



MEMORANDUM

DATE: November 18, 2020

TO: USAID/Kenya and East Africa, Acting Mission Director, Heather Schildge

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

SUBJECT: Financial Closeout Audit of USAID Resources Managed by Act Change Transform in Kenya Under Multiple Awards, January 1 to September 30, 2019 (Report No. 4-615-21-001-N)

This memorandum transmits the final audit report on of USAID resources managed by Act Change Transform under (1) cooperative agreement 72061518CA00005 (January 1 to September 30, 2019 – closeout); and (2) closeout procedures under contract AID-615-C-14-00013 (ended on November 20, 2018). USAID/Kenya and East Africa contracted with the independent certified public accounting firm PricewaterhouseCoopers LLP (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 Act Change Transform’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 Act Change Transform’s internal controls; (3) determine whether Act Change Transform 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 Act Change Transform as incurred from January 1 to September 30, 2019; (2) evaluated the control

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.

environment, the adequacy of the accounting systems, and control procedures that pertain to Act Change Transform'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 the prior period recommendations. Act Change Transform reported expenditures of \$1,028,758 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 \$16,169 in ineligible questioned costs; one material weaknesses in internal control; and six instances of material noncompliance. 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. Nevertheless, we suggest that USAID/Kenya and East Africa determine the allowability of the \$16,169 in questioned costs and recover any amount determined to be unallowable. Since this is a closeout audit of all the awards and there are no ongoing agreements with the recipient, we are not making any formal procedural 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 18, 2020.

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").