



## MEMORANDUM

**DATE:** October 17, 2018

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

**FROM:** Regional Inspector General/Pretoria, Robert Mason /s/

**SUBJECT:** Financial Audit of USAID Resources Managed by Expanded Church Response in Zambia Under Multiple Agreements, January 1 to December 31, 2016 (Report No. 4-611-19-014-R)

This memorandum transmits the final audit report on USAID resources managed by Expanded Church Response (ECR) under the following awards:

Award Name (Type)	Award Number	Period Audited	Sub agreements
Data Rising	AID-611-A-13-00006	Jan. 1 - Dec. 31, 2016	
Zamfam Lusaka/Copperbelt	AID-611-A-15-00002	Jan. 1 - Dec. 31, 2016	
Gender Based Violence Survivor Support(GBVSS)		Jan. 1 - Dec. 31, 2016	Under World Vision Zambia AID-611-A-12-00004

ECR contracted with the independent certified public accounting firm Deloitte & Touche, Lusaka, Zambia to conduct the audit. The contract required the audit firm to perform the audit in accordance with generally accepted government auditing standards (GAGAS).

The audit firm states that it performed its audit in accordance with GAGAS, 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. We do not express an opinion on ECR's fund accountability statement; the effectiveness of its internal control; or its compliance with the award, laws, and regulations.<sup>1</sup>

<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.

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 ECR's internal controls; (3) determine whether ECR complied with award terms and applicable laws and regulations; (4) review the indirect cost rate; and (5) review the implementation status of prior period recommendations.

To answer the audit objectives, Deloitte & Touche (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 ECR as incurred from January 1 to December 31, 2016; (2) evaluated the control environment, the adequacy of the accounting systems, and control procedures that pertain to ECR'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 that a de minimus rate of 10% of the modified total direct costs are applicable; and (5) reviewed the implementation status of prior period recommendations. ECR reported expenditures of \$8,456,175 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. The audit firm also reported six significant deficiencies in internal control and three instances of material noncompliance.

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 October 17, 2018.

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

**Recommendation 1.** Verify that Expanded Church Response corrects the five significant deficiencies in internal control detailed on pages 27 to 32 of the audit report.

**Recommendation 2.** Verify that Expanded Church Response corrects the three instances of material noncompliance detailed on pages 35 to 37 of the audit report.

**Recommendation 3.** Verify that Expanded Church Response provide World Vision Zambia with a copy of the findings raised in Deloitte & Touche's audit report for their review and any appropriate action regarding the two significant deficiencies in internal control and three instances of material noncompliance related to the subagreement Gender Based Violence Survivor Support Project, cooperative agreement AID-611-A-12-00004 as detailed on pages 26 to 27, and 35 to 37 of the 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”).