



MEMORANDUM

DATE: January 23, 2020

TO: USAID/Zimbabwe, Mission Director, Stephanie Funk

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

SUBJECT: Financial Audit of USAID Resources Managed by an Implementer in Zimbabwe Under Multiple Agreements, January 1 to December 31, 2017 (Report No. 4-613-20-030-R)

This memorandum transmits the final audit report on USAID resources managed by an implementer in Zimbabwe under agreements; 1) 613-A-12-00010, closeout for the period January 1 to September 30, 2017; and 2) 613-A-17-00003 for the period October 1 to December 31, 2017. The implementer contracted with the independent certified public accounting firm PricewaterhouseCoopers (PwC), Harare, Zimbabwe, to conduct the audit. The audit firm stated that it performed its audit in accordance with generally accepted government auditing standards (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 the implementer'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 the implementer's internal controls; (3) determine whether the implementer complied with award terms and applicable laws and regulations; and (4) review the implementation status of prior period recommendations.

To answer the audit objectives, PwC (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 the implementer as incurred from January 1 to December 31, 2017; (2) evaluated the control environment, the

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.

adequacy of the accounting systems, and control procedures that pertain to the implementer'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 prior period recommendations. The implementer reported expenditures of \$848,040² 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 \$644,098³ in total questioned costs (\$23,730 ineligible and \$620,368 unsupported); no material weaknesses in internal control; and three instances of material noncompliance. The audit firm also issued a management letter.

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 January 23, 2020.

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

Recommendation 1. Determine the allowability of \$644,098 in questioned costs (\$23,730 ineligible, \$620,368 unsupported) on pages 10 and 11 of the audit report and recover any amount that is unallowable.

Recommendation 2. Verify that the implementer corrects the three instances of material noncompliance detailed on pages 6 to 8 of the audit 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").

We have redacted information from this transmittal memo. All instances where information has been withheld are because it is privileged.

² \$680,997 for agreement 613-A-12-00010 plus \$167,043 for agreement 613-A-17-00003 results in total expenditure of \$848,040.

³ Total questioned cost identified of \$648,530 excluding fuel costs questioned twice \$4,960 and invalid negative questioned of (\$281) and (\$247).