



MEMORANDUM

DATE: May 20, 2019

TO: USAID/Kenya and East Africa, Mission Director, Mark Meassick

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

SUBJECT: Financial Audit of USAID Resources Managed by Moi Teaching and Referral Hospital in Kenya Under Multiple Awards, July 1, 2017, to June 30, 2018, (Report No. 4-615-19-074-R)

This memorandum transmits the final audit report on USAID resources managed by Moi Teaching and Referral Hospital (MTRH) under the following awards:

Award Name (Type)	Award Number	Audit Period	Prime implementer
Academic Model Providing Access To Healthcare Program (cooperative agreement)	AID-615-A-12-00001	July 1, 2017, to June 30, 2018	
Mwendo OVC Project- (subaward)	84596480175	July 1, 2017, to April 30, 2018	Catholic Relief Services

MTRH contracted with the independent certified public accounting firm Deloitte and Touché, Nairobi, Kenya to conduct the audit. The contract required the audit firm to perform the audit in accordance with generally accepted government auditing standards.

The audit firm states that it performed its audit in accordance with generally accepted government auditing standards (GAGAS), issued by the U.S. Comptroller General, except that the audit firm did not have continuing professional education and external quality control review programs that fully satisfy 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 MTRH's fund accountability statement; the effectiveness of its internal control; or its compliance with the award, laws, and regulations.¹

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.

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 MTRH's internal controls; (3) determine whether MTRH complied with award terms and applicable laws and regulations; (4) review the indirect cost rate; (5) review the implementation status of prior period recommendations; and (6) perform tests to determine whether MTRH complied with Government of Kenya taxation laws.

To answer the audit objectives, Deloitte and Touché (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 MTRH as incurred from July 1, 2017, to April 30, 2018; (2) evaluated the control environment, the adequacy of the accounting systems, and control procedures that pertain to MTRH'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) determined that the review of the indirect cost rate was not applicable; (5) reviewed the implementation status of prior period recommendations; and (6) determined whether MTRH complied with Government of Kenya taxation laws. MTRH reported expenditures of \$14,009,739² 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 \$168,432 in ineligible questioned costs. Although the audit firm raised several internal control issues in a separate management letter, it did not identify any material weaknesses. The auditors also reported two instances of material noncompliance.

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 May 20, 2019.

To address the issues identified in the report, we recommend that USAID/Kenya and East Africa:

Recommendation 1. Determine the allowability of \$168,432 in ineligible questioned costs on page 21 of the audit report and recover any amount that is unallowable.

Recommendation 2. Verify that Moi Teaching and Referral Hospital corrects the two instances of material noncompliance detailed on pages 32 to 35 of the audit report.

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.

² The scope of the audit did not cover costs of \$209,569 incurred by Indiana University in the United States and included in the University's annual audit. Consequently, audited expenditures for this audit are \$13,800,170.

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”).