



MEMORANDUM

DATE: November 1, 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 HIV South Africa Under Multiple Agreements, for the Fiscal Year Ended September 30, 2018 (Report No. 4-674-20-013-R)

This memorandum transmits the final audit report on USAID resources managed by HIV South Africa (HIVSA) under the following agreements:

Award Name (Type)	Award Number	Period	Prime Implementer
Support for families caring for orphans and vulnerable children (cooperative agreement)	AID-674-A-13-00006	Oct. 1, 2017-Sept. 30, 2018	
Subagreement under Anova Health Institute	AID-674-A-12-00015	Oct. 1, 2017-Sept. 30, 2018 (closeout audit)	Anova Health Institute
ID/FCO 100312.001.001033 under Family Health International (subagreement)	AID-674-A-14-00009	Oct. 1, 2017-Sept. 30, 2018 (closeout audit)	FHI 360
ID/FCO 100312.001.040/0934.0045 under Family Health International (subagreement)	AID-674-A-14-00009	Oct. 1, 2017-Sept. 30, 2018 (closeout audit)	FHI 360

HIVSA contracted with the independent certified public accounting firm PricewaterhouseCoopers (PwC), Johannesburg, South Africa, to conduct the audit. The audit firm stated 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 HIVSA'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 HIVSA's internal controls; (3) determine whether HIVSA 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, 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 HIVSA as incurred from October 1, 2017, to September 30, 2018; (2) evaluated the control environment, the adequacy of the accounting systems, and control procedures that pertain to HIVSA'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. HIVSA reported expenditures of \$2,501,193 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 \$13,375 in unsupported questioned costs. The audit firm also reported one material weakness in internal control and two instances of material noncompliance. Since the questioned costs did not meet the OIG's established threshold of \$25,000 for making a recommendation, we are not making a recommendation for the questioned costs or associated instance of material noncompliance. Nevertheless, we suggest that USAID/Southern Africa determine the allowability of the \$13,375 in unsupported questioned costs and recover any amount determined to be unallowable.

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 November 1, 2019.

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

Recommendation I. Verify that HIV South Africa corrects the one material weakness in internal control detailed on page 24 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.

Recommendation 2. Verify that HIV South Africa corrects one instance of material noncompliance detailed on page 28 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”).