



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

### MEMORANDUM

**DATE:** April 16, 2025

**TO:** USAID/Southern Africa, Regional Mission Director, Leslie Marbury

**FROM:** USAID OIG Africa Regional Office, Audit Director, Ryan Werner /s/

**SUBJECT:** Financial Closeout Audit of USAID Resources Managed by Africa Resource Centre NPC in Multiple Countries Under Cooperative Agreement 72067419CA00007, January 1, 2023, to May 27, 2024 (Report No. 4-674-25-099-R)

This memorandum transmits the final closeout audit report on USAID resources managed by Africa Resource Centre NPC (ARC) in Namibia, South Africa, and Uganda under Developing Cross-Sector Partnerships to Build Capacity and Strengthen Supply Chains for Improved Availability of Health Products in Africa program. ARC contracted with the independent audit firm BDO South Africa Incorporated, Cape Town, South Africa to conduct the audit. The audit firm stated that it performed its audit in accordance with International Standards of Auditing (ISA) in conjunction generally accepted government auditing standards (GAGAS). However, it did not have an external peer review program that fully satisfy the standards' requirements. The audit firm is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on ARC's schedule of expenditures of USAID awards; 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 schedule of expenditures of USAID awards for the period audited, was presented fairly, in all material respects; (2) evaluate ARC's internal controls; (3) determine whether ARC 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, BDO (1) audited the schedule of expenditures of USAID awards 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 ARC as incurred

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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.

from January 1, 2023, to May 27, 2024; (2) evaluated the control environment, the adequacy of the accounting systems, and control procedures that pertain to ARC's ability to report financial data consistent with the assertions embodied in each account of the schedule of expenditures of USAID awards; (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 schedule of expenditures of USAID awards; (4) determined that the review of the indirect cost rate was not applicable; and (5) reviewed the implementation status of the prior period recommendations. ARC reported expenditures of \$2,265,798 in USAID funds during the audited period.

The audit firm concluded the schedule of expenditures of USAID awards presented fairly, in all material respects, program revenues and costs incurred under the awards for the period audited except for \$205,140 in total questioned costs (\$169,956 ineligible and \$35,184 unsupported). The audit firm identified one material weakness 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 areas for improvement which the audit firm should address in future audit reports. We presented these areas in a memo to the controller, dated April 16, 2025.

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

**Recommendation 1.** Determine the allowability of \$205,140 in questioned costs (\$169,956 ineligible, \$35,184 unsupported) on pages 20, 25, 27, and 28 of the audit report and recover any amount that is unallowable.

**Recommendation 2.** Verify that Africa Resource Centre NPC corrects the one material weakness in internal control detailed on pages 33 and 34 of the audit report.

**Recommendation 3.** Verify that Africa Resource Centre NPC corrects the five instances of material noncompliance detailed on pages 37 to 46 of the audit report.

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"). In addition, USAID OIG has determined that this transmittal memo and the enclosed report are not subject to notification and reporting requirements under Section 5274 of the National Defense Authorization Act.<sup>2</sup>

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<sup>2</sup> The James M. Inhofe National Defense Authorization Act for Fiscal Year 2023 Pub. L. No. 117-263, § 5274. Please

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