



MEMORANDUM

DATE: May 24, 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 National Association of Child Care Workers in South Africa Under Multiple Agreements, April 1, 2017, to March 31, 2018 (Report No. 4-674-19-085-R)

This memorandum transmits the final audit report on USAID Resources Managed by National Association of Child Care Workers (NACCW) under the following awards:

Award Name (Type)	Award Number	Period audited	Prime implementer
Service delivery and support for families caring for Orphans and Vulnerable Children (cooperative agreement)	AID-674-A-13-00009	Apr. 1, 2017 – Mar. 31, 2018	
Service delivery and support for families caring for Orphans and Vulnerable Children (ReACH) (project 1 within subagreement)		Apr. 1, 2017 – Mar. 31, 2018	FHI 360 [AID-674-A-14-00009]
School-based HIV and Violence Prevention Initiative for Adolescent Girls and Young Women – closeout (project 2 within subagreement)		Apr. 1, 2017 – Oct. 31, 2017	FHI 360 [AID-674-A-14-00009]

NACCW contracted with the independent certified public accounting firm BDO Cape Incorporated, 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 external quality control review programs that fully satisfies the requirements of GAGAS. The audit firm is

responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on the NACCW'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 NACCW's internal controls; (3) determine whether NACCW 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, BDO (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 NACCW 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 NACCW'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. NACCW reported expenditures of \$5,661,749 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 one instance of material noncompliance. Although we are not making a recommendation for the significant deficiency noted in the report, we suggest that USAID/Southern Africa determine if the recipient addressed the issue noted. The audit firm also issued a management letter.

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 24, 2019.

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

Recommendation 1. Verify that National Association of Child Care Workers corrects the one instance of material noncompliance detailed on page 35 of the audit report.

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.

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”).