



## MEMORANDUM

**DATE:** July 1, 2021

**TO:** USAID/Southern Africa, Acting Mission Director, Kevin Sturr

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

**SUBJECT:** Financial Audit of USAID Resources Managed by Centre for Communication Impact in South Africa Under Multiple Awards, July 1, 2019, to June 30, 2020 (Report No. 4-674-21-071-R)

This memorandum transmits the final audit report on USAID resources managed by Centre for Communication Impact (CCI) under the following awards:

| Award Name (Type)  | Award Number       | Audit Period                 | Prime Implementer             |
|--|--------------------|------------------------------|-------------------------------|
| Community Based Comprehensive HIV Prevention Counselling and Testing Program (cooperative agreement) | AID-674-A-14-00012 | Jul. 1, 2019 – Jun. 30, 2020 |                               |
| Local Governance to Improve Gender Based Violence Response Project (cooperative agreement)           | 72067418CA00008    | Jul. 1, 2019 – Jun. 30, 2020 |                               |
| Subaward Breakthrough ACTION (purchase order)  | 2004620441         | Jul. 1, 2019 – Jun. 30, 2020 | John Hopkins University (JHU) |

CCI contracted with the independent certified public accounting firm Nexia SAB&T, Centurion, 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 CCI's fund accountability statement; the effectiveness of its internal control; or its compliance with the award, laws, and

regulations.<sup>1</sup>

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 CCI's internal controls; (3) determine whether CCI 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 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 CCI as incurred from July 1, 2019, to June 30, 2020; (2) evaluated the control environment, the adequacy of the accounting systems, and control procedures that pertain to CCI'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) determined that the review of the indirect cost rate was not applicable; and (5) reviewed the implementation status of the prior period recommendations. CCI reported expenditures of \$6,036,839 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 a total of \$32,102 in ineligible questioned cost; no material weaknesses in internal control; and five instances of material noncompliance. 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 July 1, 2021.

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

**Recommendation 1.** Determine the allowability of \$32,102 in ineligible questioned costs on pages 19 and 22 of the audit report and recover any amount that is unallowable.

**Recommendation 2.** Verify that Centre for Communication Impact corrects the five instances of material noncompliance detailed on pages 28 to 32, and 38 to 39 of the audit report.

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<sup>1</sup> 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.

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").