



MEMORANDUM

DATE: August 15, 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 Wits Health Consortium (Pty) Ltd in South Africa Under Multiple Agreements, January 1, 2017, to December 31, 2017 (Report No. 4-674-19-123-R)

This memorandum transmits the final audit report on USAID resources managed by Wits Health Consortium (WHC) under multiple awards, which are listed in appendix I. WHC contracted with the independent certified public accounting firm Deloitte & Touche, Johannesburg, South Africa 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 WHC'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 WHC's internal controls; (3) determine whether WHC 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, Deloitte & Touche (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 WHC as incurred from January 1, 2017, to December 31, 2017; (2) evaluated the control environment, the adequacy of the accounting systems, and control procedures that pertain to WHC'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) reviewed the indirect cost rate; and (5) reviewed the implementation status of prior period recommendations. WHC reported expenditures of \$53,780,032 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 except for \$206,478 in ineligible questioned costs. No material weaknesses in internal control were identified. The audit firm identified five significant deficiencies in internal control that were also reported as instances of material noncompliance. We will make a recommendation to address the instances of material noncompliance. Deloitte & Touche also issued a separate 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 August 15, 2019.

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

Recommendation 1. Determine the allowability of \$206,478 in ineligible questioned costs on pages 41 of the audit report and recover any amount that is unallowable.

Recommendation 2. Verify that Wits Health Consortium corrects the five instances of material noncompliance detailed on pages 60 to 65 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”).

Appendix I- Agreements List

No.	Agreement Number	Agreement Type
1	AID-674-A-15-00013	USAID prime agreement
2	AID-OAA-A-13-00069	USAID prime agreement
3	AID-674-A-12-00019	USAID prime agreement
4	AID-674-A-12-00032	USAID prime agreement
5	AID-OAA-A-15-00069	USAID prime agreement
6	AID-674-A-12-00021	USAID prime agreement
7	AID-674-A-12-00034	USAID prime agreement
8	AID-674-A-12-00029	USAID prime agreement
9	RTC Sub agreement under AID-674-A-12-00020	RTC Subagreement
10	POP Sub agreement under OAA-A-14-00060	POP Subaward
11	CHRU Durban Stream	MRC Subagreement
12	CHRU HJH Stream II	HJH Subaward
13	CHRU-MRC-STREAM STUDY	MRC Subagreement
14	RTC CHRU under AID-674-A-12-00020	RTC Subagreement
15	RTC Sub agreement M&E CCMT RTC-DMMH under AID-674-A-12-00020-	RTC Subaward
16	RTC Sub agreement RTC-DMMH- EQUIP under AID-OAA-A-15-00070	RTC Subaward
17	WRHI-674-A-12-00021-ESRU	WRHI Subagreement
18	HERO-EQUIP under AID-OAA-A-15-00070	RTC Subaward
19	IAVI Task Order number 2271	IAVI Subagreement
20	AID-OAA-A-16-00032	IAVI Subagreement
21	JSI Sub agreement 37188-1089 under S-LMAQM-16-	JSI Subaward

	CAI103	
22	RTC Sub agreement RTC MATCH EQUIP under OAA-A-15-00070	RTC Subaward
23	USAID – CSA1008	IPM Subagreement
24	USAID – EMSA – 17-0005	CONRAD/EVMS
25	POP Sub agreement SH 1607	POP Subaward
26	RTI Sub agreement 1-312-0214896-52402L under MAPS2-15-053	RTI Subagreement
27	RTC Sub agreement – PHD under AID-674-A-12-00020	RTC Subaward
28	POP Sub SH1505 under AID-OAA-14-00060	POP Sub award
29	FHI Sub agreement 15004188 under OAA-A-15-00035	FHI Sub award
30	WRHI Sub agreement 4-312-0214924-52383L under AID-OAA-A-15-00032	RTI Sub agreement
31	WRHI Sub agreement UWSC8514 under AID-OAA-A-15-00034	UW Sub award
32	AID-OAA-A-16-00031	IAVI Sub award
33	#S2WITSPE	International Union against Tuberculosis and Lung Disease Union Sub award
34	AID-OAA-A-14-00029	AURUM Sub award
35	FHI Sub agreement 102267.001.001.009 under 612-C-16-005	FHI Sub award