



MEMORANDUM

DATE: July 21, 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 Anova Health Institute NPC in South Africa Under Multiple Awards, October 1, 2018, to September 30, 2019 (Report No. 4-674-20-095-R)

This memorandum transmits the final audit report on USAID resources managed by Anova Health Institute NPC (Anova) Under the following awards:

Award Name (Type)	Award Number	Audited Period	Prime Implementer
Systems Strengthening for Better HIV/TB Patient Outcomes (cooperative agreement) - South Africa	AID-674-A-12-00015	Oct. 1 - Dec. 31, 2018 closeout	
HIV Innovations for Improved Patient Outcomes for Priority Populations (cooperative agreement) - South Africa	AID-674-A-12-00028	Oct. 1 - Dec. 31, 2018 closeout	
Accelerating Program Achievements to Control the Epidemic (APACE) (cooperative agreement) – South Africa	72067418CA00023	Oct. 1, 2018 - Sept. 30, 2019	
Antiretroviral Therapy Simplification Optimization Programs and Services (ART-OPS) (subagreement)	AID-OAA-A-15-00070	Oct. 1, 2018 - Sept. 30, 2019	Right to Care
Linkages Across the Continuum of HIV Services for Key Populations Affected by HIV (Linkages) Project (subagreement)	AID-OAA-14-00045	Dec. 3, 2018 - Sept. 30, 2019 closeout	FHI360
Meeting Targets & Maintaining Epidemic Control (TMEC) Program (subagreement)	7200AA19CA00003	Apr. 23 - Sept. 30, 2019	Jhpiego Corporation

Anova contracted with the independent certified public accounting firm PricewaterhouseCoopers Inc. (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 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; 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 Anova 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 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 \$72,009,583 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 \$3,490,284 in total questioned costs (\$1,372,288 ineligible and \$2,117,996 unsupported); two material weaknesses in internal control; and six instances of material noncompliance. The unsupported questioned costs of \$2,117,996 included \$156,808 in questioned subrecipient costs. In addition, although we are not making a recommendation for the significant deficiency noted in the report, we suggest that USAID/Southern Africa determine if the recipient addressed the issues noted. The audit firm also 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 July 21, 2020.

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

Recommendation I. Determine the allowability of \$3,333,476 in questioned costs (\$1,372,288 ineligible, \$1,961,188 unsupported) on pages 13, 17 and 18 of the audit report and

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.

recover any amount that is unallowable.

Recommendation 2. Verify that Anova Health Institute NPC corrects the two material weaknesses in internal control detailed on pages 32 to 35 of the audit report.

Recommendation 3. Verify that Anova Health Institute NPC corrects the six instances of material noncompliance detailed on pages 39 to 52 of the audit report.

Recommendation 4. Verify that Anova Health Institute NPC provides Right to Care NPC and FHI360 with a copy of the findings raised in PricewaterhouseCoopers' audit report for their review to (a) determine the allowability of \$156,808 in questioned costs identified on page 17, and 39 to 40 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").