



## MEMORANDUM

**DATE:** May 15, 2019

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

**FROM:** USAID OIG Africa Regional Office, Assistant Director, Louis Duncan, Jr. /s/

**SUBJECT:** Financial Closeout Audit of USAID Resources Managed by Ajuda de Desenvolvimento de Povo para Povo in Angola Under Multiple Awards, January 1, 2017, to June 30, 2018 (Report No. 4-654-19-069-R)

This memorandum transmits the final audit report on USAID resources managed by Ajuda de Desenvolvimento de Povo para Povo - Angola (ADPP Angola) under the following awards:

Award Name (Type)	Award Number	Period Audited
A school-Based Model for Improved Community Water and Sanitation in Rural Areas of Benguela Program (Water and Sanitation) (Cooperative Agreement)	654-A-12-00002	Jan. 1- Jul. 31, 2017
Construction of Biopio Health Facility (Biopio Facility) (Cooperative Agreement)	654-A-16-00002	Jan. 1, 2017- Jun. 30, 2018

ADPP Angola contracted with the independent certified public accounting firm Ernst & Young, Luanda, Angola 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 ADPP Angola'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 ADPP Angola's internal controls; (3) determine whether ADPP Angola 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, Ernst & Young (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 ADPP Angola as incurred from January 1, 2017, to June 30, 2018 ; (2) evaluated the control environment, the adequacy of the accounting systems, and control procedures that pertain to ADPP Angola'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. ADPP Angola reported expenditures of \$1,473,944 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. Moreover, no material instances of noncompliance or material weaknesses in internal control were reported. However, we identified a material noncompliance finding that resulted in cost share shortfall of \$156,750. Consequently, we will make a recommendation to address this concern.

During our desk review, we noted 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 May 15, 2019.

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

**Recommendation 1.** Take the appropriate action under ADS 303.3.10 regarding the \$156,750 shortfall in cost sharing contributions pertaining to award number 654-A-16-00002 identified on pages 30 and 33 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”).