



MEMORANDUM

DATE: April 21, 2020

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

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

SUBJECT: Financial Audit of USAID Resources Managed by the East African Community in Multiple Countries Under Multiple Awards, July 1, 2016, to June 30, 2018 (Report No. 4-623-20-007-N)

This memorandum transmits the final audit report on USAID resources managed by the East African Community (EAC) through the Lake Victoria Basin Commission; EAC Secretariat and East African Health Research Commission under Assistance agreement 623-AA-09-002-00-EAC; and Regional Development Objective Grant Agreement 623-RDOAG-EAC-16-00-01 in the Republic of Burundi, Kenya, Rwanda, South Sudan, Uganda and the United Republic of Tanzania. USAID/Kenya and East Africa contracted with the independent certified public accounting firm Deloitte & Touche, 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 EAC'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 EAC's internal controls; (3) determine whether EAC complied with award terms and applicable laws and regulations; (4) determine whether EAC complied with the local tax laws and regulations; and (5) review the implementation status of the prior period recommendations.

To answer the audit objectives, Deloitte & Touche (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

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.

EAC as incurred from July 1, 2016, to June 30, 2018; (2) evaluated the control environment, the adequacy of the accounting systems, and control procedures that pertain to EAC'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 compliance with local tax laws and regulations; and (5) reviewed the implementation status of the prior period recommendations. EAC reported expenditures of \$4,729,734 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 awards for the period audited, except for \$57,966 in total questioned costs (\$37,367 ineligible and \$20,599 unsupported); no material weaknesses in internal control; and eleven instances of material noncompliance. In addition, although we are not making a recommendation for significant deficiencies noted in the report, we suggest that USAID/Kenya and East Africa determine if the recipient addressed the issues noted.

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 April 21, 2020.

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

Recommendation 1. Determine the allowability of \$57,966 in questioned costs (\$37,367 ineligible, \$20,599 unsupported) on pages 20 to 22 of the audit report and recover any amount that is unallowable.

Recommendation 2. Verify that the East African Community corrects the eleven instances of material noncompliance detailed on pages 46 to 69 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").