



MEMORANDUM

DATE: December 20, 2018

TO: USAID/Southern Africa, Mission Director, John Groarke
USAID/M/OAA/CAS/CAM, Branch Chief, David McNeil

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

SUBJECT: Financial Audit of USAID Resources Managed by Right to Care NPC in Multiple Countries Under Multiple Agreements, October 1, 2016, to September 30, 2017 (Report No. 4-674-19-034-R)

This memorandum transmits the final audit report of USAID resources managed by Right to Care NPC (Right to Care) under agreements AID-674-A-12-00020, implemented in South Africa, and AID-OAA-A-15-00070, implemented in Zambia, Lesotho, Indonesia, Uganda, Myanmar, Ukraine, Namibia, Ghana, Tanzania, Haiti, Dominican Republic, Malawi, Mozambique, Ivory Coast, Zimbabwe, Nigeria, DRC, Burundi and South Africa. Right to Care contracted with the independent certified public accounting firm Deloitte & Touche, Johannesburg, South Africa to conduct the audit. The contract required the audit firm to perform the audit in accordance with generally accepted government auditing standards (GAGAS).

The audit firm states that it performed its audit in accordance with GAGAS, except that the audit firm did not have continuing professional education and external quality control review programs that fully satisfied the requirements set forth in GAGAS. The audit firm is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on Right to Care's fund accountability statement; the effectiveness of its internal control; or its compliance with the award, laws, and regulations.¹

The audit objectives were to (1) express an opinion on whether the fund accountability statement for the period audited, was presented fairly, in all material respects; (2) evaluate

¹ We reviewed the audit firm's report for conformity with professional reporting standards. Our desk reviews are typically performed to identify any items needing clarification or issues requiring management attention. Desk reviews are limited to review of the audit report itself and excludes review of the auditor's supporting working papers; they are not designed to enable us to directly evaluate the quality of the audit performed.

Right to Care's internal controls; (3) determine whether Right to Care complied with award terms and applicable laws and regulations; (4) review the indirect cost rate; and (5) review the implementation status of prior period recommendations.

To answer the audit objectives, Deloitte & Touche (1) audited the fund accountability statement for the award 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 Right to Care as incurred from October 1, 2016, to September 30, 2017; (2) evaluated the control environment, the adequacy of the accounting systems, and control procedures that pertain to Right to Care'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) reviewed the indirect cost rate; and (5) reviewed the implementation status of prior period recommendations. Right to Care reported expenditures of \$70,409,956 in USAID funds during the audited period.

The audit firm concluded the fund accountability statement presented fairly, in all material respects, program revenues and costs incurred under the award for the period audited except for \$3,040 in ineligible questioned costs. The audit firm also reported 9 significant deficiencies in internal control and 12 instances of material noncompliance. However, some of the identified findings were repeat findings from the prior period audit. As such, OIG will not make recommendations for those repeat findings. Consequently, the audit firm identified six significant deficiencies in internal control and 8 instances of material noncompliance that are not repeated in the current period. Four of these eight instances were subsequently corrected by Right to Care and stated as such by the audit firm.

During our desk review, we noted several minor issues which the audit firm will need to address in future audit reports. We presented these issues in a memo to the controller, dated December 20, 2018.

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

Recommendation 1. Verify that Right to Care NPC corrects the four significant deficiencies in internal control detailed on pages 35 to 39 of the audit report.

To address the issues identified in the report, we recommend that USAID/M/OAA/CAS/CAM:

Recommendation 2. Determine the allowability of \$3,040 in ineligible questioned costs on pages 22 and 24 of the audit report and recover any amount that is unallowable.

Recommendation 3. Verify that Right to Care NPC corrects the two significant deficiencies in internal control detailed on pages 42 and 43 of the audit report.

Recommendation 4. Verify that Right to Care NPC corrects the four instances of material noncompliance detailed on pages 48, 49, 53 and 55 of the audit report.

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”).