



## MEMORANDUM

**DATE:** December 21, 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, 2019 (Report No. 4-611-21-003-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.<sup>1</sup>

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) reviewed the implementation status of the prior period recommendations.

To answer the audit objectives, BDO (1) audited the fund accountability statement for the

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<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.

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, 2019; (2) evaluated the control environment, the adequacy of 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 \$5,193,604 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 \$73,354 in total questioned costs (\$41,259 ineligible and \$32,095 unsupported); six material weaknesses in internal control; and three instances of material noncompliance. Included in the questioned costs are \$29,987 unsupported questioned costs and a related internal control weakness finding. Since the unsupported questioned costs of \$29,987 are already included in OIG's prior period questioned cost recommendation, they will not be included again. The questioned costs included in the recommendations total \$43,367 (\$41,259 ineligible and \$2,108 unsupported). Of this amount, \$355 relates to ineligible questioned costs identified for a subrecipient which will be included in a separate recommendation.

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

**Recommendation 1.** Determine the allowability of \$43,012 in total questioned costs (\$40,904 ineligible, \$2,108 unsupported) on pages 24 and 27 of the audit 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 39 to 42 and 44 to 45 of the audit report.

**Recommendation 3.** Verify that Development Aid From People to People corrects the three instances of material noncompliance detailed on pages 48 to 50 of the audit report.

**Recommendation 4.** Verify that Development Aid From People to People provides Society for Family Health with a copy of the finding raised in BDO's audit report for their review to (a) determine the allowability the ineligible questioned costs identified of \$355 on page 43 and recover the amounts determined to be unallowable; and (b) take any appropriate action regarding the one material weakness related to the subaward identified on page 43.

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”).