



# OFFICE OF INSPECTOR GENERAL

## U.S. Agency for International Development

### MEMORANDUM

**DATE:** March 1, 2022

**TO:** USAID/Southern Africa, Regional Mission Director, Andrew Karas

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

**SUBJECT:** Financial Audit of USAID Resources Managed by Interactive Research and Development South Africa NPC Under Cooperative Agreement 72067420CA00001, January 1 to December 31, 2020 (Report No. 4-674-22-041-R)

This memorandum transmits the final audit report on USAID resources managed by Interactive Research and Development South Africa NPC (IRD), under cooperative agreement 72067420CA00001, Tuberculosis Local Organisations Network (TB LON) project. IRD contracted with the independent certified public accounting firm Deloitte & Touche, 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 IRD's schedule of expenditures of Federal awards; 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 schedule of expenditures of Federal awards for the period audited, was presented fairly, in all material respects; (2) evaluate IRD's internal controls; (3) determine whether IRD complied with award terms and applicable laws and regulations; (4) review the indirect cost rate, or determine that the review of the indirect cost rate was not applicable; and (5) review the implementation status of the prior period recommendations.

To answer the audit objectives, Deloitte & Touche (1) audited the schedule of expenditures of Federal awards 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 IRD as incurred from January 1 to December 31, 2020; (2) evaluated the control

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<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.

environment, the adequacy of the accounting systems, and control procedures that pertain to IRD's ability to report financial data consistent with the assertions embodied in each account of the schedule of expenditures of Federal awards; (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 schedule of expenditures of Federal awards; (4) determined that the review of the indirect cost rate was not applicable; and (5) reviewed the implementation status of the prior period recommendations. IRD reported expenditures of \$916,951 in USAID funds during the audited period.

The audit firm concluded the schedule of expenditures of Federal awards presented fairly, in all material respects, program revenues and costs incurred under the award for the period audited except for \$5 in total unsupported questioned costs; one material weakness in internal control; and four instances of material noncompliance. Since the questioned costs did not meet the OIG's established threshold of \$25,000 for making a recommendation, we are not making a recommendation for the questioned cost and the specifically related noncompliance finding. Nevertheless, we suggest that USAID/Southern Africa determine the allowability of the \$5 in questioned costs and recover any amount determined to be unallowable. 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 issue noted.

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

**Recommendation 1.** Verify that Interactive Research and Development South Africa NPC corrects the one material weakness in internal control detailed on pages 18 and 19 of the audit report.

**Recommendation 2.** Verify that Interactive Research and Development South Africa NPC corrects the three instances of material noncompliance detailed on pages 23 to 26 of the audit report.

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").