



## MEMORANDUM

**DATE:** November 1, 2019

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

**FROM:** USAID OIG Africa Regional Office, Assistant Director, Matthew Rathgeber /s/

**SUBJECT:** Financial Audit of USAID Resources Managed by Foundation for Professional Development (Pty) Ltd in South Africa Under Multiple Awards, January 1 to December 31, 2018 (Report No. 4-674-20-011-R)

This memorandum transmits the final audit report on USAID resources managed by Foundation for Professional Development (Pty) Ltd (FPD) under the following awards:

<b>Award Name (Type)</b>	<b>Award Number</b>	<b>Audit Period</b>	<b>Prime Implementer</b>
Increasing Services for Survivors of Sexual Assault in South Africa (cooperative agreement) - closeout	AID-674-A-12-00013	Jan. 1- May 31, 2018	
Systems Strengthening for Better HIV/TB Patient Outcomes (cooperative agreement)- closeout	AID-674-A-12-00017	Jan. 1- Dec 31, 2018	
Comprehensive Community Based HIV Prevention, Counseling and Testing (cooperative agreement) - closeout	AID-674-A-14-00006	Jan. 1- Dec. 31, 2018	
Reading Support Programme (cooperative agreement)	AID-674-A-16-00007	Jan. 1- Dec 31, 2018	
The Accelerating Strategies for Practical Innovations and Research in Economic Strengthening (ASPIRES) (subaward)	AID-QAA-LA-13-00001/ASP	Jan. 1- Dec 31, 2018	Family Health International (FHI360)

FPD contracted with the independent certified public accounting firm Nexia SAB&T, Centurion, South Africa, to conduct the audit. 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 FPD's fund accountability statement; the effectiveness of its internal control; or its compliance with the award, laws, and regulations.<sup>1</sup>

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 FPD's internal controls; and (3) determine whether FPD 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.

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 FPD as incurred from January 1 to December 31, 2018; (2) evaluated the control environment, the adequacy of the accounting systems, and control procedures that pertain to FPD'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. FPD reported expenditures of \$23,453,370 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 did not identify any questioned costs; no material weaknesses in internal control; and two instances of material noncompliance. One of these instances is a repeat finding from the prior period report and we will not include a recommendation again. In addition, although we are not making a recommendation for significant deficiencies noted in the report, we suggest that USAID/Southern Africa determine if the recipient addressed the issues noted.

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 November 1, 2019.

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

**Recommendation I.** Verify that Foundation for Professional Development (Pty) Ltd corrects the one instance of material noncompliance detailed on pages 38 and 39 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.

---

<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.

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").