



## MEMORANDUM

**DATE:** March 22, 2018

**TO:** USAID/Zambia, Mission Director, Patrick Diskin

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

**SUBJECT:** Audit of USAID Resources Managed by Society For Family Health Limited in Zambia Under Multiple Agreements, for the Year Ended December 31, 2016 (Report No. 4-611-18-074-R)

This memorandum transmits the final audit report on USAID resources managed by Society for Family Health Limited (SFH) under agreements AID-611-A-15-0001, Sexual and Reproductive Health for All Initiative, and AID-OAA-13-0088, Expanding Effective Contraceptives Options. SFH contracted with the independent certified public accounting firm BDO, Lusaka, Zambia to conduct the audit. The audit firm stated that the contract required to perform the audit in accordance with generally accepted government auditing standards (GAGAS) and USAID OIG Guidelines for Financial Audits Contracted by Foreign Recipients.<sup>1</sup>

The audit firm states that it performed its audit in accordance with generally accepted government auditing standards except that the audit firm did not have external peer review and a continuing professional education programs that fully satisfy the requirements set forth in 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.<sup>2</sup>

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<sup>1</sup> On June 30, 2017, USAID OIG rescinded its Guidelines for Financial Audits Contracted by Foreign Recipients, recognizing the Agency's role to impose requirements on its implementing partners and contractors as a management function. This contracted audit, however, was initiated before that date and follows the Guidelines.

<sup>2</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.

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) perform a review of indirect cost rate; and (5) review the implementation status of the prior period recommendations.

To answer the audit objectives, the audit firm (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 January 1, 2016, to December 31, 2016; (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 a review of indirect cost is not applicable; and (5) concluded there was no findings noted in the previous audit to be followed up. SFH spent \$3,001,827 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 except for \$203 in ineligible questioned costs. OIG does not make recommendations if questioned costs are less than \$1,000. However, we encourage the mission to follow up on this item and recover any amount due to USAID. Moreover, the audit did not report any material weaknesses, significant deficiencies in internal control or instances of material noncompliance. Since no significant issues were identified, we made no recommendations.

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").