



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 Childline Mpumalanga in South Africa Under Cooperative Agreement AID-674-A-13-00010, April 1, 2016, to March 31, 2017 (Report No. 4-674-18-077-R)

This memorandum transmits the final audit report on Childline Mpumalanga. Childline Mpumalanga contracted with the independent certified public accounting firm Nexia SAB&T, Nelspruit, South Africa to conduct the audit. The audit firm stated that 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 Childline Mpumalanga'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 the fund accountability statement; (2) evaluate Childline Mpumalanga's internal control structure related to USAID-funded programs; (3) determine whether Childline Mpumalanga 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 Childline Mpumalanga has taken adequate corrective actions on recommendations in prior audit reports.

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.

To answer the audit objectives, Nexia SAB&T (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 Childline Mpumalanga 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 Childline Mpumalanga'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. Childline Mpumalanga spent \$1,969,515 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 \$824 in ineligible questioned costs included in the fund accountability statement. We have added unremitted interest of \$5,039, negative amounts netted-off from the questioned costs of \$819², and value added tax (VAT) receivable of \$43,173 to arrive at a total ineligible questioned cost amount of \$49,855. The auditors noted six significant deficiencies in internal control plus an additional significant deficiency in internal control included in Annexure B to the report. The audit firm issued a management letter as part of the report in Annexure A.

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 memorandum to the controller, dated March 22, 2018.

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

Recommendation 1. Determine the allowability of \$49,855 in ineligible questioned costs identified on pages 17, 20, 21, and 28 to 35 of the audit report and recover any amount that is unallowable.

² Calculation as follows:

	South African Rand (ZAR)
Finding 6.3.1	609.62
Finding 6.3.2	7,368.42
Finding 6.3.4	33.07
	3,327.18
	0.35
Total	11,338.64
Exchange rate (page 19)	13.84
Total US Dollars (rounded)	\$819

Recommendation 2. Verify that Childline Mpumalanga corrects the seven significant deficiencies in internal control detailed on pages 26 to 36 of the audit report and Annexure B pages 54 to 55.

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").