



MEMORANDUM

DATE: February 20, 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 University of South Africa in Multiple Countries Under Multiple Agreements, January 1 to December 31, 2018 (Report No. 4-674-20-044-R)

This memorandum transmits the final audit report on USAID resources managed by University of South Africa (UNISA) under: (1) AID-674-G-00-11-00066-00, Management of Democratic Elections in Africa (MDEA) program (closeout), and (2) AID-674-A-15-00011, Global Development Alliance Agreement, Young African Leaders Initiative (YALI), Regional Leadership Centre Southern Africa (RLC) implemented in Southern Africa. UNISA contracted with the independent certified public accounting firm Ernst & Young Incorporated (EY), Johannesburg, South Africa, to conduct the audit. The audit firm stated that it performed its audit in accordance with generally accepted government auditing standards (GAGAS), except that the audit firm did not have 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 UNISA'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 UNISA's internal controls; (3) determine whether UNISA 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, EY (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 UNISA as incurred from

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.

January 1 to December 31, 2018; (2) evaluated the control environment, the adequacy of the accounting systems, and control procedures that pertain to UNISA'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. UNISA reported expenditures of \$2,928,920 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 \$15,131 in total questioned costs (\$14,374 ineligible and \$757 unsupported), one material weaknesses in internal control, and no instances of material noncompliance. The audit firm also identified \$2,962 in unsupported questioned cost sharing contributions. 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. Nevertheless, we suggest that USAID/Southern Africa determine the allowability of the \$18,093 in total questioned costs and recover any amount determined to be unallowable. 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. The audit firm also identified immaterial instances of noncompliance.

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 controller, dated February 20, 2020.

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

Recommendation 1. Verify that University of South Africa corrects the one material weakness in internal control detailed on pages 61 and 62 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").