



OFFICE OF INSPECTOR GENERAL

U.S. Agency for International Development

MEMORANDUM

DATE: December 20, 2024

TO: USAID/Zambia, Mission Director, Peter Wiebler

FROM: USAID OIG Africa Regional Office, Audit Director, Ryan Werner /s/

SUBJECT: Financial Closeout Audit of USAID Resources Managed by Ministry of Health Luapula Provincial Health Office in Zambia Under Development Objective Grant 611-000-G-20-0000, Implementation Letter 611-000-G-20-0000-21-G2G-IL3, June 15, 2021, to September 30, 2022 (Report No 4-611-25-004-N)

This memorandum transmits the final closeout audit report on USAID resources managed by Ministry of Health Luapula Provincial Health Office (LPHO) for the HIV/AIDS, Tuberculosis (TB) and Nutrition project. USAID/Zambia 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. However, it did not have an external peer review or a continuing professional education program that fully satisfy 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 LPHO's schedule of expenditures of USAID awards; 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 statement schedule of expenditures of USAID awards for the period audited, was presented fairly, in all material respects; (2) evaluate LPHO's internal controls; and (3) determine whether LPHO complied with award terms and applicable laws and regulations.

To answer the audit objectives, BDO (1) audited the schedule of expenditures of USAID awards 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 LPHO as incurred from June 15, 2021, to September 30, 2022; (2) evaluated the control environment, the adequacy of the accounting systems, and control procedures that pertain to LPHO's ability to report financial data consistent with the assertions embodied in each account of the schedule of expenditures of USAID awards; and (3) identified the award terms and pertinent laws 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.

regulations and determined which of those, if not observed, could have a direct and material effect on the schedule of expenditures of USAID awards. LPHO reported expenditures of \$830,310 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 \$69,733 in total questioned costs (\$10,024 ineligible and \$59,709 unsupported); thirteen material weaknesses in internal control; and seven instances of material noncompliance.

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

Recommendation 1. Determine the allowability of \$69,733 in questioned costs (\$10,024 ineligible, \$59,709 unsupported) on pages 25, 31 to 32 of the audit report and recover any amount that is unallowable.

Recommendation 2. Verify that Ministry of Health Luapula Provincial Health Office corrects the 13 material weaknesses in internal control detailed on pages 41 to 62 of the audit report.

Recommendation 3. Verify that Ministry of Health Luapula Provincial Health Office corrects the 7 instances of material noncompliance detailed on pages 66 to 74 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"). 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 oignotice_ndaa5274@usaid.gov.