



## OFFICE OF INSPECTOR GENERAL U.S. Agency for International Development

### MEMORANDUM

**DATE:** January 11, 2022

**TO:** USAID/Southern Africa, Regional Mission Director, Andrew Karas

**FROM:** USAID OIG Africa Regional Office, Audit Director, Robert Mason /s/

**SUBJECT:** Financial Audit of USAID Resources Managed by Baylor College of Medicine Children's Foundation Lesotho Under Multiple Awards, July 1, 2019, to June 30, 2020 (Report No. 4-674-22-025-R)

This memorandum transmits revised final audit report on USAID resources managed by Baylor College of Medicine Children's Foundation Lesotho (Baylor-Lesotho) under the following awards:

Award Name (Type)	Award Number	Audit Period	Prime Implementer
The Karabo ea Bophelo Project (cooperative agreement)	72067419CA00016	Oct. 1, 2019 - Jun. 30, 2020	
Providing Universal Services for HIV/AIDS (PUSH) Project in Lesotho (subaward)	AID-674-A-16-00005	Jul. 1, 2019 - Dec. 31, 2019	Elizabeth Glaser Pediatric AIDS Foundation

This audit replaces report number 4-674-21-075-R, issued July 13, 2021, and the recommendations included in the accompanying transmittal memo.

Baylor-Lesotho contracted with the independent certified public accounting firm Nexia SAB&T, Bloemfontein, 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 Baylor-Lesotho's fund accountability statement; the effectiveness of its internal control; or its compliance with the award, laws, and regulations.<sup>1</sup>

<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.

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 the Baylor-Lesotho's internal controls; (3) determine whether Baylor-Lesotho 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 recommendation.

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 Baylor-Lesotho 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 Baylor-Lesotho'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. Baylor-Lesotho reported expenditures of \$2,450,910 in USAID funds during the audited period.

The audit firm concluded that 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 no questioned costs; one material weakness in internal control; and two instances of material noncompliance, one of which was also reported as a material internal control weakness. 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 issue noted. The audit firm also issued a management letter.

During our desk review, we noted a minor issue which the audit firm will need to address in future audit reports. We presented these issues in a memo to the controller, dated January 11, 2022.

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

**Recommendation 1.** Verify that Baylor College of Medicine Children's Foundation Lesotho corrects the one instance of material noncompliance detailed on pages 37 and 38 of the audit report.

**Recommendation 2.** Verify that Baylor College of Medicine Children's Foundation Lesotho provides Elizabeth Glaser Pediatric AIDS Foundation with a copy of the findings raised in the audit report for their review and any appropriate action regarding the one material weakness in internal control and one instance of material noncompliance related to the subagreement under cooperative agreement AID-674-A-16-00005 as detailed on page 33 of the report.

We ask that you provide your written notification of actions planned or taken to reach management decision.

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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”).