



## MEMORANDUM

**DATE:** August 5, 2020

**TO:** USAID/Zimbabwe, Mission Director, Stephanie Funk

**FROM:** USAID OIG Africa Regional Office, Assistant Director, Matthew Rathgeber /s/

**SUBJECT:** Financial Audit of USAID Resources Managed by Family Aids Caring Trust in Zimbabwe Under Multiple Awards, January 1 to December 31, 2019 (Report No. 4-613-20-100-R)

This memorandum transmits the final audit report on USAID resources managed by Family Aids Caring Trust (FACT) under the following awards:

Award Name (Type)	Award Number	Audit Period	Prime Implementer
Children Tariro Program (cooperative agreement)	AID-613-A-15-00005	Jan. 1 - Dec. 31, 2019	
Strengthening Private Sector Services Program (subaward)	72061318CA00009	Jan. 1 - Dec. 31, 2019	Population Services International
Mhuri/Imuli Program (subaward)	72061318CA00008	Jun. 15 - Dec. 31, 2019	FHI360

FACT contracted with the independent certified public accounting firm Grant Thornton, Harare, Zimbabwe, 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 FACT'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

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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.

FACT's internal controls; (3) determine whether FACT 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, Grant Thornton (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 FACT as incurred from January 1 to December 31, 2019; (2) evaluated the control environment, the adequacy of the accounting systems, and control procedures that pertain to FACT'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. FACT reported expenditures of \$7,283,182 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 \$87,988 in total ineligible questioned costs; no material weaknesses in internal control; and one instance of material noncompliance. Since a recommendation for this instance of noncompliance was raised in the prior period, we will not make a recommendation on this again, we will only include a recommendation on the questioned costs identified.

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 August 5, 2020.

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

**Recommendation 1.** Determine the allowability of \$87,988 in ineligible questioned costs on pages 12, 15 and 27 of the audit report and recover any amount that is unallowable.

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").