



## MEMORANDUM

**DATE:** November 6, 2019

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

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

**SUBJECT:** Financial Closeout Audit of USAID Resources Managed by Lifeskills Promoters in Kenya Under Cooperative Agreement AID-615-A-13-00004, April 1, 2017, to June 25, 2018 (Report No. 4-615-20-018-R)

This memorandum transmits the final audit report on USAID Resources Managed by Lifeskills Promoters (LISP) under cooperative agreement AID-615-A-13-00004. LISP contracted with the independent certified public accounting firm PKF, Nairobi, Kenya, to conduct the audit. The audit firm stated that it performed its audit in accordance with generally accepted government auditing standards (GAGAS), except that the audit firm did not have continuing professional education 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 LISP'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 LISP's internal controls; (3) determine whether LISP complied with award terms and applicable laws and regulations; (4) determine whether LISP complied with Kenyan Government taxation laws regarding goods and services acquired; and (5) reviewed the implementation status of the prior period recommendations.

To answer the audit objectives, PKF (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 LISP as incurred from April 1, 2017, to June 25, 2018 ; (2) evaluated the control environment, the adequacy of the

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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.

accounting systems, and control procedures that pertain to LISP'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 whether LISP complied with Kenyan Government taxation laws regarding goods and services acquired ; and (5) reviewed the implementation status of the prior period recommendations. LISP reported expenditures of \$1,054,005 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 \$363 in ineligible questioned costs; four instances of material noncompliance; and no material weaknesses in internal control. Two of these instances of material noncompliance specifically relates 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 to address the issues. Nevertheless, we suggest that USAID/Kenya & East Africa determine the allowability of the \$363 in questioned costs and recover any amount determined to be unallowable. In addition, since this is a closeout audit and there are no ongoing agreements with LISP we are not making any recommendations.

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 November 6, 2019.

Accordingly, we are not making any recommendations.

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").