



MEMORANDUM

DATE: October 16, 2018

TO: Mission Director, USAID/Zimbabwe, Stephanie Funk

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

SUBJECT: Financial Audit of USAID Resources Managed by Family AIDS Caring Trust in Zimbabwe Under Multiple Agreements, January 1, 2017, to December 31, 2017 (Report No. 4-613-19-005-R)

This memorandum transmits the final audit report on the audit of USAID resources managed by Family AIDS Caring Trust (FACT) under cooperative agreement AID-613-A-15-00005 (Children Tariro Program) and sub-agreement 3583 with Population Services International Zimbabwe under cooperative agreement AID-674-A-00-10-00081-00 (Strengthening Private Sector Services Program). FACT contracted with the independent certified public accounting firm Grant Thornton (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 quality control review by an unaffiliated audit firm. 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.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 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 prior period recommendations.

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, Grant Thornton (1) audited the fund accountability statement for the awards 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, 2017, to December 31, 2017; (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 \$7,799,983 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 \$127,151 in ineligible questioned costs. The audit firm also reported one significant deficiency in internal control and two instances 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 memo to the controller, dated October 16, 2018.

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

Recommendation 1. Determine the allowability of \$127,151 in ineligible questioned costs on page 30 of the audit report and recover any amount that is unallowable.

Recommendation 2. Verify that Family AIDS Caring Trust corrects the significant deficiency in internal control detailed on pages 10 and 31 of the audit report.

Recommendation 3. Verify that Family AIDS Caring Trust corrects the two instances of material noncompliance detailed on pages 30 and 32 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”).