



## MEMORANDUM

**DATE:** December 11, 2018

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

**FROM:** USAID OIG Africa Regional Office, Audit Director, Robert Mason /s/

**SUBJECT:** Financial Audit of USAID Resources Managed by Africaid in Zimbabwe Under Cooperative Agreement AID-613-A-17-00001, June 1, 2017, to December 31, 2017 (Report No. 4-613-19-025-R)

This memorandum transmits the final audit report on USAID resources managed by Africaid in Zimbabwe under cooperative agreement AID-613-A-17-00001. Africaid 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 peer review. The audit firm is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on Africaid's fund accountability statement; the effectiveness of its internal control; or its compliance with the award, laws, and regulations.

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 Africaid's internal controls; (3) determine whether Africaid complied with award terms and applicable laws and regulations; (4) review the indirect cost rate, if applicable; and (5) review the implementation status of prior period recommendations.<sup>1</sup>

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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.

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 Africaid as incurred from June 1, 2017, to December 31, 2017; (2) evaluated the control environment, the adequacy of the accounting systems, and control procedures that pertain to Africaid'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) determined that the implementation status of the prior period recommendations is not applicable. Africaid reported expenditures of \$1,929,688 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 \$33,440 in ineligible questioned costs. The audit firm also reported three significant deficiencies in internal control and three instances of material noncompliance. In addition, the audit firm identified costs of \$19,660 in USAID funds used to pre-finance activities of other projects that we deem ineligible questioned costs. Consequently, total ineligible questioned costs are \$53,100 (\$33,440 + \$19,660). Moreover, one of the identified material noncompliance instances relates to advance funds not held in an interest bearing account. As such, foregone interest should be estimated and determined if allowable. We have estimated the foregone interest amount to be \$4,592.<sup>2</sup>

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 memo to the controller, dated December 11, 2018.

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

**Recommendation 1.** Determine the allowability of \$53,100 in ineligible questioned costs on pages 6, 8, and 12 of the audit report and recover any amount that is unallowable.

**Recommendation 2.** Verify that Africaid corrects the three significant deficiencies in internal control detailed on pages 14 and 19-20 of the audit report.

**Recommendation 3.** Verify that Africaid corrects the three instances of material noncompliance detailed on pages 15-18 of the audit report.

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<sup>2</sup> Estimated as follows: Average cash balance (\$405,885 at 12/31/2017 divided by 2) x 4.09% interest rate (2016 information, per World Bank) x 7/12 (June 1- Dec 31), less \$250 allowance.

**Recommendation 4.** Determine the allowabilty of \$4,592 in foregone interest due to USAID funds not held in an interest bearing account as detailed on page 17 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”).