



MEMORANDUM

DATE: April 16, 2018

TO: USAID/Zambia, Mission Director, Patrick Diskin

FROM: Regional Inspector General/Pretoria, John Vernon /s/

SUBJECT: Audit of USAID Resources Managed by Women and Law in Southern Africa Research and Educational Trust in Zambia Under Agreement AID-611-A-13-00002, January 01, 2016 to December 31, 2016 (Report No. 4-611-18-080-R)

This memorandum transmits the final audit report on USAID resources managed by Women and Law in Southern Africa Research and Educational Trust (WLSA), in Zambia under Agreement AID-611-A-13-00002. WLSA contracted with the independent certified public accounting firm BDO, Lusaka, Zambia to conduct the audit. The contract required the audit firm to perform the audit in accordance with generally accepted government auditing standards and USAID OIG Guidelines for Financial Audits Contracted by Foreign Recipients.¹

The audit firm states that it performed its audit in accordance with generally accepted government auditing except that the audit firm did not have external peer review and a continuing professional education programs. The audit firm is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on WLSA's fund accountability statement; the effectiveness of its internal control; or its compliance with the award, laws, and regulation.²

¹ On June 30, 2017, USAID OIG rescinded its Guidelines for Financial Audits Contracted by Foreign Recipients, recognizing the Agency's role to impose requirements on its implementing partners and contractors as a management function.

² 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 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 WLSA's internal controls; (3) determine whether WLSA complied with award terms and applicable laws and regulations; (4) perform an audit of the indirect cost rate; and (5) review the implementation status of the prior period recommendations.

To answer the audit objectives, BDO Zambia (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 WLSA as incurred from January 1, 2016, to December 31, 2016; (2) evaluated the control environment, the adequacy of the accounting systems, and control procedures that pertain to WLSA'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. WLSA spent \$864,729 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 \$51,870 in total questioned costs (\$46,706 ineligible and \$5,164 unsupported), twelve significant deficiencies in internal control, and six instances of material noncompliance. Also, the firm determined that some of the prior year recommendations have not been implemented. The audit firm determined that indirect cost is not applicable to the project.

During our desk review, we noted a minor issue which the audit firm will need to address in future audit reports. We presented these issues in a memorandum to the controller, dated April 16, 2018.

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

Recommendation 1. Determine the allowability of \$51,870 in questioned costs (\$46,706 ineligible, \$5,164 unsupported) on pages 13 and 15 of the audit report.

Recommendation 2. Verify that Women and Law in Southern Africa Research and Educational Trust corrects the twelve significant deficiencies in internal control detailed on pages 21 to 35 of the audit report.

Recommendation 3. Verify that Women and Law in Southern Africa Research and Educational Trust corrects the six instances of material noncompliance detailed on pages 43 to 51 of the audit report.

Recommendation 4. Verify that Women and Law in Southern Africa Research and Educational Trust corrects the outstanding prior year recommendations detailed on page 37 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”).