



MEMORANDUM

DATE: March 26, 2021

TO: USAID/Zimbabwe, Mission Director, Arthur Brown

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

SUBJECT: Financial Audit of USAID Resources Managed by Linkages for Economic Advancement of the Disadvantaged in Zimbabwe Under Cooperative Agreement AID-613-A-15-00006, August 1, 2019, to July 31, 2020 (Report No. 4-613-21-048-R)

This memorandum transmits the final audit report on USAID resources managed by Linkages for Economic Advancement of the Disadvantaged (LEAD) for the Feed the Future Zimbabwe Crop Development (FTF-CD) Program. LEAD contracted with the independent certified public accounting firm Grant Thornton, Harare, Zimbabwe, to conduct the audit. The audit firm stated that it performed its audit in accordance 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 LEAD'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 LEAD's internal controls; (3) determine whether LEAD complied with award terms and applicable laws and regulations; (4) review the indirect cost rates; and (5) review the implementation status of the prior period recommendations.

To answer the audit objectives, Grant Thornton (1) audited the fund accountability statement

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.

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 LEAD as incurred from August 1, 2019, to July 31, 2020; (2) evaluated the control environment, the adequacy of the accounting systems, and control procedures that pertain to LEAD'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) recalculated the application of the de minimis indirect cost rate application; and (5) reviewed the implementation status of the prior period recommendations. LEAD reported expenditures of \$1,543,013 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. The audit firm identified for \$9,197 in total ineligible questioned costs; no material weaknesses in internal control; and two instances of material noncompliance. 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 for the questioned costs and related instance of noncompliance. Nevertheless, we suggest that USAID/Zimbabwe determine the allowability of the \$9,197 in questioned costs and recover any amount determined to be unallowable. In addition, although we are not making a recommendation for significant deficiencies noted in the report, we suggest that USAID/Zimbabwe 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 March 26, 2021.

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

Recommendation 1. Verify that Linkages for Economic Advancement of the Disadvantaged corrects the one instance of material noncompliance detailed on page 27 of the audit report.

We ask that you provide your written notification of actions planned or taken to reach management decision.

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").