



MEMORANDUM

DATE: August 17, 2020

TO: USAID/Southern Africa, Acting Mission Director, Rebecca Krzywda

FROM: USAID OIG Africa Regional Office, Assistant Director, Matthew Rathgeber /s/

SUBJECT: Financial Audit of USAID Resources Managed by Kheth'Impilo Aids Free Living in Multiple Countries Under Multiple Awards, October 1, 2018, to September 30, 2019 (Report No. 4-674-20-102-R)

This memorandum transmits the final audit report on USAID resources managed by Kheth'Impilo Aids Free Living (KI) under the following awards:

Award Name (Type)	Award Number	Audit Period	Prime Implementer
System Strengthening for Better HIV/TB Patient Outcomes in South Africa (cooperative agreement) - closeout	AID-674-A-12-00018	Oct. 1, 2018 – Dec. 31, 2018	
Equip Zimbabwe (subagreement) – closeout	AID-OAA-A-15-00070	Oct. 1, 2018 – Dec. 31, 2018	Right to Care NPC
Early Childhood Household Stimulation in South Africa (subagreement)	AID-674-A-14-00009	Oct. 1, 2018 – Sept. 30, 2019	Family Health International 360
Accelerating Program Achievements to Control the Epidemic (APACE) in South Africa (cooperative agreement)	72067418CA00028	Oct. 1, 2018 – Sept. 30, 2019	
Implementing Community Case Finding Activities Under the APACE Program in Western Cape South Africa (subagreement)	72067418CA00023	Aug. 28 – Sept. 30, 2019	Anova Health Institute NPC

KI contracted with the independent certified public accounting firm Ernst & Young Inc. (EY), Bloemfontein, 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 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 KI'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 KI's internal controls; (3) determine whether KI 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, 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 KI as incurred from October 1, 2018, to September 30, 2019; (2) evaluated the control environment, the adequacy of the accounting systems, and control procedures that pertain to KI'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. KI reported expenditures of \$18,577,173 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 \$540 in total ineligible questioned costs; no material weaknesses in internal control; and no 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. Nevertheless, we suggest that USAID/Southern Africa determine the allowability of the \$540 in questioned costs and recover any amount determined to be unallowable. The audit firm also identified immaterial findings included as an annexure to the report.

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 August 17, 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

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.

Exemption Four, 5 U.S.C. 552(b)(4) (“commercial or financial information obtained from a person that is privileged or confidential”).