



MEMORANDUM

DATE: November 23, 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 mothers2mothers South Africa NPC in Multiple Countries Under Multiple Awards, January 1 to December 31, 2019 (Report No. 4-674-21-015-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
RISE II in Southern and Eastern Africa (cooperative agreement)	72067418CA00004	Jan. 1 – Dec. 31, 2019	
Children and Adolescents are My Priority (Champ) in South Africa (cooperative agreement)	72067418CA00026	Jan. 1 – Dec. 31, 2019	
Supporting an AIDS-Free Era (SAFE) in Zambia Project (subaward)	13690-03	Jan. 1 – Dec. 31, 2019	JSI Research & Training Institute, Inc (JSI Inc) [AID-611-C-17-00001]
Early Childhood Household Stimulation Project (subaward) closeout		Jan. 1 – Sep. 20, 2019	FHI 360 [AID-674-A-14-00009]
Better Outcomes for Children and Youth in Uganda (subaward)		Jan. 1 – Dec. 31, 2019	World Education/ Bantwana, Inc. [AID-617-A-15-00003]
Support Prevention of HIV/AIDS in Vulnerable Populations (subaward)		Aug. 7 – Dec. 31, 2019	ABT [72065619C00008]
Assist with Community HIV Activity in Zambezia, Mozambique (subaward) closeout		Apr. 1 – Jul. 31, 2019	N'Weti [72065619CA00001]

m2m 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 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 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 m2m as incurred from January 1 to December 31, 2019; (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 the prior period recommendations. m2m reported expenditures of \$10,143,811 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 \$348 in ineligible questioned costs in the fund accountability statement; questioned shortfall of \$1,379 in the cost sharing contribution schedule; no material weaknesses in internal control; and four instances of material noncompliance. Since the questioned costs and three specifically related noncompliance instances to 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 \$1,727 in total questioned costs and recover any amount determined to be unallowable. The audit firm issued a management letter.

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 November 23, 2020.

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.

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

Recommendation 1. Verify that mothers2mothers South Africa NPC corrects the one instance of material noncompliance detailed on page 51 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 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”).