



MEMORANDUM

DATE: July 19, 2018

TO: USAID/Zimbabwe, Mission Director, Stephanie Funk

FROM: Acting Regional Inspector General/Pretoria, Louis Duncan Jr. /s/

SUBJECT: Audit of USAID Resources Managed by Organization for Public Health Interventions and Development in Zimbabwe Under Cooperative Agreement AID-613-A-12-00003, October 1, 2016, to September 30, 2017 (Report No. 4-613-18-088-R)

This memorandum transmits the final audit report on USAID Resources Managed by Organization for Public Health Interventions and Development (OPHID). OPHID contracted with the independent certified public accounting firm Grant Thornton, 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 (GAGAS) and USAID OIG Guidelines for Financial Audits Contracted by Foreign Recipients.¹

The audit firm states that it performed its audit in accordance with 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 OPHID's fund accountability statement; the effectiveness of its internal control; or its compliance with the award, laws, and regulations.²

¹ On June 30, 2017, USAID OIG rescinded its Guidelines for Financial Audits Contracted by Foreign Recipients, recognizing the Agency's role to impose requirements on its implementing partners and contractors as a management function.

² 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 OPHID's internal controls; (3) determine whether OPHID 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 OPHID as incurred from October 1, 2016, to September 30, 2017; (2) evaluated the control environment, the adequacy of the accounting systems, and control procedures that pertain to OPHID'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. OPHID spent \$10,998,759 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 \$180,726 in ineligible questioned costs; two material weaknesses in internal control; and one instance of material noncompliance.

During our desk review, we noted 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 July 19, 2018.

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

Recommendation 1. Determine the allowability of \$180,726 in ineligible questioned costs on pages 10, 18, and 20 of the audit report and recover any amount that is unallowable.

Recommendation 2. Verify that Organization for Public Health Interventions and Development corrects the two material weaknesses in internal control detailed on pages 19 to 20 of the audit report.

Recommendation 3. Verify that Organization for Public Health Interventions and Development corrects the one instance of material noncompliance detailed on page 18 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”).