



## MEMORANDUM

**DATE:** July 17, 2018

**TO:** Mission Director, USAID/Southern Africa, John Groarke

**FROM:** Acting Regional Inspector General/Pretoria, Louis Duncan, Jr. /s/

**SUBJECT:** Audit of USAID Resources Managed by The Centre for HIV/AIDS Prevention Studies in South Africa and Swaziland Under Multiple Agreements, October 1, 2016, to September 30, 2017 (Report No. 4-674-18-087-R)

This memorandum transmits the final audit report on USAID resources managed by The Centre for HIV/AIDS Prevention Studies (CHAPS). CHAPS contracted with the independent certified public accounting firm PricewaterhouseCoopers (PWC), 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 (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 CHAPS's fund accountability statement; the effectiveness of its internal control; or its compliance with the award, laws, and regulations.<sup>1</sup>

The audit included (1) Cooperative agreement AID-674-A-15-00001, for voluntary medical male circumcision (VMMC), early infant male circumcision and service delivery to the Government of The Kingdom of Swaziland and (2) Cooperative agreement AID-674-A-15-00002, for comprehensive VMMC training programs/ongoing mentoring and private sector VMMC training and mentoring in South Africa.

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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.

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 CHAPS's internal controls; (3) determine whether CHAPS 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.

To answer the audit objectives, PWC (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 CHAPS 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 CHAPS'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. CHAPS spent \$4,364,959 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 \$146,756<sup>2</sup> in unsupported questioned costs; six material weaknesses and two significant deficiencies in internal control; and four instances of material noncompliance. In addition, the audit firm reported another matter involving internal control and an immaterial instance of noncompliance in a separate management letter.

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

**Recommendation 1.** Determine the allowability of \$146,756 in unsupported questioned costs on pages 16 and 23 of the audit report and recover any amount that is unallowable.

**Recommendation 2.** Verify that The Centre for HIV/AIDS Prevention Studies corrects the six material weaknesses and two significant deficiencies in internal control detailed on pages 26 to 32 of the audit report.

**Recommendation 3.** Verify that The Centre for HIV/AIDS Prevention Studies corrects the four instances of material noncompliance detailed on pages 35 to 38 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.

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<sup>2</sup> Sum of \$119,463 + \$27,293 = \$146,756 in unsupported cost as per page 16 of the audit report.

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”).