



MEMORANDUM

DATE: September 16, 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 BroadReach Health Care Proprietary Limited in South Africa Under Multiple Agreements, January 1 to December 31, 2018 (Report No. 4-674-20-110-R)

This memorandum transmits the final audit report on USAID resources managed by BroadReach Health Care Proprietary Limited (BRHC) under the following awards:

Award Name (Type)	Award Number	Audit Period	Prime Implementer
Accelerating Program Achievements to Control the Epidemic (APACE) (cooperative agreement)	72067418CA00024	Aug. 8 – Dec. 31, 2018	BRHC
Systems Strengthening for Better HIV/TB Patient Outcomes (COMP) (cooperative agreement) – closeout	AID-674-A-12-00016	Jan. 1 – Sep. 30, 2018	BRHC
Accelerating Program Achievements to Control the Epidemic (WITS APACE), (subaward)	72067418CA00019	Aug. 1 – Dec. 31, 2018	WITS-RHI
Advancing the South African HIV Response for Key Populations, Sex Workers (SW) and Transgender (TG) Activity (WITS KEYPOPS), (subaward)	AID-OAA-A72067418CA00027	Oct. 1 – Dec. 31, 2018	WITS-RHI

BRHC contracted with the independent certified public accounting firm BDO South Africa Incorporated, Cape Town, 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 BRHC's fund accountability statement; the effectiveness of its internal control; or its compliance with the

awards, 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 BRHC's internal controls; (3) determine whether BRHC 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, BDO (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 BRHC 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 BRHC'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 the prior period recommendations. BRHC reported expenditures of \$26,877,901 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 \$70,560 in total ineligible questioned costs, no material weaknesses in internal control, and two instances of material 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 the controller, dated September 16, 2020.

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

Recommendation 1. Determine the allowability of \$70,560 in ineligible questioned costs on pages 19, 23, and 24 of the audit report and recover any amount that is unallowable.

Recommendation 2. Verify that BroadReach Health Care Proprietary Limited corrects the two instances of material noncompliance detailed on pages 29 to 31 of the audit report.

We ask that you provide your written notification of actions planned or taken to reach management decision.

OIG does not routinely distribute independent public accounting reports beyond the immediate

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.

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”).