



MEMORANDUM

DATE: July 29, 2020

TO: USAID/Zambia, Mission Director, Sheryl Stumbras

FROM: USAID OIG Africa Regional Office, Assistant Director, Matthew Rathgeber /s/

SUBJECT: Financial Audit of USAID Resources Managed by Development Aid From People to People in Zambia Under Multiple Awards, January 1 to December 31, 2018 (Report No. 4-611-20-010-N)

This memorandum transmits the final audit report on USAID resources managed by Development Aid from People to People (DAPP) under 1) cooperative agreement AID-611-A-16-00002 Zambia Family Activity (ZAMFAM); and 2) subaward AID-611-I-15-0001-DAPP20APR, Sexual and Reproductive Health for All Initiative (SARAI) under Society for Family Health (SFH). USAID/Zambia contracted with the independent certified public accounting firm BDO, Lusaka, Zambia, 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 DAPP's fund accountability statement; 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 fund accountability statement for the period audited, was presented fairly, in all material respects; (2) evaluate DAPP's internal controls; (3) determine whether DAPP complied with award terms and applicable laws and regulations; and (4) review the implementation status of the prior period recommendations.

To answer the audit objectives, BDO (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 DAPP as incurred from January 1 to December 31, 2018; (2) evaluated the control environment, the adequacy of

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.

the accounting systems, and control procedures that pertain to DAPP'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; and (4) reviewed the implementation status of the prior period recommendations. DAPP reported expenditures of \$7,370,927² 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 \$67,353 in total questioned costs (\$20,277 ineligible and \$47,076 unsupported, of which \$30,222 unsupported related to the subaward); five material weaknesses in internal control; and five 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 July 29, 2020.

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

Recommendation 1. Determine the allowability of \$37,131 in questioned costs (\$20,277 ineligible, \$16,854 unsupported) on pages 22 and 23 of the audit report and recover any amount that is unallowable.

Recommendation 2. Verify that Development Aid from People to People corrects the five material weaknesses in internal control detailed on pages 33 to 38 of the audit report.

Recommendation 3. Verify that Development Aid from People to People corrects the four instances of material noncompliance detailed on pages 42 to 45 of the audit report.

Recommendation 4. Verify that Development Aid From People to People provides Society for Family Health with a copy of the findings raised in BDO's audit report for their review to (a) determine the allowability the questioned costs identified on pages 22 and 23 and recover the amounts determined to be unallowable; and (b) take any appropriate action regarding the two material weaknesses and one instance of material noncompliance related to the subaward identified on pages 33, 34, 36 and 41.

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

² \$6,598,800 ZAMFAM expenditure + \$772,127 SARAI expenditure = Total expenditure \$7,370,927

Exemption Four, 5 U.S.C. 552(b)(4) (“commercial or financial information obtained from a person that is privileged or confidential”).