



## MEMORANDUM

**DATE:** December 19, 2018

**TO:** USAID/Nigeria, Mission Director, Stephen M. Haykin

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

**SUBJECT:** Financial Audit of USAID Resources Managed by Association for Reproductive and Family Health in Nigeria Under Multiple Agreements, January 1 to December 31, 2017 (Report No. 4-620-19-031-R)

This memorandum transmits the final audit report on USAID resources managed by Association for Reproductive and Family Health (ARFH) under the following agreements:

| Award Name (Type)   | Award Number       | Audit Period          | Subagreement  |
|---|--------------------|-----------------------|---|
| Local Partners for Orphans and Vulnerable Children project (LOPIN I)(cooperative agreement) | AID-620-A-14-00004 | Jan. 1 – Dec. 31 2017 |   |
| Strengthening Integrated Delivery of HIV/AIDS Services (SIDHAS) (subagreement)              |                    | Jan. 1 – Dec. 31 2017 | Subagreement under Family Health International (FHI 360) AID-620-A-11-00002   |
| Systems Transformed for Empowered Action and Enabling Response (STEER) (subagreement)       |                    | Jan. 1 – Dec. 31 2017 | Subagreement under Save the Children International Nigeria AID-620-A-13-00002 |

ARFH contracted with the independent certified public accounting firm Ijewere & Co., Lagos, Nigeria 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. The audit firm is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on ARFH's fund accountability statement; the effectiveness of its internal control; or its compliance with the award, laws, and regulations.<sup>1</sup>

<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 ARFH's internal controls; (3) determine whether ARFH complied with award terms and applicable laws and regulations; and (4) review the implementation status of the prior period recommendations.

To answer the audit objectives, Ijewere & Co. (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 ARFH 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 ARFH'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; and (4) reviewed the implementation status of the prior period recommendations. ARFH reported expenditures of \$3,718,067 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 \$131 unsupported questioned costs. OIG does not make formal recommendations if total questioned costs are less than \$1,000, although we encourage the mission to follow up on these items and recover any amounts due to USAID. The audit firm also reported five significant deficiencies in internal control. Three of the significant deficiencies related to the prime agreement and the remaining two related to the subagreement with FHI360. Moreover, one of the significant deficiencies is a repeat finding from a prior audit, which the auditors confirmed was corrected after the end of the audit period. Consequently, OIG will not include a recommendation to address that finding in this memorandum.

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 December 19, 2018.

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

**Recommendation 1.** Verify that Association for Reproductive and Family Health corrects the two significant deficiencies in internal control detailed on pages 27 and 28 of the audit report.

**Recommendation 2.** Verify that Association for Reproductive and Family Health provide Family Health International with a copy of the findings in Ijewere & Co.'s audit report for its review to take any appropriate action regarding the two significant deficiencies in internal control related to Strengthening Integrated Delivery of HIV/AIDS Services project as detailed on pages 30 and 31 of the 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”).