



MEMORANDUM

DATE: April 16, 2018

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

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

SUBJECT: Audit of USAID Resources Managed by Wits Health Consortium (Pty) Ltd in South Africa Under Multiple Agreements, January 1, 2016, to December 31, 2016 (Report No. 4-674-18-078-R)

This memorandum transmits the final audit report on multiple awards. Wits Health Consortium (Pty) Ltd (WHC) contracted with the independent certified public accounting firm Deloitte and Touche, Johannesburg, 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 and USAID OIG Guidelines for Financial Audits Contracted by Foreign Recipients.¹

The audit report covers the following agreements:

| No. | Agreement Number | Agreement Type |
|-----|--------------------|-----------------------|
| 1 | AID-674-A-15-00013 | USAID prime agreement |
| 2 | AID-674-A-12-00029 | USAID prime agreement |
| 3 | AID-OAA-A-1300069 | USAID prime agreement |

¹ On June 30, 2017, USAID OIG rescinded its Guidelines for Financial Audits Contracted by Foreign Recipients, recognizing the Agency's role to impose requirements on its implementing partners and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.

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| 4 | AID-674-A-12-00019 | USAID prime agreement |
| 5 | AID-674-A-12-00032 | USAID prime agreement |
| 6 | AID-OAA-A-15-00069 | USAID prime agreement |
| 7 | AID-674-A-12-00021 | USAID prime agreement |
| 8 | AID-674-A-12-00034 | USAID prime agreement |
| 9 | RTC Sub agreement under the USAID HSS Prime award AID-674-A-12-00020 | RTC sub award |
| 10 | AGINCOURT - THE POPULATION COUNCIL (USA) - SH1504 | POP sub award |
| 11 | CHRU - Durban - STREAM STUDY | MRC sub agreement |
| 12 | HJH STREAM - Protocol #ISRCTN 78372190 | HJH sub award |
| 13 | CHRU - MRC - STREAM STUDY | MRC sub agreement |
| 14 | 674-A-12-00020 RTC - CHRU | RTC sub agreement under corporate agreement AID -674-A- 12-00020 |
| 15 | SOL-611-16-000001 - DMMH - USAID | RTC sub award |
| 16 | DMMH - RTC - USAID - AID-OAA-A-15-00070 | RTC sub award |
| 17 | WRHI-674-A-12-00021-ESRU | WRHI sub agreement |
| 18 | AID-OAA-A15-00070 | RTC Sub award |
| 19 | IAVI Task order number 2271 under the USAID Prime award USAID # AID-0AA-A11-000-20 | IAVI Sub agreement |
| 20 | 2249 | IAVI Sub agreement |
| 21 | 37188-1089 | JSI Sub award |
| 22 | MATCH EQUIP - RTC - AID-OAA-A-15-00070 | RTC sub award |
| 23 | CSA1008 | IPM sub agreement |
| 24 | SH1607 | POP sub award |

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| 25 | Sub agreement AID.1659-14-10036-SUB under Cooperative agreement AID - OAA -A -11 00051 | PATH sub agreement |
| 26 | Sub Agreement 1-312-0214896-52402L under Master Service agreement 888-15-30-01 | RTI - Sub agreement |
| 27 | PHD - RTC - AID-674-A-12-00020 | RTC sub award |
| 28 | SH1505 | POP sub award |
| 29 | FHI Sub agreement 15004188 under USAID Cooperative agreement AID-OAA-A-15-00035 | FHI - Sub award |
| 30 | 4-312-0214924-52383L | RTI - Sub agreement |
| 31 | UWSC8514 | UW Sub award |

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 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 WHC's fund accountability statement; the effectiveness of its internal control; or its compliance with the award, laws, and regulations.²

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

To answer the audit objectives, Deloitte and 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 WHC as incurred from January 1, 2016, to December 31, 2016; (2) evaluated the control environment, the adequacy of the accounting systems, and control procedures that pertain to WHC'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 the prior period

² 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.

recommendations. WHC spent \$42,679,316 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 \$57,756 ineligible questioned costs, four significant deficiencies in internal control, and four instances of material noncompliance. Deloitte and Touche issued a management letter, containing minor internal control deficiencies dated September 28, 2017. We have identified additional ineligible cost amounting to \$142,658 relating to indirect costs over charged to agreements. Refer to table below for further details. Total ineligible question are costs \$200,414.

| No. | Agreement | Percent Charged | Approved Rate | Overcharge | Amount of Overcharge in \$ |
|--------------|--------------------------------------|-----------------|---------------|------------|----------------------------|
| 1 | AID-674-A-12-00034 (WRHI-CSW) | 14.83% | 10% | 4.83% | 94,476.30 |
| 2 | AID-OAA-A-1300069 | 10.64% | 10% | 0.64% | 4,190.30 |
| 3 | AID-674-A-12-00029 | 12.97% | 10% | 2.97% | 38,836.10 |
| 4 | AID-674-A-15-00013 | 16.54% | 10% | 6.54% | 2,152.40 |
| 5 | HJH STREAM-Protocal #ISRCTN 78372190 | 10.19% | 10% | 0.19% | 528.60 |
| 6 | RTC AID-674-A-12-00020 CHRU | 10.53% | 10% | 0.53% | 2,474.50 |
| TOTAL | | | | | 142,658.20 |

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 April 16, 2018.

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

Recommendation 1. Determine the allowability of \$200,414 ineligible questioned costs on page 23 of the audit report and outlined in the memo transmitting the audit report and recover any amount that is unallowable.

Recommendation 2. Verify that Wits Health Consortium corrects the four significant deficiencies in internal control detailed on pages 45 to 48 of the audit report.

Recommendation 3. Verify that Wits Health Consortium corrects the four instances of material noncompliance detailed on pages 51 to 54 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”).