



MEMORANDUM

DATE: April 16, 2018

TO: Mission Director, USAID/Zambia, Patrick Diskin

FROM: Regional Inspector General/Pretoria, John Vernon /s/

SUBJECT: Agency-Contracted Agreed Upon-Procedures Report on USAID Resources Managed by Development Aid from People to People in Zambia Under Cooperative Agreement 611-A-00-09-00001-00, March 11, 2009, to September 10, 2013 (Report No. 4-611-18-001-O)

This memorandum transmits the final agreed upon-procedure report on School Water Sanitation and Hygiene and Quality Education (WASHE) program implemented by Development Aid from People to People (DAPP). USAID/Zambia contracted with the independent certified public accounting firm of Deloitte and Touche, Lusaka, Zambia to conduct the agreed-upon procedures. The contract required Deloitte and Touche to perform the agreed-upon procedures in accordance with the Statement of Standards for Attestation Engagements and is therefore considered an engagement performed in accordance with generally accepted government auditing standards issued by the Comptroller General of the United States.

The audit firm states it performed the agreed-upon procedures in accordance with generally accepted government auditing standards, except that the audit firm did not have continuing professional education and external quality control review programs that fully satisfied the requirements set forth in GAGAS. The audit firm is responsible for the enclosed report and the conclusions expressed in it.

The agreed-upon procedures objectives and scope were to: (1) determine whether all cost elements of international travel, volunteer compensation, DAPP headquarter charges to WASHE, incurred, billed, and reimbursed by USAID under Cooperative Agreement No. 611-A-00-09-00001-00 for the period March 11, 2009, to September 10, 2013, are allowable, allocable, reasonable, and supported and are in conformity with the terms of the agreement and generally accepted accounting principles or other comprehensive basis of accounting (including the cash receipts and disbursements basis and modifications of the cash basis); (2) verify that transfers of USAID funds out of DAPP bank accounts were for

approved WASHE activities and complied, in all material respects, with the agreement terms and applicable laws and regulations. All material instances of noncompliance and illegal acts that have occurred or likely to have occurred must be identified; and (3) evaluate DAPP's internal control policies and procedures related to WASHE and identify significant deficiencies, including material internal control weaknesses.

The results of the agreed-upon procedures revealed that there were some instances where DAPP did not comply with USAID rules and regulations, the agreement signed between USAID and DAPP, local laws, and internal control policies and procedures. These occurred because of a lapse in internal procedures by the responsible staff at DAPP and a lack of adequate internal control procedures. Questioned costs of \$ 4,509,147 (\$3,815,164 in unsupported and \$693,985 in ineligible questioned costs), four material internal control weaknesses, and eleven instances of material noncompliance were reported.

Description	Ineligible	Unsupported	Total	Finding no.	Page no.
Fixed assets		14,337	14,337	4.1.c	p25-32
Procurement	348,687		348,687	4.2.e	p34-44
Personnel cost		2,072,018	2,072,018	4.2.g	p47-59
Operational costs		1,724,696	1,724,696	4.2.k	p65-99
Recharges/travel	345,296	4,113	349,409	4.2.o	p114-118
	693,983	3,815,164	4,509,147		

Questioned costs relating to operational costs were calculated using the total amount as per the summary on page 71 – \$1,975,881 excluding the questioned costs already included under the procurement questioned costs of \$251,186 (\$227,168 from page 166 and \$24,018 from page 173).

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

Recommendation 1. Determine the allowability of \$4,509,147 in questioned costs (\$693,983 ineligible, \$3,815,164 unsupported) on pages 25 to 118 of the report and recover any amount that is unallowable.

Recommendation 2. Verify that Development Aid from People to People corrects the four material weaknesses in internal control detailed on pages 15 to 33 of Deloitte and Touche's report.

Recommendation 3. Verify that Development Aid from People to People corrects the eleven instances of material noncompliance detailed on pages 34 to 118 of Deloitte and Touche's report.

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”).