



MEMORANDUM

DATE: June 24, 2021

TO: USAID/Southern Africa, Acting Mission Director, Kevin Sturr

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

SUBJECT: Financial Closeout Audit of USAID Resources Managed by Society for Family Health Namibia Under Cooperative Agreement AID-673-A-17-00001, January 1, 2019, to May 31, 2020 (Report No. 4-674-21-070-R)

This memorandum transmits the final audit report on USAID resources managed by Society for Family Health Namibia (SFH). SFH contracted with the independent certified public accounting firm Ernst & Young (EY), Windhoek, Namibia, 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 SFH'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 SFH's internal controls; (3) determine whether SFH 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, EY (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 SFH as incurred from

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.

January 1, 2019, to May 31, 2020; (2) evaluated the control environment, the adequacy of the accounting systems, and control procedures that pertain to SFH'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. SFH reported expenditures of \$2,342,276 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 identified \$11 in ineligible questioned costs; no material weaknesses in internal control; and no instances of material noncompliance. The audit firm identified an unexplained reconciling difference of \$40,523 on the fund balance to bank balance reconciliation. Since this is a closeout audit and the unexplained difference could not be supported, we question the allowability of this amount. We also draw attention to the significant deficiencies in internal control, the significant noncompliance instance identified in the audit report, the high priority findings and repeat instances from the prior period identified in the management letter and 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 controller, dated June 24, 2021.

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

Recommendation 1. Determine the allowability of \$40,534 in questioned costs (\$11 ineligible, \$40,523 unsupported) on pages 19, 21, and 22 of the audit report and recover any amount that is unallowable.

We ask that you provide your written notification of actions planned or taken to reach management decision.

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").