



## OFFICE OF INSPECTOR GENERAL U.S. Agency for International Development

### MEMORANDUM

**DATE:** August 28, 2023

**TO:** USAID/Management/Office of Acquisition and Assistance/Cost, Audit and Support Division, Contract Audit Management Branch, Acting Supervisory Auditor, Maya Cole

**FROM:** Director of External Financial Audits Division (IG/A/EFA), David A. McNeil /s/

**SUBJECT:** Financial Audit of USAID Resources Managed by the Rural Agency for Community Development and Assistance in Kenya Under Two Awards for the Period January 1, 2020, to December 31, 2020 (3-000-23-045-R)

This memorandum transmits the final audit report on the U.S. Agency for International Development (USAID) resources managed by the Rural Agency for Community Development and Assistance (RACIDA) in Kenya Under Two Awards for the Period January 1, 2020, to December 31, 2020. RACIDA contracted with the independent certified public accounting firm, RSM Eastern Africa LLP (RSM), to conduct the audit. RSM stated that it performed its audit in accordance with generally accepted government auditing standards (GAGAS) issued by the Comptroller General of the United States and USAID's Financial Audit Guide for Foreign Organizations. However, RSM does not have a continuing education program that fully satisfies the requirement set forth in GAGAS and it does not have an external quality control review by an unaffiliated audit organization as required by GAGAS, since no such program is offered by professional organizations in Kenya. RSM is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on RACIDA's schedule of expenditures of USAID awards; the effectiveness of its internal control; or its compliance with the awards, laws, and regulations.<sup>1</sup>

The audit objectives were to (1) express an opinion on whether RACIDA's schedule of expenditures for the period audited was presented fairly, in all material respects; (2) evaluate RACIDA's internal controls; (3) determine whether RACIDA complied with award terms and applicable laws and regulations; (4) evaluate whether RACIDA met its cost-sharing or matching contributions; (5) audit RACIDA's indirect costs rate if it has been authorized to charge indirect costs to USAID using provisional rates and verify that the correct de minimis rate was

---

<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.

applied; and (6) review the implementation status of RACIDA's prior period recommendations. To answer the audit objectives, RSM (1) reviewed the Schedule of Expenditures of USAID Awards to ensure it contains revenues received, costs incurred, agrees with the budgets and fund balances; (2) determined whether program income was added to funds used to further eligible program objectives; (3) determined whether specific costs incurred are allowable, allocable, and reasonable under the agreement terms, and tested to identify areas where fraud and illegal acts have occurred or are likely to have occurred as a result of inadequate internal control; (4) reviewed the direct costs billed to and reimbursed by USAID and costs incurred but pending reimbursement by USAID, identifying and quantifying any questioned costs; and (5) verified the de minimis rate applied is correct and charged in line with the agreement. RACIDA reported expenditures of \$1,418,672 in USAID funds during the audited period.

RSM concluded (1) the schedule of expenditures presented fairly, in all material respects, program revenues and costs incurred under the awards for the period audited in accordance with the terms of the agreement for the period audited; (2) it identified no questioned costs; (3) it identified one significant deficiency in internal control, which RSM did not describe in the report on internal control; (4) it identified no instances of noncompliance required to be reported under GAGAS. Further, RSM reported the terms of the awards did not require RACIDA to make any cost-sharing contribution towards the program, RACIDA does not have a USAID authorized provisional indirect cost rate, except for under one award USAID approved the de minimis rate of 10 percent, and because this was the first RACIDA audit, there were no findings to follow-up on. Although we are not making a recommendation for the significant deficiency in internal control, which the auditor did not describe in detail in the report, we suggest that USAID/Management/Office of Acquisition and Assistance/Cost, Audit and Support Division, Contract Audit Management Branch determine if the recipient addressed the issue noted. RSM issued RACIDA a management letter identifying certain matters involving internal control and its operation, and certain immaterial instances of noncompliance.

During our desk review, we noted two areas for improvement, which RSM should address in future audit reports. We presented these areas in a memo to the Chief Financial Officer, dated August 28, 2023.

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"). In addition, USAID OIG has determined that this transmittal memo and the enclosed report are not subject to notification and reporting requirements under Section 5274 of the National Defense Authorization Act.<sup>2</sup>

---

<sup>2</sup> The James M. Inhofe National Defense Authorization Act for Fiscal Year 2023 Pub. L. No. 117-263, § 5274. Please direct related inquiries to [oinotice\\_ndaa5274@usaid.gov](mailto:oinotice_ndaa5274@usaid.gov).