



## MEMORANDUM

**DATE:** October 30, 2018

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

**FROM:** Regional Inspector General/Pretoria, Robert Mason /s/

**SUBJECT:** Financial Audit of USAID Resources Managed by The Centre for Communication Impact in South Africa, Trading as JHHESA, Under Multiple Awards, July 1, 2016, to June 30, 2017 (Report No. 4-674-19-017-R)

This memorandum transmits the final audit report on The Centre for Communication Impact in South Africa, trading as JHHESA, under the following awards:

Award Description (Type)	Award Number	Period Audited	Prime Awardee
Strategic, evidence-based communication interventions systematically applied at multiple levels of Human Immune Virus (HIV) Prevention programs (cooperative agreement)	AID-674-A-14-00008	07/01/2016–06/30/2017	
Community-based comprehensive HIV prevention, counseling, and testing program to reduce HIV incidence programmes (cooperative agreement)	AID-674-A-14-00012	07/01/2016–06/30/2017	
Pairs an emerging leader in advocacy and activism with an existing organization to develop and execute creative, context –specific projects focused on HIV prevention research (subagreement)	AID-OAA-A-13-00032	07/01/2016–06/30/2017 closeout	Aids Vaccine Advocacy Coalition (AVAC)
Tuberculosis Program in South Africa (subcontract)	AID-674-C-00-09-00121-00	07/01/2016–06/30/2017 closeout	University Research Co., LLC
HealthComm Capacity Program (subagreement)	AID-OAA-A-12-00058	07/01/2016–06/30/2017 closeout	Johns Hopkins University

JHHESA contracted with the independent certified public accounting firm PricewaterhouseCoopers (PWC), Sunninghill, 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 JHHESA'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 JHHESA's internal controls; (3) determine whether JHHESA 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 JHHESA as incurred from July 1, 2016, to June 30, 2017; (2) evaluated the control environment, the adequacy of the accounting systems, and control procedures that pertain to JHHESA'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. JHHESA reported expenditures of \$9,358,095 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 also reported one instance of material noncompliance. However, the auditors based this instance on the recipient not meeting cost-sharing on a yearly basis. Since the criteria cited by the audit firm referred to required cost-sharing being measured over the life of the award, we are not making a recommendation on this matter.

The audit firm issued a management letter.

The audit report also disclosed a VAT receivable of \$269,232. Since the management letter reported that the recipient did not file all VAT claims on a timely basis, and we could not reconcile the receivable balance with additional information provided by the

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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.

audit firm regarding VAT claims refunded subsequent to the end of the audited period, we are making a recommendation on this matter for the mission's action.

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 October 30, 2018.

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

**Recommendation I.** Determine the allowability of \$269,232 in ineligible questioned costs on page 13 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”).