



## MEMORANDUM

**DATE:** September 26, 2019

**TO:** USAID/M/OAA/CAS/CAM, Branch Chief, David McNeil  
DCHA/FFP, Director, Trey Hicks

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

**SUBJECT:** Financial Audit of USAID Resources Managed by African Development Solutions in Multiple Countries Under Multiple Awards, January 1, 2015, to December 31, 2016 (Report No. 4-000-19-129-R)

This memorandum transmits the final audit report on USAID resources managed by African Development Solutions (ADESO) under the following awards:

<b>Award Name (Type)</b>	<b>Award Number</b>	<b>Audit period</b>
Establishing a global network for Southern NGO's (NEAR)(grant), (DRC, Somalia, South Sudan, Turkey and Nepal)	AID-OFDA-G-15-00265	Sept. 30, 2015 – Dec. 31, 2016
Supporting pastoral/agro pastoral and urban poor communities in Somalia (SPUR)(grant)	AID-OFDA-16-00063	April 1, 2016, - Dec. 31 2016
Emergency food security program in Somalia (grant)	AID-FFP-G-16-00096	Oct. 5, 2016 – Dec. 31, 2016
Cash response capacity building (grant) - closeout	AID-OFDA-G-13-00165	Jan. 1, 2015 – Jan. 24, 2015
Emergency food security program in Somalia (grant) - closeout	AID-FFP-G-14-001	Jan. 1, 2015 – April 20, 2015
Somalia community recovery and economic support (SCORES) – phase II (grant) – closeout	AID-OFDA-G-15-00127	May 20, 2015 – April 20, 2016
Cash assistance and recovery support project (CARSP) phase II (grant) - closeout	AID-FFP-G-15-00085	Sept. 29, 2015 – Sept. 15, 2016

ADESO contracted with the independent certified public accounting firm PricewaterhouseCoopers (PwC), Nairobi, Kenya to conduct the audit. The contract required the audit firm to perform the audit in accordance with generally accepted government auditing standards (GAGAS).

The audit firm states that it performed its audit in accordance with GAGAS, except that the audit firm did not have continuing professional education and external quality control review programs that fully satisfied the requirements set forth in GAGAS. The audit firm is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on ADESO's fund accountability statement; 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 fund accountability statement for the period audited, was presented fairly, in all material respects; (2) evaluate ADESO's internal controls; (3) determine whether ADESO complied with award terms and applicable laws and regulations; (4) review the indirect cost rate; and (5) review the implementation status of prior period recommendations.

To answer the audit objectives, PwC (1) audited the fund accountability statement 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 ADESO as incurred from January 1, 2015, to December 31, 2016; (2) evaluated the control environment, the adequacy of the accounting systems, and control procedures that pertain to ADESO's ability to report financial data consistent with the assertions embodied in each account of the fund accountability statement; (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 fund accountability statement; (4) reviewed the indirect cost rate; and (5) reviewed the implementation status of prior period recommendations. ADESO reported expenditures of \$12,012,152 in USAID funds during the audited period.

The audit firm concluded the fund accountability statement presented fairly, in all material respects, program revenues and costs incurred under the award for the period audited except for \$2,521,649 in ineligible total questioned costs. The audit firm also reported one material weakness in internal control and four instances of material noncompliance. Although we are not making a recommendation for significant deficiencies noted in the report, we suggest that M/OAA/CAS/CAM determine if the recipient addressed the issues noted. The audit firm issued a management letter dated May 14, 2019.

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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.

During our desk review, we noted several minor issues which the audit firm will need to address in future audit reports. We presented these issues in a memo to the controller, dated September 26, 2019.

To address the issues identified in the report, we recommend that M/OAA/CAS/CAM:

**Recommendation 1.** Determine the allowability of \$2,516,933<sup>2</sup> in ineligible questioned costs on page 19 of the audit report and recover any amount that is unallowable.

**Recommendation 2.** Verify that African Development Solutions corrects the one material weakness in internal control detailed on page 29 of the audit report.

**Recommendation 3.** Verify that African Development Solutions corrects the four instances of material noncompliance detailed on pages 35 to 40 of the audit report.

And DCHA/FFP:

**Recommendation 4.** Determine the allowability of \$4,716<sup>3</sup> in ineligible questioned costs on page 19 of the audit report and recover any amount that is unallowable.

We ask that you provide your written notification of actions planned or taken to reach management decision. We appreciate the assistance extended during the engagement.

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”).

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<sup>2</sup> \$1,922+\$752+\$2,514,259 = \$2,516,933

<sup>3</sup> \$971+\$3,745 = \$4,716