



MEMORANDUM

DATE: October 24, 2019

TO: USAID/Kenya and 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 Common Market for Eastern and Southern Africa in Multiple Countries Under Integrated Partnership Assistance Agreement 623-AA-09-001-00-EA, Implementation Letters 10 and 11, January 1, 2017, to March 31, 2018 (Report No. 4-623-20-001-N)

This memorandum transmits the final closeout audit report on USAID resources managed by Common Market for Eastern and Southern Africa (COMESA). USAID/Kenya and East Africa contracted with the independent certified public accounting firm KPMG, Nairobi, Kenya, to conduct the audit. The audit firm states that it performed its audit in accordance with generally accepted government auditing standards (GAGAS), except that the audit firm did not have 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 COMESA'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 COMESA's internal controls; (3) determine whether COMESA complied with award terms and applicable laws and regulations; and (4) review the implementation status of prior period recommendations.

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.

To answer the audit objectives, KPMG (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 COMESA as incurred from January 1, 2017, to March 31, 2018; (2) evaluated the control environment, the adequacy of the accounting systems, and control procedures that pertain to COMESA'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; and (4) reviewed the implementation status of prior period recommendations. COMESA reported expenditures of \$3,500,941 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 \$1,589 in ineligible questioned costs; seven material weaknesses in internal control; and six instances of material noncompliance of which one finding 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. Nevertheless, we suggest that USAID/Kenya and East Africa determine the allowability of the \$1,589 in questioned costs and recover any amount determined to be unallowable. In addition, three findings were repeat findings from the prior period audit report and therefore will not be included as a recommendation again. In addition since this is a closeout and the internal control findings and compliance findings are the same findings except for one repeat finding we will only make a recommendation for three material noncompliance findings.

During our desk review, we noted a minor issue which the audit firm will need to address in future audit reports. We presented these issues in a memo to the controller, dated October 24, 2019.

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

Recommendation 1. Verify that Common Market for Eastern and Southern Africa corrects the three instances of material noncompliance detailed on pages 31 to 36 (findings 7.3, 7.4 and 7.6) 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.

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”).