



MEMORANDUM

DATE: May 20, 2020

TO: USAID/Zambia, Mission Director, Sheryl Stumbras

FROM: USAID OIG Africa Regional Office, Assistant Director, Matthew Rathgeber /s/

SUBJECT: Financial Audit of USAID Resources Managed by Expanded Church Response in Zambia Under Cooperative Agreement AID-611-A-15-00002, January 1 to December 31, 2018 (Report No. 4-611-20-073-R)

This memorandum transmits the final audit report on USAID resources managed by Expanded Church Response (ECR). ECR contracted with the independent certified public accounting firm Deloitte & Touché, Lusaka, Zambia, to conduct the audit. The audit firm stated that it performed its audit in accordance with generally accepted government auditing standards (GAGAS). However, it did not have continuing professional education and an external peer review that fully satisfied the requirements of GAGAS. 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.¹

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 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, Deloitte & Touché (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 to December 31, 2018; (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

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.

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. ECR reported expenditures of \$6,850,796 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 \$272,087 in ineligible questioned costs; no material weaknesses in internal control; and seven instances of material noncompliance, three of which were repeat findings from the prior period. In addition, 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.

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 20, 2020.

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

Recommendation 1. Determine the allowability of \$272,087 in ineligible questioned costs on pages 14 and 15 of the audit report and recover any amount that is unallowable.

Recommendation 2. Verify that Expanded Church Response corrects the four instances of material noncompliance detailed on pages 34 to 38 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").