



## OFFICE OF INSPECTOR GENERAL U.S. Agency for International Development

### MEMORANDUM

**DATE:** August 2, 2022

**TO:** USAID/Zambia, Acting Mission Director, Robin Sharma

**FROM:** USAID OIG Africa Regional Office, Audit Director, Robert Mason /s/

**SUBJECT:** Financial Audit of USAID Resources Managed by Centre for Infectious Disease Research in Zambia Under Multiple Agreements, October 1, 2020, to September 30, 2021 (Report No. 4-611-22-080-R)

This memorandum transmits the final audit report on USAID resources managed by Centre for Infectious Disease Research in Zambia (CIDRZ) under 1) cooperative agreement 72061120CA00001, Tuberculosis Local Organization Network (TBLON) Project; and 2) cooperative agreement 72061120CA00009, Empowered Children & Adolescents Program (ECAP III) Project. CIDRZ contracted with the independent audit firm BDO, 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 an external peer review that fully satisfied the standards' requirements. The audit firm is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on CIDRZ's schedule of expenditures of USAID awards; 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 schedule of expenditures of USAID awards for the period audited, was presented fairly, in all material respects; (2) evaluate CIDRZ's internal controls; (3) determine whether CIDRZ complied with award terms and applicable laws and regulations; and (4) review the implementation status of the prior period recommendations.

To answer the audit objectives, BDO (1) audited the schedule of expenditures of USAID awards 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 CIDRZ as incurred from October 1, 2020, to September 30, 2021; (2) evaluated the control environment, the adequacy of the accounting systems, and control procedures that pertain to CIDRZ's ability to report financial data consistent with the assertions embodied in each account

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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.

of the schedule of expenditures of USAID awards; (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 schedule of expenditures of USAID awards; and (4) reviewed the implementation status of the prior period recommendations. CIDRZ reported expenditures of \$6,045,012 in USAID funds during the audited period.

The audit firm concluded the schedule of expenditures of USAID awards presented fairly, in all material respects, program revenues and costs incurred under the award for the period audited except for \$5,937 in ineligible questioned costs. The audit firm identified no material weaknesses in internal control and three instances of material noncompliance, two of which are specifically related to the questioned costs identified. 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 the specifically related noncompliance instances. Nevertheless, we suggest that USAID/Zambia determine the allowability of the \$5,937 in questioned costs and recover any amount determined to be unallowable.

During our desk review, we noted several areas for improvement which the audit firm should address in future audit reports. We presented these areas in a memo to the controller, dated August 2, 2022.

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

**Recommendation 1.** Verify that Centre for Infectious Disease Research in Zambia corrects the one instance of material noncompliance detailed on page 48 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").