



## MEMORANDUM

**DATE:** March 22, 2018

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

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

**SUBJECT:** Audit of USAID Resources Managed by Linkages for Economic Advancement of the Disadvantaged in Zimbabwe Under Cooperative Agreement AID-613-A-15-00006, August 1, 2016, to July 31, 2017 (Report No. 4-613-18-069-R)

This memorandum transmits the final audit report on USAID Resources Managed by Linkages for Economic Advancement of the Disadvantaged (LEAD). LEAD contracted with the independent certified public accounting firm Baker Tilly, Harare, Zimbabwe 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.

The audit firm states that it performed its audit in accordance with generally accepted government auditing standards (GAGAS), except that the audit firm did not have 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 LEAD'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 as of July 31, 2017, was presented fairly, in all material respects; (2) evaluate LEAD's internal control structure related to USAID-funded programs; (3) determine whether LEAD complied, in all material respects, with agreement terms and applicable laws and regulations related to USAID funded program; (4) conduct an audit on indirect

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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.

costs rate; and (5) determine whether LEAD has taken adequate corrective actions on recommendations in prior audit reports.

To answer the audit objectives, Baker Tilly (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 lead as incurred from August 1, 2016, to July 31, 2017; (2) evaluated the control environment, the adequacy of the accounting systems, and control procedures that pertain to LEAD'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. LEAD spent \$1,480,570 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 \$22,391 in ineligible questioned costs

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

**Recommendation I.** Determine the allowability of \$22,391 in ineligible questioned costs identified on page 10 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").