



MEMORANDUM

DATE: February 6, 2019

TO: USAID/Southern Africa, Mission Director, John Groarke

FROM: USAID OIG Africa Regional Office, Audit Director, Robert Mason /s/

SUBJECT: Financial Audit of USAID Resources Managed by University of South Africa in Multiple Countries, Under Multiple Awards, January 1 to December 31, 2017 (Report No. 4-674-19-037-R)

This memorandum transmits the final audit report on USAID resources managed by University of South Africa (UNISA) under: (1) AID-674-G-00-11-00066-00, Management of Democratic Elections in Africa (MDEA) program, and (2) AID-674-A-15-00011, Global Development Alliance Agreement, Young African Leaders Initiative (YALI), Regional Leadership Centre Southern Africa (RLC) implemented in Southern Africa. UNISA contracted with the independent certified public accounting firm Nexia SAB&T, Centurion, 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 UNISA'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 UNISA's internal controls; (3) determine whether UNISA 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.

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, Nexia SAB&T (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 UNISA as incurred from January 1 to December 31, 2017; (2) evaluated the control environment, the adequacy of the accounting systems, and control procedures that pertain to UNISA'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. UNISA reported expenditures of \$4,843,867 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. Notwithstanding, the audit firm identified \$2,762 in ineligible questioned costs. The audit firm also reported eight significant deficiencies in internal control. However, two of the eight significant deficiencies were also reported as material instances of noncompliance on page 64, four of the eight were either characterized as immaterial instances of noncompliance on page 65 or were repeat findings for which management decisions had been made and final action pending, and the audit firm considered the remaining two significant deficiencies resolved. Consequently, we will make recommendations to address the questioned costs and the two instances of material noncompliance.

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

Recommendation 1. Determine the allowability of \$2,762 in ineligible questioned costs on pages 29 and 35 of the audit report and recover any amount that is unallowable.

Recommendation 2. Verify that University of South Africa corrects the two instances of material noncompliance identified on page 64 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”).