



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 Copperbelt Provincial Health Office in Zambia Under Development Objective Grant 611-000-G-20-0000, Implementation Letter 611-000-G-20-0000-21-G2G-IL1, June 15, 2021, to September 30, 2022 (Report No. 4-611-25-001-N)

This memorandum transmits the final audit report on USAID resources managed by Ministry of Health Copperbelt Provincial Health Office (CBPHO) for the HIV/AIDS, Tuberculosis (TB), Nutrition, Family Planning (FP) and Maternal and Child Health (MCH) 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 (GAGAS). 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 CBPHO'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 schedule of expenditures of USAID awards for the period audited, was presented fairly, in all material respects; (2) evaluate CBPHO's internal controls; and (3) determine whether CBPHO 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 CBPHO 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 CBPHO's ability to report financial data consistent with the assertions embodied in each account of the schedule of

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.

expenditures of USAID awards; and (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. CBPHO reported expenditures of \$1,188,332 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 \$15,597 in total questioned costs (\$7,670 ineligible and \$7,927 unsupported); eight material weaknesses in internal control (four findings specifically related to the questioned costs identified); and 14 instances of material noncompliance (one instance 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 findings. Nevertheless, we suggest that USAID/Zambia determine the allowability of the \$15,597 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 December 20, 2024.

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

Recommendation 1. Verify that Ministry of Health Copperbelt Provincial Health Office corrects the four material weaknesses in internal control detailed on pages 48, 49, 54, and 55 of the audit report.

Recommendation 2. Verify that Ministry of Health Copperbelt Provincial Health Office corrects the 13 instances of material noncompliance detailed on pages 66 to 79 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.