



## MEMORANDUM

**DATE:** March 22, 2018

**TO:** USAID/Southern Africa, Acting Mission Director, Rebecca Krzywda

**FROM:** Regional Inspector General/Pretoria, John Vernon /s/

**SUBJECT:** Audit of USAID Resources Managed by National Association of Child Care Workers in South Africa Under Multiple Agreements, April 1, 2016, to March 31, 2017 (Report No. 4-674-18-067-R)

This memorandum transmits the final audit report on National Association of Child Care Workers (NACCW) incurred under the following awards:

Award Name (Type)	Award Number	Period	Sub Implementer
Service delivery and support for families caring for Orphans and Vulnerable Children (cooperative agreement)	AID-674-A-13-00009	April 1, 2016- March 31, 2017	
Service delivery and support for families caring for Orphans and Vulnerable Children and School-based HIV and Violence Prevention Initiative for Adolescent Girls and Young Women (subagreement)	AID-674-A-14-00009	Oct 1, 2016 – March 31, 2017	FHI360

The NACCW contracted with the independent certified public accounting firm Grant Thornton, Cape Town, South Africa to conduct the audit. The contract required the audit firm to perform the audit in accordance with generally accepted government auditing standards, 2 CFR 220, “Cost Principles for Non-Profit Organizations,” and USAID OIG Guidelines for Financial Audits Contracted by Foreign Recipients.<sup>1</sup>

<sup>1</sup> On June 30, 2017, USAID OIG rescinded its Guidelines for Financial Audits Contracted by Foreign Recipients, recognizing the Agency’s role to impose requirements on its implementing partners and contractors as a management function. This contracted audit, however, was initiated before that date and follows the Guidelines.

The audit firm states that it performed its audit in accordance with generally accepted government auditing standards (GAGAS), except that the audit firm did not have a continuing professional education (CPE) program that fully satisfies the requirements of GAGAS and did not have external peer review because no such program is offered to professional organizations in South Africa. The audit firm is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on NACCW's fund accountability statement; the effectiveness of its internal control; or its compliance with the award, laws, and regulations.<sup>2</sup>

The audit objectives were to: (1) express an opinion on whether the fund accountability statement as of March 31, 2017, was presented fairly, in all material respects; (2) evaluate NACCW's internal control structure related to USAID-funded programs; (3) determine whether NACCW complied, in all material respects, with agreement terms and applicable laws and regulations related to USAID funded program; (4) conduct an audit on indirect costs rate; and (5) determine whether NACCW has taken adequate corrective actions on recommendations in prior audit reports.

To answer the audit objectives, Grant Thornton (1) audited the fund accountability statement for the awards including the budgeted amounts by category and major items and the revenues received from USAID for the period covered by the audit and the costs reported by NACCW as incurred from April 1, 2016, to March 31, 2017; (2) evaluated the control environment, the adequacy of the accounting systems, and control procedures that pertain to NACCW's ability to report financial data consistent with the assertions embodied in each account of the fund accountability statement; (3) identified the award terms and pertinent laws and regulations and determined which of those, if not observed, could have a direct and material effect on the fund accountability statement; (4) determined that the review of the indirect cost rate was not applicable; and (5) reviewed the implementation status of the prior period recommendations. NACCW spent \$6,098,466 in USAID funds during the audited period.

The audit concluded the fund accountability statement presented fairly, in all material respects, the funds received and costs incurred for NACCW for the period under review, except for one instance of material noncompliance. The audit firm also issued a management letter.

To address the issues identified in the report, we recommend that USAID/Southern Africa should:

**Recommendation 1.** Verify that National Association of Child Care Workers corrects the one instance of material noncompliance detailed on page 33 of the audit report.

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<sup>2</sup> We reviewed the audit firm's report for conformity with professional reporting standards. Our desk reviews are typically performed to identify any items needing clarification or issues requiring management attention. Desk reviews are limited to review of the audit report itself and excludes review of the auditor's supporting working papers; they are not designed to enable us to directly evaluate the quality of the audit performed.

We ask that you provide your written notification of actions planned or taken to reach management decision. We appreciate the assistance extended during the engagement.

OIG does not routinely distribute independent public accounting reports beyond the immediate addressees because a high percentage of these reports contain information restricted from release under the Trade Secrets Act, 18 U.S.C. 1905 and Freedom of Information Act Exemption Four, 5 U.S.C. 552(b)(4) ("commercial or financial information obtained from a person that is privileged or confidential").