



MEMORANDUM

DATE: April 22, 2020

TO: USAID/M/OAA/CAS/CAM, Acting Branch Chief, Eleanor C. Jefferson

FROM: USAID OIG Africa Regional Office, Assistant Director, Matthew Rathgeber /s/

SUBJECT: Financial Closeout Audit of USAID Resources Managed by Wajir South Development Association in Multiple Countries Under Multiple Awards, July 14, 2017, to September 30, 2018 (Report No. 4-000-20-060-R)

This memorandum transmits the final closeout audit report on USAID resources managed by Wajir South Development Association (WASDA) under 1) AID-OFDA-G-17-00169 implemented in Kenya and 2) AID-OFDA-G-17-00301 implemented in Somalia. WASDA contracted with the independent certified public accounting firm PricewaterhouseCoopers (PwC), Nairobi, Kenya, 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 continuing professional education and an external peer review that fully satisfied the requirements of GAGAS. The audit firm is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on WASDA's fund accountability statement; 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 fund accountability statement for the period audited, was presented fairly, in all material respects; (2) evaluate WASDA's internal controls; (3) determine whether WASDA complied with award terms and applicable laws and regulations; (4) review the indirect cost rate; and (5) review the implementation status of the 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 WASDA as incurred from July 14, 2017, to September 30, 2018; (2) evaluated the control environment, the adequacy of the accounting systems, and control procedures that pertain to WASDA'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 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) determined that the review of the indirect cost rate was not applicable; and (5) reviewed the implementation status of the prior period recommendations. WASDA reported expenditures of \$1,694,913 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. The audit firm identified \$6,512 in ineligible questioned costs; no material weaknesses in internal control; and one instance of material noncompliance. Since the questioned costs did not meet the OIG's established threshold of \$25,000 for making a recommendation and the instance of material noncompliance was related to the questioned costs, we are not making any recommendations. Nevertheless, we suggest that USAID/M/OAA/CAS/CAM determine the allowability of the \$6,512 in ineligible questioned costs and recover any amount determined to be unallowable. In addition, we suggest that USAID/M/OAA/CAS/CAM ensure that the recipient corrects the instance of material noncompliance specifically tied to questioned costs of less than \$25,000. The audit firm also issued a management letter.

Accordingly, we are not making any recommendations.

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").