



## MEMORANDUM

**DATE:** July 8, 2019

**TO:** USAID/Southern Africa, Mission Director, John Groake

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

**SUBJECT:** Financial Audit of USAID Resources Managed by Baylor College of Medicine Children's Foundation-Malawi Under Multiple Awards, July 1, 2017 to September 30, 2018 (Report No. 4-674-19-103-R)

This memorandum transmits the final audit report on Baylor College of Medicine Children's Foundation (BCM-CFM) under the following awards:

<b>Award Name (Type)</b>	<b>Award Number</b>	<b>Period</b>	<b>Prime implementer</b>
Technical Support to PEPFAR in Southern Africa Region (Cooperative Agreement)	AID-674-A-16-0003	July 1, 2017 – June 30, 2018	
Innovative HIV Services for Malawi's Achievement of 90-90-90 (Cooperative Agreement)(Closeout)	AID-OAA-A-15-00070	October 1, 2017- September 30, 2018	Right to Care

BCM-CFM contracted with the independent certified public accounting firm PricewaterhouseCoopers (PWC), Lilongwe, Malawi 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 generally accepted government auditing standards, except that the audit firm did not have continuing professional education and external peer reviews 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 BCM-CFM'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 BCM-CFM's internal controls; and (3) determine whether Baylor complied with award terms and applicable laws and regulations and (4) review the implementation status of prior period recommendations.

To answer the audit objectives, PWC (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 BCM-CFM as incurred from July 1, 2017, to September 30, 2018; (2) evaluated the control environment, the adequacy of the accounting systems, and control procedures that pertain to BCM-CFM'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 prior period recommendations. BCM-CFM reported expenditures of \$7,052,860 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 or material weaknesses in internal control. One instance of material noncompliance was identified. 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 July 8, 2019.

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

**Recommendation 1.** Verify that Baylor College of Medicine Children's Foundation-Malawi corrects the one instances of material noncompliance detailed on page 30 of the audit report.

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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.

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”).