



## MEMORANDUM

**DATE:** March 27, 2020

**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 Churches Health Association of Zambia, Under Cooperative Agreement AID-611-A-16-00003, January 1 to December 31, 2018 (Report No. 4-611-20-049-R)

This memorandum transmits the final audit report on USAID Resources Managed by Churches Health Association of Zambia (CHAZ). CHAZ contracted with the independent certified public accounting firm BDO, 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 (CPE) and external peer reviews that fully satisfy 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 CHAZ'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 CHAZ's internal controls; (3) determine whether CHAZ complied with award terms and applicable laws and regulations; (4) review the indirect cost rate; and (5) review the implementation status of the prior period recommendations.

To answer the audit objectives, BDO (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 CHAZ as incurred from January 1 to December 31, 2018; (2) evaluated the control environment, the adequacy of the accounting systems, and control procedures that pertain to CHAZ's ability to report financial data consistent with the assertions embodied in each account of the fund accountability

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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.

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. CHAZ reported expenditures of \$3,373,945 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. No questioned costs were identified. The audit firm identified three material weaknesses in internal control for not having policies and procedures; and three instances of material noncompliance. The material weaknesses and one noncompliance are repeat findings and we will not make recommendations to address them.

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 controller, dated March 27, 2020.

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

**Recommendation I.** Verify that Churches Health Association of Zambia corrects the two instances of material noncompliance detailed on pages 34 and 35 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").