



## MEMORANDUM

**DATE:** May 14, 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 Networking HIV/AIDS Community of Southern Africa Under Multiple Awards, April 1, 2017, to March 31, 2018 (Report No. 4-674-19-067-R)

This memorandum transmits the final audit report on USAID resources managed by Networking HIV/AIDS Community of Southern Africa (NACOSA) under the following awards:

Award Name (Type)	Award Number	Period audited	Prime implementer
PEPFAR program (cooperative agreement)	AID-674-A-13-00005	April 1, 2017 – March 31, 2018	
Reach Project (sub agreement)		April 1, 2017 – March 31, 2018	FHI360 [AID-674-A-14-00009]
Improved Case Outcomes for Sexual Offences (ICOP) project (Independent Contract Agreement)		April 1, 2017 – March 31, 2018;	University of Cape Town [AID-674-A-15-00010]
Let's TALK – Case study (Independent Contract Agreement)		April 24, 2017 – Sept. 30, 2017	Tulane University [AID-674-A-12-00002]

NACOSA contracted with the independent certified public accounting firm BDO Cape Inc., Cape Town, 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 an 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 NACOSA'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 NACOSA's internal controls; (3) determine whether NACOSA 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, BDO Cape Inc. (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 NACOSA as incurred from April 1, 2017, to March 31, 2018; (2) evaluated the control environment, the adequacy of the accounting systems, and control procedures that pertain to NACOSA'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. NACOSA reported expenditures of \$3,425,618 in USAID funds during the audited period.

The audit firm concluded that the fund accountability statement presented fairly, in all material respects, program revenues and costs incurred under the award for the period audited. Notwithstanding, the audit firm identified \$2,462 in ineligible questioned costs. However, as confirmed by the audit firm in its management letter, this amount has been deducted from an advance request in the following period. Furthermore, the audit firm found identified no material weaknesses or significant deficiencies in internal control and no instances of material noncompliance. Accordingly, we do not make any recommendations.

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 May 14, 2019.

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

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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.

Information Act Exemption Four, 5 U.S.C. 552(b)(4) (“commercial or financial information obtained from a person that is privileged or confidential”).