



MEMORANDUM

DATE: May 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 Centre for Communication Impact in South Africa Under Multiple Agreements, July 1, 2018, to June 30, 2019 (Report No. 4-674-20-072-R)

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

Award Name (Type)	Award Number	Audit Period
Strategic, Evidence-Based Communication Interventions Systematically Applied at Multiple Levels for Greater Effectiveness of HIV Prevention Programs (cooperative agreement) closeout	AID-674-A-14- 00008	July 1, 2018 - June 30, 2019
Community Based Comprehensive HIV Prevention Counselling and Testing Program to Reduce HIV Incidence Programmes (cooperative agreement)	AID-674-A-14-00012	July 1, 2018 - June 30, 2019
Local Governance to Improve Gender Based Violence Response Project (cooperative agreement)	72067418CA00008	July 1, 2018 - June 30, 2019

CCI contracted with the independent certified public accounting firm Nexia SAB&T, Centurion, South Africa, to conduct the audit. The audit firm stated that it performed its audit in accordance with generally accepted government auditing standards (GAGAS). However, it did not have continuing professional education and an external peer review that fully satisfied the requirements of 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

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.

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; (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 the 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, 2018, to June 30, 2019; (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 the prior period recommendations. CCI reported expenditures of \$7,567,844 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 \$6,912 in total questioned costs (\$5,854 ineligible and \$1,058 unsupported); no material weaknesses in internal control; and 13 instances of material noncompliance. Since the questioned costs did not meet the OIG's established threshold of \$25,000 for making recommendation, we are not making a recommendation, nor for the nine noncompliance findings related to questioned costs. Nevertheless, we suggest that USAID/Southern Africa determine the allowability of the \$6,912 in questioned costs and recover any amount determined to be unallowable and ensure that the noncompliance findings are addressed. 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. We also noted that two of the remaining four noncompliance and ten significant deficiencies are repeat findings, and thus we will not include them in our recommendation.

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 May 20, 2020.

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

Recommendation I. Verify that Centre for Communication Impact corrects the two instances of material noncompliance detailed on pages 42 and 63 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”).