



MEMORANDUM

DATE: May 17, 2019

TO: USAID/Zambia, Mission Director, Patrick Diskin

FROM: USAID OIG Africa Regional Office, Assistant Director, Louis Duncan, Jr. /s/

SUBJECT: Financial Audit of USAID Resources Managed by Development Aid from People to People in Zambia Under Multiple Awards, January 1 to December 31, 2017 (Report No. 4-611-19-072-R)

This memorandum transmits the final audit report on Development Aid from People to People (DAPP) under the following awards:

Award Name (Type)	Award Number	Period	Prime Implementer
Zambia Family South-Central Activity (ZAMFAM) (cooperative agreement)	AID-611-A-16-0002	January 1, - December. 31, 2017	
Sexual and Reproductive health for All Initiative(SARAI) (subaward)	AID-611-1-15-001-DAPP20APR	January 1, - December. 31, 2017	Society for Family Health

DAPP contracted with the independent certified public accounting firm KPMG, Lusaka, Zambia 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 generally accepted government auditing standards except that the audit firm did not have an external peer review program as required by GAGAS. The audit firm is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on DAPP's fund

¹ On June 30, 2017, USAID OIG rescinded its Guidelines for Financial Audits Contracted by Foreign Recipients, recognizing the Agency's role to impose requirements on its implementing partners and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

accountability statement; the effectiveness of its internal control; or its compliance with the award, laws, and regulations.²

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 DAPP's internal controls; (3) determine whether DAPP 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, KPMG (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 DAPP as incurred from January 1 to December 31, 2017; (2) evaluated the control environment, the adequacy of the accounting systems, and control procedures that pertain to DAPP'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. DAPP reported expenditures of \$7,340,532 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 \$11,184 in total questioned costs (\$10,535 ineligible and \$649 unsupported). In addition, we identified an additional \$250 in ineligible questioned costs related to interest earned on advanced funds. As a result, total questioned costs are \$11,434 (\$10,785³ ineligible and \$649 unsupported). Since the questioned costs did not meet the OIG's established threshold of \$25,000 for making a recommendation, we are not making a recommendation. Nevertheless, we suggest that USAID/Zambia determine the allowability of \$11,434 in questioned costs and recover any amount determined to be unallowable. The audit firm also reported five instances of material noncompliance that it deemed to be significant deficiencies in internal control as well. Although we are not making a recommendation for significant deficiencies noted in the report, we suggest that USAID/Zambia determine if the recipient addressed the issues noted. Moreover, two of the material noncompliance findings were reported in the prior period audit. As such, we will not make recommendations to address the two repeated findings.

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.

³ \$10,535 + \$250 = \$10,785.

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 17, 2019.

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

Recommendation I. Verify that Development Aid from People to People correct the three instances of material noncompliance detailed on pages 39 to 40 and 43 to 45 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”).