



OFFICE OF INSPECTOR GENERAL

U.S. Agency for International Development

MEMORANDUM

DATE: September 26, 2024

TO: USAID/Georgia Mission Director, John A. Pennell
USAID/Ukraine Mission Director, Julie A. Koenen
USAID/Bureau for Management, Office of Acquisition and Assistance, Cost, Audit and Support Division, Contract Audit Management Branch, Supervisory Auditor, Sheree F. Marshall

FROM: Middle East and Eastern Europe Regional Office, Acting Audit Director, Esther Park /s/

SUBJECT: Audit of the Schedule of Expenditures of Zinc Network Limited Under Multiple Awards, April 1, 2022, to March 31, 2023 (8-114-24-021-R)

This memorandum transmits the final audit report on Zinc Network Limited incurred costs under the following awards:

Award Name (Type)	Award Number	Period	Sub/ implementer
Georgia Information Integrity Program (award)	72011420CA00002	April 1, 2022, to March 31, 2023	n/a
Ukraine National Identity Through Youth Program (sub-contract)	FY21-UNITY-Zinc-01	April 1, 2022, to March 31, 2023	Zinc Network Limited
Georgia Civil Society Engagement Program (sub-award)	G-1940-21-210-3040-20	April 1, 2022, to March 31, 2023	Zinc Network Limited
Central Europe Media Program (award)	7200AA22CA00027	October 1, 2022, to March 31, 2023	n/a
USAID Media Program (sub-award)	FY23-MP-ZINC-01	October 1, 2022, to March 31, 2023	Zinc Network Limited

The auditee contracted with the independent audit firm, Crowe U.K. LLP, to conduct the audit. The audit firm stated it performed its audit in accordance with the United States generally

accepted government auditing standards. The audit firm did not have an external quality control review or continuing education program that fully satisfy the standards' requirements. The audit firm explained that professional organizations in the United Kingdom do not offer external quality control review programs. The audit firm is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on the auditee's schedule of expenditures; the effectiveness of its internal controls; or its compliance with the awards, laws, and regulations.¹

The audit objectives were to (1) express an opinion on whether the schedule of expenditures for the period audited was presented fairly, in all material respects; (2) evaluate the auditee's internal controls; and (3) determine whether the auditee complied with the awards terms and applicable laws and regulations. To answer the audit objectives, the audit firm performed the subject financial audit that covered total expenditures of \$3,273,833 for the period from April 1, 2022, to March 31, 2023.

The audit firm concluded that the schedule of expenditures of the audited awards presented fairly, in all material respects, program revenues and costs incurred under the awards for the period audited except for \$516,517 in total questioned costs (\$515,017 ineligible, \$1,500 unsupported). The audit firm identified six instances of material noncompliance. The audit firm did not identify any material weaknesses in internal control.

During our desk review, we noted an area for improvement which the audit firm should address in future audit reports. We presented this deficiency in a memo to the USAID/Georgia controller, dated September 26, 2024.

To address the issues identified in the report, please note the following recommendations to USAID/Georgia, USAID/Ukraine, and USAID/Bureau for Management, Office of Acquisition and Assistance:

Recommendation 1. USAID/Georgia determine the allowability of \$135,929 in questioned costs (\$134,429 ineligible, \$1,500 unsupported) on page 19 of the audit report and recover any amount that is unallowable.

Recommendation 2. USAID/Ukraine determine the allowability of \$370,518 ineligible questioned costs on page 19 of the audit report and recover any amount that is unallowable.

Recommendation 3. USAID/Bureau for Management, Office of Acquisition and Assistance, Cost, Audit and Support Division determine the allowability of \$10,070 ineligible questioned costs on page 19 of the audit report and recover any amount that is unallowable.

Recommendation 4. USAID/Georgia verify that Zinc Network Limited corrects the six instances of material noncompliance detailed on pages 26-38 of the audit report.

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.

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"). In addition, USAID OIG has determined that this transmittal memo and the enclosed report are not subject to notification and reporting requirements under Section 5274 of the National Defense Authorization Act.²

² The James M. Inhofe National Defense Authorization Act for Fiscal Year 2023 Pub. L. No. 117-263, § 5274. Please direct related inquiries to oinotice_ndaa5274@usaid.gov.