



MEMORANDUM

DATE: October 28, 2019

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

FROM: USAID OIG Africa Regional Office, Assistant Director, Matthew Rathgeber /s/

SUBJECT: Financial Audit of USAID Resources Managed by Center for Communication Impact in South Africa Under Multiple Awards, July 1, 2017, to June 30, 2018 (Report No. 4-674-20-006-R)

This memorandum transmits the final audit report on USAID resources managed by Center for Communication Impact (CCI) under the following awards:

Award Description (Type)	Award Number	Period Audited
Strategic, evidence-based communication interventions systematically applied at multiple levels of Human Immune Virus (HIV) Prevention programs (cooperative agreement)	AID-674-A-14-00008	07/01/2017–06/30/2018
Community-based comprehensive HIV prevention, counseling, and testing program to reduce HIV incidence (cooperative agreement)	AID-674-A-14-00012	07/01/2017–06/30/2018
Local Governance to Improve Gender Based Violence Response Project (cooperative agreement)	72067418CA00008	06/29/2018–06/30/2018

CCI contracted with the independent certified public accounting firm Nexia SAB&T, Centurion, South Africa to conduct the audit. The audit firm states that it performed its audit in accordance with generally accepted government auditing standards (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 CCI'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 CCI's internal controls; and (3) determine whether CCI 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, Nexia SAB&T (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 CCI as incurred from July 1, 2017, to June 30, 2018; (2) evaluated the control environment, the adequacy of the accounting systems, and control procedures that pertain to CCI'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. CCI reported expenditures of \$12,211,373 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 identified \$28,861 in total questioned costs (\$16,051 ineligible and \$12,810 unsupported); no material weaknesses in internal control; and 14 instances of material noncompliance. In addition, although we are not making a recommendation for significant deficiencies noted in the report, we suggest that USAID/Southern Africa determine if the recipient addressed the issues noted.

In addition to the above the audit firm was not able to verify the opening balance brought forward and obtained permission to verify the opening balance by reconstructing the fund accountability statements for the periods February 1, 2014, to June 30, 2017. With this exercise the audit firm identified additional \$103,296 in total questioned costs (\$793 ineligible and \$102,503 unsupported) not previously identified in prior period audit reports.

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.

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 October 28, 2019.

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

Recommendation 1. Determine the allowability of \$28,861 in questioned costs (\$16,051 ineligible, \$12,810 unsupported) on pages 39, 43 and 44 of the audit report and recover any amount that is unallowable.

Recommendation 2. Verify that Center for Communication Impact corrects the 14 instances of material noncompliance detailed on pages 55, 62 to 71, and 81 to 92 of the audit.

Recommendation 3. Determine the allowability of \$103,296 in prior period questioned costs not previously questioned (\$793 ineligible, \$102,503 unsupported) on pages 23, 27, 31, 35, 43, and 44 of the audit report and recover any amount that is unallowable.

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”).