



MEMORANDUM

DATE: October 17, 2018

TO: USAID/Southern Africa, Acting Mission Director, Elizabeth Walker

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

SUBJECT: Financial Audit of USAID Resources Managed by Society for Family Health Trust in Namibia Under Cooperative Agreement AID-673-A-17-00001, March 27, 2017, to December 31, 2017 (Report No. 4-673-19-010-R)

This memorandum transmits the final audit report on USAID resources managed by Society for Family Health Trust (SFHT). SFHT contracted with the independent certified public accounting firm Ernst & Young (EY), Windhoek, Namibia, to conduct the audit. The contract required the audit firm to perform the audit in accordance with generally accepted government auditing standards (GAGAS).

The audit firm states that it performed its audit in accordance with GAGAS except that the audit firm did not have continuing professional education and external quality control review programs that fully satisfied the requirements set forth in GAGAS. The audit firm is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on SFHT'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 for the period audited, was presented fairly, in all material respects; (2) evaluate the SFHT's internal controls; (3) determine whether SFHT complied with award terms and applicable laws and regulations; (4) review the indirect cost rate; and (5) review the implementation status of prior period recommendations.

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.

To answer the audit objectives, EY (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 SFHT as incurred from March 27, 2017, to December 31, 2017; (2) evaluated the control environment, the adequacy of the accounting systems, and control procedures that pertain to SFHT'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 indirect cost rate was a fixed rate of 10 percent; and (5) reviewed the implementation status of the prior period recommendations. SFHT reported expenditures of \$1,302,847 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 \$58,124 in ineligible questioned costs, one material weakness in internal control and one instance of material noncompliance. The audit firm also issued a management letter dated June 27, 2018.

During our desk review, we noted several minor issues which the audit firm should address in future audit reports. We presented these issues in a memo to the controller, dated October 17, 2018.

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

Recommendation 1. Determine the allowability of \$58,124 in ineligible questioned costs on pages 9, 10, 14, and 15 of the audit report and recover any amount that is unallowable.

Recommendation 2. Verify that Society for Family Health Trust corrects the one material weakness in internal control detailed on page 5 of the audit report.

Recommendation 3. Verify that Society for Family Health Trust corrects the one instance of material noncompliance detailed on page 7 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”).