



## MEMORANDUM

**DATE:** August 1, 2019

**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 Mavambo Orphan Care in Zimbabwe Under Multiple Awards, January 1 to December 31, 2018 (Report No. 4-613-19-116-R)

This memorandum transmits the final audit report on Mavambo Orphan Care, under the following awards:

| <b>Award Name (type)</b>  | <b>Award Number</b>       | <b>Audited Period</b>         | <b>Prime implementer</b>   |
|---|---------------------------|-------------------------------|--|
| Mavambo Children Vana-<br>(cooperative agreement)                 | AID-613-A-15-00002        | Jan 1, 2018 –<br>Dec 31, 2018 |  |
| Pathways (sub agreement)  | 720661318CA00001          | Jan 9, 2018-<br>Dec 31, 2018  | Catholic Relief<br>Services (CRS)  |
| Zimbabwe Strengthening Private<br>Sector Services (sub agreement) | 64101-0000-00552-<br>0001 | Feb 1, 2018-<br>Dec 31, 2018  | CeSHHAR<br>through funding<br>received from<br>Population<br>Services<br>International (PSI) |

Mavambo Orphan Care 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 (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 Mavambo Orphan Care's fund accountability statement; the effectiveness of its internal control; or its compliance with the award, laws, and regulations.<sup>1</sup>

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 Mavambo Orphan Care's internal controls; (3) determine whether Mavambo Orphan Care 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, 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 Mavambo Orphan Care as incurred from January 1 to December 31, 2018; (2) evaluated the control environment, the adequacy of the accounting systems, and control procedures that pertain to Mavambo Orphan Care'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 prior period recommendations. Mavambo Orphan Care reported expenditures of \$2,561,334 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 \$28,835 in ineligible questioned costs. The audit firm also reported one instance of material noncompliance specifically related to those questioned costs, which pertain to value-added tax (VAT). The auditors disclosed that the recipient submitted the required returns to USAID/Zimbabwe and therefore complied with the requirements to claim VAT; consequently, no recommendation is necessary. The auditors also identified a significant deficiency in internal control. Although we are not making a recommendation for the significant deficiency noted in the report, we suggest that USAID/Zimbabwe determine if the recipient addressed the issue noted.

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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.

During our desk review, we noted a minor issue which the audit firm will need to address in future audit reports. We presented this issue in a memo to the controller, dated August 1, 2019.

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”).