



MEMORANDUM

DATE: February 7, 2019

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

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

SUBJECT: Financial Audit of USAID Resources Managed by Foundation for Professional Development in South Africa Under Multiple Awards, January 1 to December 31, 2017 (Report No. 4-674-19-039-R)

This memorandum transmits the final audit report on USAID resources managed by Foundation for Professional Development (FPD) under agreements:

| Award Name (Type) | Award Number | Audit Period | Prime Implementer |
|--|---------------------|------------------------|--|
| To raise public awareness of Thuthuzela Care Centres (TCC) and expand and improve TCC services (cooperative agreement) | AID-674-A-12-00013 | Jan. 1- Dec 31, 2017 | |
| Transition from actual service delivery to providing technical assistance to the public health care system (cooperative agreement) | AID-674-A-12-00017 | Jan. 1- Dec 31, 2017 | |
| Comprehensive District-Based Support for Better HIV/TB Patient Outcomes (cooperative agreement) – closeout | AID-674-A-12-00037 | Jan. 1- Sept. 30, 2017 | |
| Comprehensive Community Based HIV Prevention, Counseling and Testing Program for Reduced HIV Incidence (cooperative agreement) | AID-674-A-14-00006 | Jan. 1- Dec 31, 2017 | |
| Practical Education Research for Optimal Reading and Management (cooperative agreement) | AID-674-A-16-00007 | Jan. 1- Dec 31, 2017 | |
| Capacity Development and Support program (subaward) – closeout | | Jan. 1- Sept. 30, 2017 | Family Health International (FHI360) subaward under AID-674-A-14-00009 |
| Randomized Study Evaluating an Intervention Integrating Economic Strengthening and HIV Prevention Programs for Vulnerable Youth in South Africa (subaward) | | Jan. 1- Dec 31, 2017 | FHI360 subaward under AID-QAA-LA-13-00001 |

FPD contracted with the independent certified public accounting firm Nexia SAB&T, Centurion, 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 FPD'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 whether the fund accountability statement for the period audited, was presented fairly, in all material respects; (2) evaluate the FPD's internal controls; (3) determine whether FPD complied with award terms and applicable laws and regulations; (4) review the indirect cost rate; and (5) review the implementation status of prior period recommendations.

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 FPD 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 FPD'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 prior period recommendations. FPD reported expenditures of \$31,970,305 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 reported one significant deficiency in internal control and no instances of material noncompliance. No questioned costs were identified.

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 February 7, 2019.

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

Recommendation I. Verify that Foundation for Professional Development corrects the one significant deficiency in internal control identified on page 29 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”).