



MEMORANDUM

DATE: May 14, 2019

TO: USAID/Zambia, Mission Director, Patrick Diskin

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

SUBJECT: Financial Audit of USAID Resources Managed by Expanded Church Response in Zambia Under Multiple Agreements, January 1, 2017, to March 31, 2018 (Report No. 4-611-19-066-R)

This memorandum transmits the final audit report on USAID resources managed by Expanded Church Response under cooperative agreement AID-611-A-15-0002, Zambia Family Copperbelt-Lusaka Activity (ZAMFAM) for the period January 1 to December 31, 2017; and closeout of subagreement under World Vision Zambia's Gender Based Violence Survivor Support Project (GBVSS), AID-611-A-12-00004, for the period January 1, 2017, to March 31, 2018. Expanded Church Response contracted with the independent certified public accounting firm Deloitte & Touche, Lusaka, Zambia to conduct the audit. The contract required the audit firm to perform the audit in accordance with generally accepted government auditing standards (GAGAS).

The audit firm states that it performed its audit in accordance with GAGAS, except that the audit firm did not have continuing professional education and 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 Expanded Church Response'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 Expanded Church Response's internal controls; (3) determine whether Expanded Church Response 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.

To answer the audit objectives, Deloitte & Touche (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 Expanded Church Response as incurred from January 1, 2017, to March 31, 2018; (2) evaluated the control environment, the adequacy of the accounting systems, and control procedures that pertain to Expanded Church Response'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 that a de minimis rate of 10 percent of the modified total direct costs are applicable; and (5) reviewed the implementation status of prior period recommendations. Expanded Church Response reported expenditures of \$8,387,815 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. There were no questioned costs. The audit firm identified three significant deficiencies in internal control and five instances of material noncompliance. Although we are not making a recommendation for the significant deficiencies noted in the report, we suggest that USAID/Zambia determine if the recipient addressed the issues noted.

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 May 14, 2019.

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

Recommendation I. Verify that Expanded Church Response corrects the five instances of material noncompliance detailed on pages 31 to 35 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”).