



MEMORANDUM

DATE: October 17, 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 Anova Health Institute in South Africa Under Multiple Agreements, October 1, 2016, to September 30, 2017 (Report No. 4-674-19-009-R)

This memorandum transmits the final audit report on Anova Health Institute's (Anova) incurred costs under the following awards:

Award Name (Type)	Award Number	Award Period	Prime Implementer
Systems Strengthening for Better HIV/TB Patient Outcomes (cooperative agreement)	AID-674-A-12-00015	Oct 1, 2012 - Dec 31, 2018	
HIV Innovations for Improved Patient Outcomes for Priority Populations (cooperative agreement)	AID-674-A-12-00028	Oct 1, 2012 - Dec 31, 2018	
Antiretroviral Therapy Simplification Optimisation of Programs and Services (ART-OPS) (sub agreement)	AID-OAA-A-15-00070	Oct 1, 2015 - Sep 30, 2019	Right To Care

Anova contracted with the independent certified public accounting firm PricewaterhouseCoopers, 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.

The audit firm states that it performed its audit in accordance with generally accepted government auditing standards (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 Anova'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 Anova's internal controls; (3) determine whether Anova complied with award terms and applicable laws and regulations; (4) review the indirect cost rate, if applicable; and (5) review the implementation status of the prior period recommendations.

To answer the audit objectives, PricewaterhouseCoopers (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 Anova as incurred for the year ended September 30, 2017; (2) evaluated the control environment, the adequacy of the accounting systems, and control procedures that pertain to Anova'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. Anova reported expenditures of \$15,740,857 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.

During our desk review, we noted some 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 17, 2018.

The fund accountability statement included interest earned of \$500 per award, totaling \$1,500. USAID provisions, however, specify that the recipient may only retain up to \$250 of interest earned in a twelve-month period on U.S. Government cash balances for administrative purposes. Accordingly, we are questioning the excess \$1,250 as ineligible, and recommend that USAID/Southern Africa:

Recommendation I. Determine the allowability of \$1,250 in ineligible questioned costs for excess interest and recover any amount that is determined to be unallowable.

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.

We ask that you provide 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”).