



MEMORANDUM

DATE: February 11, 2019

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

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

SUBJECT: Financial Audit of USAID Resources Managed by Stellenbosch University in Multiple Countries Under Multiple Awards, January 1 to December 31, 2017 (Report No. 4-674-19-042-R)

This memorandum transmits the final audit report on USAID resources managed by Stellenbosch University under the following agreements:

| Award Name (Type) | Award Number | Audited Period | Prime implementer for subaward |
|---|---------------------|--------------------------|---|
| HIV-innovations for Improved Patient Outcomes in South Africa (cooperative agreement) – closeout. | AID-674-A-12-00031 | Jan. 1, - Sept. 30, 2017 | |
| Regional Disaster Risk and Vulnerability Reduction Capacity Development Program, PeriPeri-U IV (grant). Implemented in Nigeria, Tanzania, Ethiopia, Senegal, Uganda, Kenya, Mozambique, Madagascar, Cameroon, Ghana, Algeria. | AID-OFDA-G-16-00115 | Jan. 1, - Dec 31, 2017 | |
| Mphatlatsane Early Morning Start project (subaward) – closeout; implemented in South Africa. | | Jan. 1, - Dec 31, 2017 | Subaward 16/0001, through Mothers2Mothers South Africa NPC. |

Stellenbosch University contracted with the independent certified public accounting firm BDO Cape Incorporated, 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 (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 Stellenbosch University'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 Stellenbosch University's internal controls; (3) determine whether Stellenbosch University 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, BDO (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 Stellenbosch University as incurred from January 1 to December 31, 2017; (2) evaluated the control environment, the adequacy of the accounting systems, and control procedures that pertain to Stellenbosch University'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 but a 10 percent de minimis rate was applicable on one of the awards; and (5) reviewed the implementation status of prior period recommendations. Stellenbosch University reported expenditures of \$3,208,320 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 identified \$5,532 in ineligible questioned costs and a cost-sharing shortfall of \$18,528 for a closed out award. No material instances of noncompliance or significant deficiencies or material weaknesses in internal control were reported. The audit firm issued a management letter.

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 February 11, 2019.

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

Recommendation 1. Determine the allowability of \$4,251 in ineligible questioned costs pertaining to award number A-674-A-12-00031 identified on pages 17 and 22 of the audit

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.

report and recover any amount that is unallowable.

Recommendation 2. Verify that Stellenbosch University provide Mothers2Mothers South Africa NPC with a copy of the finding raised in BDO's management report for their review and any appropriate action regarding the \$571 in ineligible questioned costs pertaining to subaward 16/0001 identified on pages 17, 18 and 22 of the audit report.

Recommendation 3. Take appropriate action under ADS 303.3.10 regarding the \$18,528 shortfall in cost sharing contributions pertaining to award number A-674-A-12-00031 identified on pages 27 and 28 of the audit report.

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

Recommendation 4. Determine the allowability of \$710 in ineligible questioned costs pertaining to award number AID-OFDA-G-16-00115 identified on pages 17, 18 and 22 of the audit report and recover any amount that is unallowable.

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").