



MEMORANDUM

DATE: December 20, 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 mothers2mothers South Africa NPC in Multiple Countries Under Multiple Agreements, January 1 to December 31, 2017(Report No. 4-674-20-021-R)

This memorandum transmits the final audit report on USAID resources managed by mothers2mothers South Africa NPC (m2m) under the following awards:

Award Name (Type)	Award Number	Period	Prime Implementer
South Africa Mentor Mother's Programme (SAMMP) (cooperative agreement) - closeout	AID-674-A-12-00030	Jan. 1-Dec. 31, 2017	
Reducing HIV/AIDS Programme (RHAP) in South Africa, Eswatini, Lesotho, and Uganda (cooperative agreement)	AID-674-A-13-00015	Jan. 1-Dec.31, 2017	
RISE II in Southern and Eastern Africa (cooperative agreement)	67418CA00004	Dec. 11 - Dec. 31, 2017	
Supporting an AIDS-Free Era (SAFE) in Zambia Project (subagreement)		Aug. 23 - Dec. 31, 2017	JSI Research & Training Institute, Inc (JSI Inc) [AID-611-C-17-00001]
Kenya OVC Nilinde Project (subagreement)		Jan. 1-Dec. 31, 2017	PLAN International [AID-615-A-15-00005]
Early Childhood Household Stimulation Project (subagreement)		Jan. 1-Dec. 31, 2017	FHI 360 [AID-674-A-14-00009]
Better Outcomes for Children and Youth in Uganda (subagreement)		Sept. 1 - Dec. 31, 2017	World Education /Bantwana, Inc. [AID-617-A-15-00003]

m2m contracted with the independent certified public accounting firm Deloitte & Touché, Cape Town, South Africa to conduct the audit.

The audit firm states that it performed its audit in accordance in accordance with GAGAS, issued by the U.S. Comptroller General, except that the audit firm did not have continuing professional education and external quality control review programs that fully satisfy 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 m2m'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 m2m's internal controls; (3) determine whether m2m complied with award terms and applicable laws and regulation; (4) review the indirect cost rate; (5) review the implementation status of the prior period recommendations; and (6) perform a financial audit of m2m's general purpose financial statements.

To answer the audit objectives, Deloitte & Touché (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 m2m as incurred from January 1 to December 31, 2017; (2) evaluated the control environment, the adequacy of the accounting systems, and control procedures that pertain to m2m'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; (5) reviewed the implementation status of the prior period recommendations; and (6) performed a financial audit of m2m's general purpose financial statements. m2m reported expenditures of \$8,778,035 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 auditors identified \$8,169 in total questioned costs (\$5,364 ineligible and \$2,805 unsupported); of which \$521 in unsupported questioned costs was associated with a subaward. Since the questioned costs do not meet the OIG's established threshold of \$25,000 for making a recommendation, we are not making a recommendation to address questioned costs. Nevertheless, we suggest that USAID/Southern Africa determine the allowability of the \$7,648 in questioned costs and recover any amount determined to be unallowable.

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.

In addition, the audit firm reported five material instances of noncompliance, four of which were also reported as significant deficiencies in internal control. Of the five items identified, findings 3 and 5 were associated with the questioned costs noted in the preceding paragraph, and finding 2 pertained to isolated instance where the associated amount was \$90. Consequently, we will only make a recommendation on two items of material noncompliance. Although we are not making a recommendation on the significant deficiencies noted in the report, we suggest that USAID/Southern Africa determine if the recipient addressed the issues noted.

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 December 20, 2019.

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

Recommendation 1. Verify that mothers2mothers corrects the two instances of material noncompliance detailed on pages 46 and 50 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”).