of the audit report.

G. Indirect Cost Rates

The auditors must determine the actual indirect cost rates for the year if the recipient has used provisional rates to charge indirect costs to USAID. The audit of the indirect cost rates must include tests to determine whether the:

1. Distribution or allocation base includes all costs that benefited from indirect activities,

2. Distribution or allocation base is in compliance with the governing USAID NICRA,if applicable,

3. Indirect cost pool includes only costs authorized by the USAID agreements and applicable cost principles,

4. Indirect cost rates obtained by dividing the indirect cost pool by the base are accurately calculated, or

5. Costs included in this calculation reconcile with the total expenses shown in the recipient's audited general purpose financial statements.

The results of the audit of the indirect cost rate must be presented in a schedule of computation of indirect cost rate. This schedule should contain: a listing of costs included in each indirect cost pool, a list of cost exclusions based on cost principles, the distribution base, and the calculation and the resultant indirect cost rate calculation. The costs in the schedule should reconcile with the total expenses shown in the recipient's general purpose financial statement as per guidance from 2 CFR 200.

H. General Purpose Financial Statements

Where provisional indirect costs are authorized, an audit of the general-purpose financial statements is needed, in addition to the audit of SEFA, to ensure sound financial management and provide reasonable assurance that all costs have been correctly included in the indirect cost rate calculation. Auditors should examine the recipient's general purpose income statement on an organization-wide basis, balance sheet, and if applicable, the statement of cash flows. The objective of this audit is to express an opinion on whether those statements are presented fairly in all material respects in accordance with generally accepted accounting principles.

I. Other Audit Responsibilities

The auditors must perform the following steps:

1. Hold entrance and exit conferences with the recipient. The cognizant USAID Operating Unit must be notified of these conferences in order that USAID representatives may attend, if deemed necessary.

2. During the planning stages of an audit, communicate information to the auditee regarding the nature and extent of planned testing and reporting on compliance with laws and regulations and internal controls over financial reporting. Such communication should state whether the auditors plan to provide opinions on compliance with laws and regulations and internal controls over financial reporting. This communication should be in the form of an engagement letter.

3. Institute quality control procedures to ensure that sufficient appropriate evidence is obtained through inspection, observation, inquiries, and confirmations to afford a reasonable basis for an opinion regarding the agreement(s) under audit. While auditors may use their standard procedures for ensuring quality control, those procedures must, at a minimum, ensure that:

    a) Audit reports and audit documentation are reviewed by an auditor, preferably at the partner level, who was not involved in the audit. This review must be documented.

b) All quantities and monetary amounts involving calculations are footed and cross-footed.

c) All factual statements, numbers, conclusions, and monetary amounts are cross-indexed to supporting audit documentation.

4. The auditor must ascertain, before preparing its proposal for the audit engagement (or if this is not possible, at the earliest opportunity during the engagement itself), whether the recipient ensured that audits of its subrecipients were performed to ensure accountability for USAID funds passed through to subrecipients. If subrecipient audit requirements were not met, the auditors should immediately notify the cognizant USAID Operating Unit and consider whether they can audit the subrecipient costs themselves. If, after consultation with the cognizant USAID Operating Unit, the auditors conclude that a restriction on the scope of the audit exists and the restriction cannot be removed, then the auditors should consider modifying their opinion and any costs that have not been audited as required must be questioned as unsupported costs.

5. Obtain a management representation letter. See Appendix 4 of the Guide for an illustrative management representation letter.

V. <u>AUDIT REPORTS</u>

The recipient should submit to the cognizant USAID Operating Unit a portable document format (PDF) copies of the audit report in English and, if considered appropriate, a PDF copy of the report in the recipient country's official language. The format and content of the audit reports should closely follow this Statement of Work and the illustrative reports in Appendix 2 of the Guide. The audit report must specify the correct award number(s) of each award covered by the audit.

The report must contain:

1. Title page (close-out audits must be clearly titled),

2. Table of contents,

3. Transmittal letter, and

4. Summary, which includes:

    a. Background section with:

        i. A general description of the USAID programs audited,

        ii. Period covered,

        iii. Program objectives,

        iv. Clear identification of all entities mentioned in the report,

v. Follow-up of prior audit recommendation section,

vi. Cost-sharing/matching contributions explanation, and

vii. Indirect cost rate details;

b. Objectives and scope of the financial audit and clear explanation of the procedures performed and any scope limitations;

c. Brief summary of audit results on the:

i. Schedule of expenditures of USAID awards,

ii. Questionable costs,

iii. Internal control,

iv. Compliance with agreement terms and applicable laws,

v. Indirect cost rates,

vi. Status of prior audit recommendations, and if applicable,

vii. General purpose financial statements on an organization-wide basis;

d. A brief summary of the results of the review of cost-sharing/matching contributions; and

e. A brief summary of the recipient's management comments regardingits view on the audit and results and findings.

5. The auditor's report includes the following:

a. The auditor's report on the schedule of expenditures of USAID awards, identifying any material questioned costs not fully supported with adequate records or not eligible under the terms of the agreements (see Appendix 2 of the Guide). The report must be in conformance with the standards for reporting in GAGAS and must include the auditor's opinion on whether the schedule of expenditures of USAID awards presents fairly, in all material respects, in accordance with the terms of the agreements and in conformity with generally accepted accounting principles or other basis of accounting.

b. A report on internal control including significant deficiencies and material weaknesses in the recipient's internal control. Deficiencies related to improving operational or administrative efficiency or internal control, or control deficiencies that are not significant deficiencies or material weaknesses – may be communicated through a separate management letter that should be sent with the audit report (see Appendix 2 of the Guide).

c. A report on the recipient's compliance with agreement terms and applicable laws and regulations related to USAID-funded programs. Nonmaterial instances of noncompliance should be communicated to the recipient in a separate management letter that should be sent with the audit report. All questioned costs resulting from instances of noncompliance must be included as findings in the report on compliance (see Appendix 2 of the Guide).

d. A report and a table on the cost-sharing/matching contributions identifying the budgeted amounts required by the agreements; any cost-sharing/matching contribution shortfalls; and notes to the cost- sharing/matching contributions providing an explanation on the basis for questioned costs and shortfalls, if applicable. The notes must be cross-referenced to the corresponding findings, if the questioned costs are material, in the report on compliance (see Appendix 2 of the Guide).

e. A report on the 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 (Appendix 2) with the recipient, along with a report on the audit of the general-purpose financial statements (see Appendix 2 of the Guide).

The audit firms are expected to exercise independent professional judgment throughout the audit engagement, including in reporting on questioned costs. Findings that involve monetary effect must:

1. Be quantified and included as questioned costs in the schedule of expenditures of USAID awards, the Auditor’s Report on Compliance, and cost sharing/matching contributions schedule (cross-referenced) if applicable.

2. Be reported without regard to whether the conditions giving rise to them were corrected.

3. Be reported whether the recipient does or does not agree with the findings or questioned costs.

4. Contain enough relevant information to expedite the audit resolution process (e.g., number of items tested, size of the universe, error rate, corresponding U.S. dollar amounts, etc.).

The reports must also contain, after each recommendation, pertinent views of responsible recipient officials concerning the auditor's findings and actions taken by the recipient to implement the recommendations. If possible, the auditor should obtain written comments. When the auditors disagree with management comments opposing the findings, conclusions, or recommendations, they must explain their reasons following the comments. Conversely, the auditors should modify their report if they find the comments valid.

Any evidence of fraud or illegal acts that have occurred, or are likely to have occurred, must be included in a separate written report if deemed necessary by USAID. This report must include an identification of all questioned costs as a result of fraud or illegal acts, without regard to whether the conditions giving rise to the questioned costs have been corrected or whether the recipient does or does not agree with the findings and questioned costs.

You may contact the cognizant USAID Operating Unit for any additional information or clarification on the Guide.

VI. RELATIONSHIPS AND RESPONSIBILITIES

The client for this contract is the Christian Social Services Commission (CSSC). The Project Manager is Dr. Godfrey Kway, gkway@cssc.or.tz

The audit firm will work in coordination with the USAID cognizant Operating Unit. The liaison for audit concerns will be Tito Mhimba, tmhimba@usaid.gov or his designee, and the liaison for information and assistance from the USAID Operating Unit will be the USAID cognizant Controller or his/her designee.

The USAID Operating Unit may meet with the independent audit firm at the beginning of the audit to explain any financial/compliance areas of concern that they want emphasized and provide any advice concerning the performance of the audit. The USAID Operating Unit should provide the following information to the auditors:

1. A list of all payments made for assets, equipment, materials, and technical assistance purchased by USAID from third parties for the period being audited with copies of vouchers with supporting documentation.

2. A list of all advances and recoveries made during the audit period.

3. A list of all disbursements made to the recipient.

The USAID Operating Unit may also provide written comments on the draft audit report concerning the facts and conclusions contained in the report in order to obtain the best possible product. The USAID Operating Unit should attend the exit conference for the same purpose. However, the USAID Operating Unit comments on the draft report and at the exit conference will not be binding on the audit firm.

The independent audit firm must properly maintain and store the working papers for a period of three years from the completion of the audit. During this three-year period, the audit firm must immediately provide the working papers when requested by the USAID Operating Unit or USAID OIG. Audit firms that are nonresponsive or do not provide timely responses to questions raised by the USAID Operating Unit or USAID OIG will be temporarily or permanently excluded from performing additional USAID audits.

VII. TERMS OF PERFORMANCE

The audit must begin as soon as practicable after the signing of the audit contract, and from the audit start date, the audit firm must submit to USAID/Tanzania the Final Audit report in English on or Before June 30th 2023

The audit firm must submit to the USAID Operating Unit [number] copies of the final report in English and [number] copies of the report in the official language of the recipient country [if deemed necessary by the Operating Unit]
It is the responsibility of the recipient to ensure that all records are available, all accounting entries and adjustments are made, and all other necessary steps are taken to make it possible for the audit firm to perform the work necessary to be able to present the final audit report within 120 calendar days.

Payment Terms will be as follows:
20 percent on the date of this contract, 50 percent on the date the recipient receives the final report, and 30 percent on the date OIG/Pretoria approves and issues the final report.

Location and Reporting
The Audit work will be based in Dar es Salaam,

Application Instructions
Interested applicants should submit their proposal electronically to the following email:

a) Technical proposal outlining auditing firm(s) understanding to the given TOR.
b) Current profile, CV of the Auditors(s)
c) Proposed Workplan outlining timeline, proposed key activities and deliverables.
d) Financial proposal in Tanzanian shillings.
e) Interested, eligible consultants should email their electronic technical and financial proposals via email to procurement department at procurement@cssc.or.tz copying director@cssc.or.tz
a) Applicants will not be required to protect their submitted documents with password.

Executive Director
Christian Social Services Commission
4 Ali Hassan Mwinyi Road
P.O Box 9433 Dar es Salaam, Tanzania

The deadline for the submission is 1600hrs East Africa Time on 23rd March 2023.
All proposals should be electronically submitted to procurement@cssc.or.tz copying director@cssc.or.tz
This advert can also be accessed through https://cssc.or.tz/