



MEMORANDUM

DATE: March 24, 2020

TO: USAID/Kenya & 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 Deloitte & Touché in East Africa Under Cooperative Agreement AID-OAA-A-15-00030, May 1, 2018, to April 30, 2019 (Report No. 4-623-20-048-R)

This memorandum transmits the final audit report on USAID Resources Managed by Deloitte & Touché. Deloitte & Touché contracted with the independent certified public accounting firm Ernst & Young LLP (EY), 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 it does not have continuing professional education and external quality control review programs that fully met 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 Deloitte & Touche'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 Deloitte & Touche's internal controls; (3) determine whether Deloitte & Touché complied with award terms and applicable laws and regulations; (4) determine whether Deloitte & Touché has complied with host government taxation laws; and (5) review the implementation status of the prior period recommendations.

To answer the audit objectives, EY (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 Deloitte & Touché as incurred from May 1, 2018, to April 30, 2019; (2) evaluated the control environment, the adequacy of the accounting systems, and control procedures that pertain to Deloitte & Touche's ability to report financial data consistent with the assertions embodied in each

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.

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) tested whether Deloitte & Touché complied with host government taxation laws; and (5) reviewed the implementation status of the prior period recommendations. Deloitte & Touché reported expenditures of \$3,044,687 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 \$27,775 in ineligible questioned costs; no material weaknesses in internal control; and 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 March 24, 2020.

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

Recommendation 1. Determine the allowability of \$27,775 in ineligible questioned costs on pages 12 and 15 of the audit report and recover any amount that is unallowable.

Recommendation 2. Verify that Deloitte & Touché corrects the two instances of material noncompliance detailed on pages 22 to 24 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").