



MEMORANDUM

DATE: June 5, 2018

TO: USAID/Zimbabwe, Mission Director, Stephanie Funk

FROM: Regional Inspector General/Pretoria, Rob Mason /s/

SUBJECT: Closeout Audit of USAID Resources Managed by Population Services Zimbabwe Under Cooperative Agreement AID-613-A-12-00004, January 1 to September 30, 2017 (Report No. 4-613-18-084-R).

This memorandum transmits the closeout audit report on USAID resources managed by Population Services Zimbabwe. Population Services Zimbabwe contracted with the independent public accounting firm Baker Tilly, Harare, Zimbabwe to conduct the audit. 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 except that the audit firm did not have an external peer review because no such program is offered by professional organizations in Zimbabwe. The audit firm is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on Population Services Zimbabwe's fund accountability statement; the effectiveness of its internal control; or its compliance with the award, laws, and regulations.¹

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.

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 Population Services Zimbabwe's internal controls; (3) determine whether Population Services Zimbabwe complied with award terms and applicable laws and regulations; (4) perform an audit of the indirect cost rate(s), if applicable; (5) determine whether the recipient has taken adequate corrective action on prior audit report recommendations, and (6) review the schedule of cost-sharing contributions.

To answer the audit objectives, Baker Tilly Zimbabwe (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 Population Services Zimbabwe as incurred from January 1 to September 30, 2017; (2) evaluated the control environment, the adequacy of the accounting systems, and control procedures that pertain to Population Services Zimbabwe'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 indirect cost rate is not applicable; (5) reviewed the implementation status of the prior period recommendations, and (6) reviewed the schedule of cost sharing contributions. Population Services Zimbabwe spent \$1,811,685 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 \$92,954 in ineligible questioned costs; and one instance of material noncompliance. Although the auditors' opinion on page 8 identified \$92,954 in questioned costs, the fund accountability statement on page 9 only identified \$64,290.

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 June 5, 2018.

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

Recommendation 1. Determine the allowability of \$92,954 in ineligible questioned costs on pages 9 and 12 of the audit report and recover any amount that is unallowable.

Recommendation 2. Verify that Population Services Zimbabwe corrects the one instance of material noncompliance detailed on page 21 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”).