



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 Kheth'Impilo Aids Free Living in Multiple Countries Under Multiple Agreements, October 1, 2016, to September 30, 2017 (Report No. 4-674-19-008-R)

This memorandum transmits the final audit report on USAID resources managed by Kheth'Impilo Aids Free Living (Kheth'Impilo) under the following agreements:

Award Name (Type)	Award Number	Audit Period	Prime implementer
System Strengthening for Better HIV/TB Patient Outcomes in South Africa (cooperative agreement)	AID-674-A-12-00018	Oct. 1, 2016-Sept. 30, 2017	
Equip Zimbabwe (subagreement)	AID-OAA-A-15-00070	Oct. 1, 2016-Sept. 30, 2017	Right to Care NPC
Early Childhood Household Stimulation in South Africa (subagreement)	AID-674-A-14-00009	Oct. 1, 2016-Sept. 30, 2017	Family Health International 360

Kheth'Impilo contracted with the independent certified public accounting firm Ernst & Young Incorporated (EY), Bloemfontein, 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 an external quality control review program 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 Kheth'Impilo'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 Kheth'Impilo's internal controls; (3) determine whether Kheth'Impilo 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, 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 Kheth'Impilo 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 Kheth'Impilo'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. Kheth'Impilo reported expenditures of \$14,672,139 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 reported \$83,070 in ineligible questioned costs. No internal control deficiencies or instances of material noncompliance were reported.

Several instances of noncompliance that the audit firm regarded as non-material are included in an appendix to the report. In addition, the audit firm issued a management letter.

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 issue identified in the report, we recommend that USAID/Southern Africa:

Recommendation 1. Determine the allowability of \$83,070 in ineligible questioned costs on pages 27 and 42 to 43 of the audit report and recover any amount that is unallowable.

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").