



OFFICE OF INSPECTOR GENERAL U.S. Agency for International Development

MEMORANDUM

DATE: January 13, 2023

TO: USAID/Southern Africa, Acting Regional Mission Director, McDonald Homer

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

SUBJECT: Financial Audit of USAID Resources Managed by BroadReach Healthcare (Pty) Ltd in South Africa Under Cooperative Agreement 72067418CA00024, January 1 to December 31, 2021 (Report No. 4-674-23-045-R)

This memorandum transmits the final audit report on USAID resources managed by BroadReach Healthcare (Pty) Ltd (BroadReach) under the Accelerating Program Achievements to Control the Epidemic (APACE) activity. BroadReach contracted with the independent audit firm Deloitte and Touché, Cape Town, 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 an external peer review or a continuing professional education program that fully satisfy the standards' requirements. The audit firm is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on BroadReach's schedule of expenditures of USAID awards; 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 schedule of expenditures of USAID awards for the period audited, was presented fairly, in all material respects; (2) evaluate BroadReach's internal controls; (3) determine whether BroadReach 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, Deloitte and Touché (1) audited the schedule of expenditures of USAID awards 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 BroadReach as incurred from January 1 to December 31, 2021; (2) evaluated the control environment, the adequacy of the accounting systems, and control procedures that pertain to BroadReach's ability to report financial data consistent with the assertions embodied in each account of the schedule of expenditures of USAID awards; (3) identified the award terms 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.

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 USAID awards; (4) reviewed the indirect cost rate; and (5) reviewed the implementation status of the prior period recommendations. BroadReach reported expenditures of \$43,093,895 in USAID funds during the audited period.

The audit firm concluded the schedule of expenditures of USAID awards presented fairly, in all material respects, program revenues and costs incurred under the award for the period audited except for \$527,091 in total ineligible questioned costs. The auditors identified no material weaknesses in internal control and seven instances of material noncompliance. Although we are not making a recommendation for the four 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 an area for improvement which the audit firm should address in future audit reports. We presented this area in a memo to the controller, dated January 13, 2023.

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

Recommendation 1. Determine the allowability of \$527,091 in ineligible questioned costs on page 14 of the audit report and recover any amount that is unallowable.

Recommendation 2. Verify that BroadReach Healthcare (Pty) Ltd corrects the four instances of material noncompliance detailed on pages 25 to 28 of the audit report.

Recommendation 3. Verify that BroadReach Healthcare (Pty) Ltd provides the applicable subrecipients with a copy of applicable portions of the audit report for their review and any corrective action necessary regarding the three instances of material noncompliance identified on pages 29, 30, and 31.

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").