



MEMORANDUM

DATE: March 22, 2018

TO: USAID/Zambia, Mission Director, Patrick Diskin

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

SUBJECT: Audit of USAID Resources Managed by Zambia Centre for Communication Programmes Under Cooperative Agreement AID-611-A-13-00003, January 1 to December 31, 2016 (Report No. 4-611-18-071-R)

This memorandum transmits the final audit report on USAID resources managed by Zambia Centre for Communication Programmes (ZCCP). ZCCP contracted with the independent certified public accounting firm PricewaterhouseCoopers (PWC), Lusaka, Zambia to conduct the audit. The audit firm stated that the contract required the audit firm to perform the audit in accordance with generally accepted government auditing standards (GAGAS).

The audit firm states 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 ZCCP's 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 ZCCP's internal control structure related to USAID-funded programs; (3) determine whether ZCCP complied, in all material respects, with agreement terms and applicable laws and regulations related to USAID funded program; (4) conduct an audit on indirect cost rate; and (5) determine whether ZCCP has taken adequate corrective actions on recommendations in prior audit reports.

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, PWC (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 ZCCP as incurred from January 1 to December 31, 2016; (2) evaluated the control environment, the adequacy of the accounting systems, and control procedures that pertain to ZCCP'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. ZCCP spent \$1,584,303 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 \$16,042 in unsupported questioned costs; one material weakness in internal control; and four instances of material noncompliance. The audit firm also issued a management letter.

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 memorandum to the controller dated March 22, 2018.

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

Recommendation 1. Determine the allowability of \$16,042 in unsupported questioned costs on pages 21 and 28 of the audit report and recover any amount that is unallowable.

Recommendation 2. Verify that Zambia Centre for Communication Programmes corrects the one material weakness in internal control detailed on page 28 of the audit report.

Recommendation 3. Verify that Zambia Centre for Communication Programmes corrects the three instances of material noncompliance detailed on pages 32 to 35 of the audit report.

In addition, we did not deem compliance finding 9.2 to be material noncompliance and did not include it as part of the recommendations.

Moreover, we noted that the fund accountability statement showed advances in excess of expenditures for the year ended December 31, 2016. Given that the bank balance and fund balance showed that advances seem to be held for monthly expenditure average more than three months, we question whether advances were limited to the minimum amount necessary for immediate disbursing needs in accordance with ADS 636. To address this issue, we recommend that USAID/Zambia:

Recommendation 4. Determine whether outstanding advances to Zambia Centre for Communication Programmes are excessive, and, if so, request refund of funds in excess of immediate disbursing needs in accordance with ADS 636.3.3.2.

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”).