



MEMORANDUM

DATE: December 21, 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 Networking HIV & AIDS Community of Southern Africa Under Multiple Agreements, April 1, 2019, to March 31, 2020 (Report No. 4-674-21-019-R)

This memorandum transmits the final audit report on USAID resources managed by Networking HIV & AIDS Community of Southern Africa NPC (NACOSA) under the following agreements:

| Award Name (Type) | Award Number | Period Audited | Prime Implementer |
|--|---------------------|--------------------------------|--------------------------|
| Service Delivery and Support for the Community-Based Violence Prevention and Linkages to Response in South Africa Program (cooperative agreement) | 72067419CA00005 | Apr. 1, 2019- Mar. 31, 2020 | |
| Service Delivery and Support of Preventing HIV/AIDS in Vulnerable Populations Focusing on Orphans and Vulnerable Children in the Western Cape Province Program (cooperative agreement) | 72067418CA00020 | Apr. 1, 2019- Mar. 31, 2020 | |
| Service Delivery and Support for OVC Project (ReACH) in the Eastern Cape and KwaZulu-Natal (2 sub agreements) | AID-674-A-14-00009 | Apr. 1, 2019- Mar. 31, 2020 | FHI 360 |
| Service Delivery and Support for Families Caring for Orphans and Vulnerable Children (OVC) Program (cooperative agreement—closeout) | AID 674-A-13-00005 | Apr. 1, 2018- Dec. 31, 2018 | |

NACOSA contracted with the independent certified public accounting firm BDO, Cape Town, 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 NACOSA'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 NACOSA's internal controls; (3) determine whether NACOSA complied with award terms and applicable laws and regulations; and (4) 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 NACOSA as incurred from April 1, 2019, to March 31, 2020; (2) evaluated the control environment, the adequacy of the accounting systems, and control procedures that pertain to NACOSA'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; and (4) reviewed the implementation status of the prior period recommendations. NACOSA reported expenditures of \$5,492,025 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. Note 10 on page 31 of the audit report include total questioned costs of \$15,234, not disclosed in the fund accountability statement; 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 \$15,234 in 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 December 21, 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.

Accordingly, we are not making any recommendation.

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”).