



MEMORANDUM

DATE: April 26, 2021

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 World Wide Fund for Nature South Africa in Multiple Countries Under Cooperative Agreement AID-674-A-17-00006, July 1, 2019, to June 30, 2020 (Report No. 4-674-21-053-R)

This memorandum transmits the final audit report on USAID resources managed by World Wide Fund for Nature South Africa (WWFSA) in South Africa and Mozambique. WWFSA contracted with the independent certified public accounting firm Nexia SAB&T, 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 WWFSA'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 (FAS) for the period audited was presented fairly, in all material respects; (2) evaluate WWFSA's internal controls; (3) determine whether WWFSA 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, Nexia SAB&T (1) audited the FAS 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 WWFSA as incurred July 1, 2019, to June 30, 2020; (2) evaluated the control environment, the adequacy of the accounting systems, and control procedures that pertain to WWFSA's ability to report financial data consistent with the assertions embodied in each account of the FAS; (3) identified the award terms and

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.

pertinent laws and regulations and determined which of those, if not observed, could have a direct and material effect on the FAS; (4) reviewed the indirect cost rate; and (5) reviewed the implementation status of the prior period recommendations. WWFSA reported expenditures of \$1,804,568 in USAID funds during the audited period.

The audit firm concluded the FAS presented fairly, in all material respects, program revenues and costs incurred under the award for the period audited. The audit firm identified \$2,945 in ineligible questioned costs; no material weakness in internal control; and no instance of material noncompliance. However, our desk review identified \$77,321 in additional ineligible questioned costs relating to overcharged indirect costs which resulted from not excluding the subaward costs from the modify total direct cost base. In addition, although we are not making a recommendation for significant deficiencies noted in the report, we suggest that USAID/Southern Africa determine if the recipient addressed the issues noted. The audit firm also 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 April 26, 2021.

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

Recommendation 1. Determine the allowability of \$80,266 in ineligible questioned costs (\$77,321 in overcharged indirect costs and \$2,945 on page 14 of the 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").