



MEMORANDUM

DATE: August 7, 2018

TO: USAID/Nigeria, Mission Director, Stephen M. Haykin

FROM: Regional Inspector General/Pretoria, Robert Mason /s/

SUBJECT: Audit of USAID Resources Managed by Society for Family Health in Nigeria Under Multiple Agreements, April 5, 2011, to April 4, 2017 (Report No. 4 - 620-18-010-N)

This memorandum transmits the final audit report on USAID resources managed by Society for Family Health (SFH) in Nigeria under the following awards:

Award Name	Award Number	Period Audited
Expanded Social Marketing Project in Nigeria (ESMPIN)—Closeout Audit	AID-620-A-11-00001	April 5, 2011-April 4, 2017
Strengthening HIV Prevention Services for Most-at-Risk-Population (MARPS)	AID-620-A-12-00002	May 23, 2012-December 31, 2016

USAID/Nigeria contracted with the independent certified public accounting firm Williams, Adley & Company-DC, LLP (Williams Adley), Washington, D.C. to conduct the audit. The audit firm stated that the contract required performing the audit in accordance with generally accepted government auditing standards.

The audit firm states that it performed its audit in accordance with generally accepted government auditing standards. The audit firm is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on SFH's fund accountability statement; the effectiveness of its internal control; or its compliance with the award, laws, and regulations.¹

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.

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 SFH's internal controls; (3) determine whether SFH 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, Williams Adley (1) audited the fund accountability statement for the 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 SFH as incurred from April 5, 2011, to April 4, 2017; (2) evaluated the control environment, the adequacy of the accounting systems, and control procedures that pertain to SFH'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. SFH reported expenditures of \$95,863,849 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. However, the audit firm identified \$223,519 in total questioned costs (\$212,964 ineligible and \$10,555 unsupported). The firm also reported three significant deficiencies in internal control and one instance of material noncompliance related to MARPS cost share requirements. Since the MARPS award had been extended to September 30, 2017, we are deferring any recommendation on this matter until after the MARPS closeout audit. In addition, the audit firm communicated two internal control deficiencies to the recipient's management.

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

Recommendation 1. Determine the allowability of \$223,519 in total questioned costs (\$212,964 ineligible and \$10,555 unsupported) detailed on pages 10, 12, and 18 of the audit report and recover any amount that is unallowable.

Recommendation 2. Verify that Society of Family Health in Nigeria corrects the three significant deficiencies in internal control detailed on pages 29-30, 34, and 35-37 of the audit report.

We ask that you provide your written notification of actions planned or taken to reach management decision. We appreciate the assistance extended during the engagement.

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").