



## MEMORANDUM

**DATE:** December 12, 2018

**TO:** USAID/Rwanda, Mission Director, Leslie Marbury

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

**SUBJECT:** Financial Audit of USAID Resources Managed by Society for Family Health Rwanda Under Agreement AID-696-A-13-00001, January 1 to December 31, 2017 (Report No. 4-696-19-030-R)

This memorandum transmits the final audit report on USAID resources managed by Society for Family Health (SFH) Rwanda under agreement AID-696-A-13-00001. SFH contracted with the independent certified public accounting firm GPO Partners, Kigali, Rwanda 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 generally accepted government auditing standards except that the audit firm did not have external peer review and continuing education programs that fully satisfy 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 SFH's fund accountability statement; the effectiveness of its internal control; or its compliance with the award, laws, and regulations.<sup>1</sup>

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

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<sup>1</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.

To answer the audit objectives, GPO Partners (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 SFH as incurred from January 1, 2017, to December 31, 2017; (2) evaluated the control environment, the adequacy of the accounting systems, and control procedures that pertain to SFH'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 a 10 percent de minimis indirect cost rate is applicable; and (5) reviewed the implementation status of prior period recommendations. SFH reported expenditures of \$1,588,417 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. The audit firm did not identify any significant deficiencies or material weaknesses in internal control or instances of material noncompliance.

The firm also issued a management letter dated June 28, 2018. The letter noted that the recipient's trial balance does not balance when generated from its accounting system and requires manual reconciliation. According to the letter, the difference as of May 31, 2018, was over \$580,000. We consider this to be a material weakness in internal control.

During our desk review, we noted several issues which the audit firm should address in future audit reports. We presented these issues in a memo to the controller, dated December 12, 2018.

To address the issue identified in the management letter, we recommend that USAID/Rwanda:

**Recommendation 1.** Verify that Society for Family Health Rwanda corrects the material weakness in internal control identified on page 7 of the management letter.

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").