



## OFFICE OF INSPECTOR GENERAL U.S. Agency for International Development

### MEMORANDUM

**DATE:** September 12, 2022

**TO:** USAID/Zimbabwe, Acting Mission Director, Ramses Gauthier

**FROM:** USAID OIG Africa Regional Office, Audit Director, Robert Mason /s/

**SUBJECT:** Financial Audit of USAID Resources Managed by Mavambo Orphan Care in Zimbabwe Under Cooperative Agreement AID-613-A-15-00002, January 1 to December 31, 2021 (Report No. 4-613-22-094-R)

This memorandum transmits the final audit report on USAID resources managed by Mavambo Orphan Care under the Mavambo Children Vana Project. Mavambo Orphan Care contracted with the independent audit firm BDO, Harare, Zimbabwe to conduct the audit. The audit firm stated that it performed its audit in accordance with generally accepted government auditing standards. However, it did not have an external peer review or a continuing professional education program that fully satisfy the standards' requirements. The audit firm is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on Mavambo Orphan Care's schedule of expenditures of USAID awards; 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 schedule of expenditures of USAID awards for the period audited, was presented fairly, in all material respects; (2) evaluate Mavambo Orphan Care's internal controls; (3) determine whether Mavambo Orphan Care 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 schedule of expenditures of USAID awards 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 Mavambo Orphan Care as incurred from January 1 to December 31, 2021; (2) evaluated the control environment, the adequacy of the accounting systems, and control procedures that pertain to Mavambo Orphan Care's ability to report financial data consistent with the assertions embodied in each account of the schedule of expenditures of USAID awards; (3) identified the award terms and pertinent laws and regulations and determined which of those, if not observed, could have a

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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.

direct and material effect on the schedule of expenditures of USAID awards; and (4) reviewed the implementation status of the prior period recommendations. Mavambo Orphan Care reported expenditures of \$2,624,544 in USAID funds during the audited period.

The audit firm concluded the schedule of expenditures of USAID awards presented fairly, in all material respects, program revenues and costs incurred under the award for the period audited. The audit firm identified \$26,251 in ineligible questioned costs; one material weakness in internal control; and four instances of material noncompliance. The audit firm issued a management letter.

During our desk review, we noted several areas for improvement which the audit firm should address in future audit reports. We presented these areas in a memo to the controller, dated September 12, 2022.

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

**Recommendation 1.** Determine the allowability of \$26,251 in ineligible questioned costs on page 13 of the audit report and recover any amount that is unallowable.

**Recommendation 2.** Verify that Mavambo Orphan Care corrects the one material weakness in internal control detailed on pages 9 and 19 of the audit report and page 3 of the management letter.

**Recommendation 3.** Verify that Mavambo Orphan Care corrects the four instances of material noncompliance detailed on page 22 of the audit report and pages 6 to 9 of the management letter.

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").