



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

MEMORANDUM

DATE: June 7, 2022

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

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

SUBJECT: Financial Audit of USAID Resources Managed by Baylor College of Medicine Children's Foundation Lesotho Under Agreement 72067419CA00016, July 1, 2020, to June 30, 2021 (Report No. 4-674-22-063-R)

This memorandum transmits the final audit report on USAID resources managed by Baylor College of Medicine Children's Foundation Lesotho (Baylor-Lesotho) under the Karabo ea Bophelo Project. Baylor-Lesotho contracted with the independent certified public accounting firm Nexia SAB&T, Bloemfontein, 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 Baylor-Lesotho'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 Baylor-Lesotho's internal controls; (3) determine whether Baylor-Lesotho 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, Nexia SAB&T (1) audited the schedule of expenditures of USAID 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 Baylor-Lesotho as incurred from July 1, 2020, to June 30, 2021; (2) evaluated the control environment, the adequacy of the accounting systems, and control procedures that pertain to Baylor-Lesotho's ability to report financial data consistent with the assertions embodied in each

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.

account of the schedule of expenditures of USAID 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 USAID awards; (4) reviewed the indirect cost rate; and (5) reviewed the implementation status of the prior period recommendations. Baylor-Lesotho reported expenditures of \$10,365,706 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. The auditors identified questioned costs amounting to \$13,897; one material weakness in internal control; and one instance of material noncompliance relating to the questioned costs identified. 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 those costs and the associated instance of material noncompliance. Nevertheless, we suggest that USAID/Southern Africa determine the allowability of the \$13,897 in questioned costs and recover any amount determined to be unallowable.

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 June 7, 2022.

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

Recommendation 1. Verify that Baylor College of Medicine Children's Foundation Lesotho corrects the one material weakness in internal control detailed on page 25 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").