



MEMORANDUM

DATE: March 18, 2021

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

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

SUBJECT: Additional Recommendation on the Financial Audit of USAID Resources Managed by Children in Distress Network in South Africa Under Agreement AID-674-A-13-00011, April 1, 2017, to March 31, 2018 (Report No. 4-674-21-046-R)

This memorandum transmits an additional recommendation arising from a forensic audit by the independent audit firm Nexia SAB&T, which was initiated based on a recommendation from the final audit report “USAID Resources Managed by Children in Distress Network (CINDI) in South Africa Under Agreement AID-674-A-13-00011, April 1, 2017, to March 31, 2018” (Report No. 4-674-20-012-R), issued November 1, 2019.

The previous report transmittal memorandum included two recommendations for which management decisions were made on February 18, 2021, and acknowledged by USAID OIG Africa Regional Office on February 26, 2021:

- Recommendation 1 from the previous report transmittal memo required USAID/Southern Africa to verify that the recipient corrected the one instance of material noncompliance identified in the audit report. USAID/Southern Africa’s revised management decision for this recommendation explained that CINDI’s subaward with Youth for Christ had expired, and therefore no additional action will be taken.
- Recommendation 2 required USAID/Southern Africa to determine the amount of misappropriated funds related to the duplicate supplier bank account numbers. To address this recommendation, CINDI contracted Nexia SAB&T to conduct a forensic audit on USAID resources paid to Youth for Christ, the subrecipient involved with the reported duplicated supplier bank accounts.

The forensic report determined that the amount of misappropriated funds directly related to recommendation 2 was \$43,791, and this amount was disallowed in the mission’s management decision. The target date for collection of the \$43,791 in ineligible questioned costs was March 12, 2021.

In addition to the disallowed amount, the forensic audit report also identified questioned costs of \$255,157 consisting of (1) related party transactions, (2) unremitted unspent advances, (3) overstated/over recovered expenses, and (4) unsupported costs.

In our acknowledgement of the management decision for recommendation 2 from the previous report transmittal memo, OIG disagreed with the management decision because it did not address a plan of action to address the additional \$255,157 in questioned amounts identified in the forensic audit. Upon our discussion with mission officials on March 5, 2021, the mission agreed that it would address the additional questioned costs if presented in a separate recommendation. As a result, we no longer disagree with the mission's management decision for this recommendation and the mission has revised the target collection date for the \$43,791 disallowed in recommendation 2 to July 31, 2021.

To address the additional issue identified in the forensic audit, we recommend that USAID/Southern Africa:

Recommendation 1. Determine the allowability of \$255,157 in questioned costs (\$237,730 ineligible, \$17,427 unsupported) on pages 17, 25, and 26 of the forensic audit report and recover any amount that is unallowable.

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").