



## MEMORANDUM

**DATE:** October 16, 2018

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

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

**SUBJECT:** Financial Audit of USAID Resources Managed by Witkoppen Health and Welfare Centre in South Africa Under Multiple Agreements, October 1, 2016, to September 30, 2017 (Report No. 4-674-19-006-R)

This memorandum transmits the final audit report on Witkoppen Health and Welfare Centre (WHWC) under the following agreements:

Award Name (Type)	Award Number	Period Audited	Prime Implementer
HIV-Innovations for Improved Patient Outcomes in South Africa (cooperative agreement)	AID-674-A-12-00033	Oct. 1, 2016-Sept. 30, 2017	
HIV and Acquired Immunodeficiency Syndrome (AIDS) Programme (subagreement)	AID-674-A-12-00020	Oct. 1, 2016-Sept. 30, 2017 (closeout)	Right to Care

WHWC contracted with the independent certified public accounting firm Deloitte & Touche, Johannesburg, South Africa 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 WHWC'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 WHWC's internal controls; (3) determine whether WHWC 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.

To answer the audit objectives, Deloitte & Touche (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 WHWC as incurred from October 1, 2016, to September 30, 2017; (2) evaluated the control environment, the adequacy of the accounting systems, and control procedures that pertain to WHWC'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 prior period recommendations. WHWC reported expenditures of \$2,608,724 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 firm did not identify any significant deficiencies or material weaknesses in internal control, or any instances of material noncompliance.

In a separate section entitled "Management Report" attached to the audit report, the firm noted that the basis for allocating costs to projects was not applied consistently during the accounting period. Although the firm did not include this in the main audit report because any errors appeared to be in USAID's favor, there is no assurance that future errors, if any, will continue to be so. Accordingly, we are making a recommendation to the mission on this matter.

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 October 16, 2018.

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

**Recommendation I.** Verify that Witkoppen Health and Welfare Centre corrects the one significant deficiency in internal control detailed on pages 30 to 31 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”).