



## MEMORANDUM

**DATE:** July 14, 2021

**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 Zambia Centre for Communication Programmes Under Multiple Awards, January 1, 2018, to December 31, 2019 (Report No. 4-611-21-077-R)

This memorandum transmits the final audit report on USAID resources managed by Zambia Centre for Communication Programmes (ZCCP) under the following awards: 1) Stamping Out and Preventing Gender Based Violence (USAID Stop GBV) Project under cooperative agreement AID-72061119CA00001; and 2) the Zambia Community HIV Prevention Project (Z-CHPP) under PACT Zambia, Sub award number 260-007202. ZCCP contracted with the independent certified public accounting firm PricewaterhouseCoopers (PwC), 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 ZCCP'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 ZCCP's internal controls; (3) determine whether ZCCP complied with award terms and applicable laws and regulations; (4) review the indirect cost rate; and (5) review 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.

implementation status of the 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 ZCCP as incurred from January 1, 2018, to December 31, 2019; (2) evaluated the control environment, the adequacy of the accounting systems, and control procedures that pertain to ZCCP'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 the review of the indirect cost rate was not applicable; and (5) reviewed the implementation status of the prior period recommendations. ZCCP reported expenditures of \$6,323,429 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 \$211,527 in total questioned costs (\$75,927 ineligible and \$135,600<sup>2</sup> unsupported); no material weaknesses in internal control; and seven instances of material noncompliance. In addition, although we are not making a recommendation for significant deficiencies noted in the report, we suggest that USAID/Zambia determine if the recipient addressed the issues noted.

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 14, 2021.

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

**Recommendation 1.** Determine the allowability of \$211,527 in questioned costs (\$75,927 ineligible, \$135,600 unsupported) on pages 28, 34, and 35 of the audit report and recover any amount that is unallowable.

**Recommendation 2.** Verify that Zambia Centre for Communication Programmes corrects the seven instances of material noncompliance detailed on pages 60 to 70 of the audit report.

**Recommendation 3.** Verify that Zambia Centre for Communication Programmes provides PACT Zambia with a copy of the findings raised in the audit report for its review to take any appropriate action regarding the two instances of material noncompliance related to the Zambia Community HIV Prevention Project subaward, 260-007202 as detailed on pages 62 to 65 of the report.

We ask that you provide your written notification of actions planned or taken to reach management decision.

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<sup>2</sup> The unsupported cost of the subaward of \$1,075 was excluded from this amount since the amount was deducted from the actual questioned costs of the ZCCP.

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”).