



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 Northern Provincial Health Office in Zambia Under Development Objective Grant 611-000-G-20-0000, Implementation Letter 611-000-G-20-0000-21-G2G-IL4, June 15, 2021, to September 30, 2022 (Report No. 4-611-25-003-N)

This memorandum transmits the final closeout audit report on USAID resources managed by Ministry of Health Northern Provincial Health Office (NPHO) 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, USAID Financial Audit Guide for Foreign Organizations and International Organization of Supreme Audit Institutions' 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 NPHO'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 NPHO's internal controls; and (3) determine whether NPHO 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 NPHO as incurred from July 15, 2021, to September 30, 2022; (2) evaluated the control environment, the adequacy of the accounting systems, and control procedures that pertain to NPHO's ability to

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.

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 regulations and determined which of those, if not observed, could have a direct and material effect on the schedule of expenditures of USAID awards. NPHO reported expenditures of \$926,205 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 \$541,887 in total questioned costs (\$154,931 ineligible and \$386,956 unsupported); eight material weaknesses in internal control; and ten instances of material noncompliance.

During our desk review, we noted an area for improvement which the audit firm should address in future audit reports. We presented this area 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. Determine the allowability of \$541,887 in questioned costs (\$154,931 ineligible, \$386,956 unsupported) on page 27 of the audit report and recover any amount that is unallowable.

Recommendation 2. Verify that Ministry of Health Northern Provincial Health Office corrects the eight material weaknesses in internal control detailed on pages 42 to 52 of the audit report.

Recommendation 3. Verify that Ministry of Health Northern Provincial Health Office corrects the ten instances of material noncompliance detailed on pages 59 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.