



MEMORANDUM

DATE: July 19, 2018

TO: USAID/Zambia, Mission Director, Patrick Diskin

FROM: Acting Regional Inspector General/Pretoria, Louis Duncan, Jr. /s/

SUBJECT: Audit of USAID Resources Managed by Expanded Church Response in Zambia Under Multiple Agreements, January 1, 2015, to December 31, 2015 (Report No. 4-611-18-089-R)

This memorandum transmits the final audit report on USAID resources managed by the Expanded Church Response (ECR)'s incurred costs under the following awards:

Award Name (Type)	Award Number	Period Audited	Sub agreements
Data Rising ¹	AID-611-A-13-00006-00	January 1, 2015-November 30, 2015	
Zamfam Grant	AID-611-G-14-00003	January 1, 2015-December 31, 2015	
Zamfam Lusaka/Copperbelt	AID-611-A-15-00002	January 27, 2015-December 31, 2015 ;	
Sustainability Through Economic Strengthening Prevention and Support for OVC, Youths and Other Vulnerable Population (STEPS) ²		January 1, 2015- July 31, 2015	611-A-00-10-00001-005
Gender Based Violence Survivor Support(GBVSS)		January 1, 2015-December 31, 2015	AID-611-A-12-00004

¹ Closeout

² Closeout

ECR contracted with the independent certified public accounting firm Grant Thornton, Lusaka, Zambia 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 a continuing education program that fully satisfies the requirement set forth in Chapter 3 of U.S. Government Auditing Standards. The audit firm is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on ECR's fund accountability statement; the effectiveness of its internal control; or its compliance with the award, laws, and regulations.³

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 the ECR's internal controls; (3) determine whether ECR 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, Grant Thornton Zambia (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 ECR as incurred from January 1, 2015, to December 31, 2015; (2) evaluated the control environment, the adequacy of the accounting systems, and control procedures that pertain to ECR'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) reviewed the indirect cost rate; and (5) reviewed the implementation status of the prior period recommendations. ECR spent \$3,676,919 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 two instances of material noncompliance. The audit also identified \$1,318 in questioned costs (\$1,027 ineligible and \$291 unsupported) that it deemed immaterial. We also identified additional questioned costs amounting to \$75 (\$59 ineligible and \$16 unsupported) relating to indirect costs. Although the amounts are severally inconsequential, they are material when aggregated. Consequently, we will recommend the mission to follow-up with total questioned costs of \$1,393 (\$1,318 + \$75).

³ 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 several minor issues which the audit firm will need to address in future audit reports. We presented these issues in a memorandum to the controller, dated July 19, 2018. In addition, the audit firm communicated other matters involving internal control and noncompliance instances deemed immaterial to the recipient's management.

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

Recommendation 1. Determine the allowability of \$1,393 in questioned costs (\$1,086 ineligible and \$307 unsupported) detailed on pages 13 and 14 of the audit report and recover any amount that is unallowable.

Recommendation 2. Verify that Expanded Church Response corrects the two instances of material noncompliance detailed on pages 28 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").