



MEMORANDUM

DATE: January 9, 2020

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 mothers2mothers South Africa NPC in Multiple Countries Under Multiple Awards, January 1 to December 31, 2018 (Report No. 4-674-20-024-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 |
|--|--------------------|--------------------------|---|
| Reducing Infection through Support and Education I (RISE I) in South Africa, Eswatini, Lesotho, and Uganda (cooperative agreement) | AID-674-A-13-00015 | Jan. 1- May 31, 2018 | |
| RISE II in Southern and Eastern Africa (cooperative agreement) | 72067418CA00004 | Jan. 1- Dec. 31, 2018 | |
| Children and Adolescents are my Priority (Champ) in South Africa (cooperative agreement) | 72067418CA00026 | Aug. 27, - Dec. 31, 2018 | |
| Supporting an AIDS-Free Era (SAFE) in Zambia Project (subaward) | 13690-03 | Jan. 1- Dec. 31, 2018 | JSI Research & Training Institute, Inc (JSI Inc) [AID-611-C-17-00001] |
| Kenya OVC Niliinde Project (subaward) - closeout | M2M LOA | Jan. 1- Dec. 31, 2018 | PLAN International [AID-615-A-15-00005] |
| Early Childhood Household Stimulation Project (subaward) | | Jan. 1- Dec. 31, 2018 | FHI 360 [AID-674-A-14-00009] |
| Better Outcomes for Children and Youth in Uganda (subaward) | | Jan. 1- Dec. 31, 2018 | World Education/ Bantwana, Inc. [AID-617-A-15-00003] |

m2m contracted with the independent certified public accounting firm BDO Cape Incorporated, Cape Town, 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 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 regulations; (4) review the indirect cost rate; and (5) review the implementation status of prior period recommendations.

To answer the audit objectives, BDO Cape Incorporated (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, 2018; (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; and (5) reviewed the implementation status of prior period recommendations. m2m reported expenditures of \$7,858,735² 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 identified \$9,580 in total questioned costs (\$1,606 ineligible and \$7,974 unsupported); no material weaknesses in internal control; and three instances of material noncompliance specifically related to the questioned costs identified. Since the questioned costs did not meet the OIG's established threshold of \$25,000 for making a recommendation, we are not making recommendations for the questioned costs or the associate noncompliance instances. Nevertheless, we suggest that USAID/Southern Africa determine the allowability of the \$9,580 in questioned costs and recover any amount determined to be unallowable. In addition, although we are not making a recommendation for significant deficiencies in internal control noted in the report, we suggest that USAID/Southern Africa determine if the recipient addressed the issues noted. The audit firm also issued a management letter.

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.

² Total expenditure per the fund accountability statement \$7,889,682 excluding US Department of State expenditure of \$30,947.

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 January 9, 2020.

Accordingly we are not making any recommendations.

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”).