



MEMORANDUM

DATE: December 18, 2018

TO: USAID/Zimbabwe, Mission Director, Stephanie Funk

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

SUBJECT: Closeout Financial Audit of USAID Resources Managed by [REDACTED] Under Multiple Agreements, October 1, 2012, to June 26, 2018 (Report No. 4-613-19-004-N)

This memorandum transmits the final audit report on USAID resources managed by [REDACTED] under agreements AID-623-A-12-00006 and AID-613-A-17-0004. USAID/Zimbabwe contracted with the independent certified public accounting firm Deloitte & Touche, Pretoria, South Africa to conduct the audit. The contract required the audit firm to perform the audit in accordance with generally accepted government auditing standards (GAGAS).

The audit firm states that it performed its audit in accordance with 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 [REDACTED] 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 [REDACTED] internal controls; (3) determine whether [REDACTED] complied with award terms and applicable laws and regulations; (4) review the indirect cost rate; and (5) review the implementation status of prior period recommendations.

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.

To answer the audit objectives, Deloitte & Touche (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 [REDACTED] as incurred from October 1, 2012, to June 26, 2018; (2) evaluated the control environment, the adequacy of the accounting systems, and control procedures that pertain to [REDACTED] 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) agreed with USAID/Zimbabwe that a follow up on prior period recommendations was not applicable since the audit covered the entire period of both agreements. [REDACTED] reported expenditures of \$4,601,258 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 \$648,515 in total questioned costs (\$277,171 ineligible and \$371,344 unsupported). The audit firm also reported three material weaknesses and one significant deficiency in internal control and seventeen instances of material noncompliance.

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

Recommendation 1. Determine the allowability of \$648,515 in questioned costs (\$277,171 ineligible, \$371,344 unsupported) identified on pages 15 to 18 of the audit report and recover any amount that is unallowable.

Recommendation 2. Verify that [REDACTED] corrects the three material weaknesses and one significant deficiency in internal control detailed on pages 22 to 26 of the audit report.

Recommendation 3. Verify that [REDACTED] corrects the seventeen instances of material noncompliance detailed on pages 29 to 49 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 release would constitute an invasion of privacy.