



MEMORANDUM

DATE: March 20, 2019

TO: USAID/Nigeria, Mission Director, Steven M. Haykin

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

SUBJECT: Financial Closeout Audit of USAID Resources Managed by Society for Family Health in Nigeria Under Agreement AID-620-A-12-00002, January 1 to September 30, 2017 (Report No. 4-620-19-061-R)

This memorandum transmits the final audit report on USAID resources managed by Society for Family Health Nigeria (SFH Nigeria) under the Strengthening HIV Prevention Services for Most-at-Risk-Populations award. SFH Nigeria contracted with the independent certified public accounting firm PKF Professional Services, Abuja, 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 except that the audit firm did not have an external quality control review program 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 SFH Nigeria's fund accountability statement; the effectiveness of its internal control; or its compliance with the award, laws, and regulations¹

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 SFH Nigeria's internal controls; (3) determine whether SFH Nigeria 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.

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 answer the audit objectives, PKF Professional Services (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 SFH Nigeria as incurred from January 1 to September 30, 2017; (2) evaluated the control environment, the adequacy of the accounting systems, and control procedures that pertain to SFH Nigeria'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. SFH Nigeria reported expenditures of \$5,467,615 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 did not report any questioned costs, material weaknesses or significant deficiencies in internal control, or any instance of material noncompliance. The audit firm also identified a \$497,574 shortfall in required cost share contributions.

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 March 20, 2019.

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

Recommendation 1. Take any corrective action deemed necessary under Automated Directives System 303.3.10 to address the \$497,574 shortfall in required cost-sharing contributions identified on pages 22 and 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”).