



MEMORANDUM

DATE: July 8, 2020

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 HIV SA NPC in South Africa Under Multiple Agreements, October 1, 2018, to September 30, 2019 (Report No. 4-674-20-089-R)

This memorandum transmits the final audit report on USAID resources managed by HIV SA NPC (HIVSA) under the following agreements:

Award Name (Type)	Award Number	Audit Period	Prime Implementer
Support for Families Caring for Orphans and Vulnerable Children (cooperative agreement) - closeout	AID-674-A-13-00006	Oct. 1, 2018 – Dec. 31, 2018	
Subagreement under Anova Health Institute	76067418CA00023	Oct. 1, 2018 – Sep. 30, 2019	Anova Health Institute
Preventing HIV/AIDS in Vulnerable Populations (PHVP) Focusing on Orphans and Vulnerable Children in the Gauteng Province Project (cooperative agreement)	72067418CA00031	Oct. 1, 2018 – Sep. 30, 2019	

HIVSA contracted with the independent certified public accounting firm PricewaterhouseCoopers (PwC), Johannesburg, South Africa, to conduct the audit. The audit firm stated that it performed its audit in accordance with generally accepted government auditing standards (GAGAS). However, it did not have continuing professional education and an external peer review that fully satisfied the requirements of GAGAS. The audit firm is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on HIVSA'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 HIVSA's internal controls; (3) determine whether HIVSA 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, PwC (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 HIVSA as incurred from October 1, 2018, to September 30, 2019; (2) evaluated the control environment, the adequacy of the accounting systems, and control procedures that pertain to HIVSA'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. HIVSA reported expenditures of \$5,735,499 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, except for \$57,060 in total questioned costs (\$4,731 ineligible and \$52,329 unsupported); one material weakness in internal control; and one instance of material noncompliance. 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 July 8, 2020.

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

Recommendation 1. Determine the allowability of \$53,520 in questioned costs (\$31,864 ineligible, \$21,656 unsupported) on pages 12 and 13 of the audit report and recover any amount that is unallowable.

Recommendation 2. Verify that HIV SA NPC corrects the one material weakness in internal control detailed on pages 23 and 24 of the audit report.

Recommendation 3. Verify that HIV SA NPC corrects the one instance of material noncompliance detailed on pages 29 and 30 of the audit report.

Recommendation 4. Verify that HIV SA NPC Ltd provides Anova Health Institute with a copy of the findings raised in PricewaterhouseCoopers' audit report for their review to (a) determine the allowability the questioned costs identified on page 29 to 30 and recover the amounts determined to be unallowable and (b) take any appropriate action regarding the one instance of material noncompliance related to the questioned costs identified.

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").