



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

MEMORANDUM

DATE: October 25, 2023

TO: USAID/Management/Office of Acquisition and Assistance/Cost, Audit and Support Division/Contract Audit Management Branch, Supervisory Auditor, Sheree Marshall

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

SUBJECT: Financial Audit of USAID Resources Managed by Kenya Red Cross Society Under Multiple Awards, January 1 to December 31, 2019
(Report No. 3-000-24-004-R)

This memorandum transmits the final audit report on the U.S. Agency for International Development (USAID) resources managed by Kenya Red Cross Society (KRCS) under multiple awards, for January 1 to December 31, 2019. KRCS contracted with the independent certified public accounting firm KPMG Kenya (KPMG) to conduct the audit. KPMG stated that it performed its audit in accordance with generally accepted government auditing standards (GAGAS) and USAID's Financial Audit Guide for Foreign Organizations. However, it did not have an external peer review by an unaffiliated audit organization as required by GAGAS. KPMG is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on KRCS'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 statements for the USAID funded awards presented presents fairly in all material respects in relation to KRCS's financial statements as a whole, and in revenues received, cost incurred, and commodities and technical assistance for the period audited in conformity with the terms of the agreements and general accepted accounting principles; (2) evaluate and obtain a sufficient understanding of the KRCS's internal controls; (3) determine whether KRCS complied, in all material respects, with agreement terms and applicable laws and regulations related to USAID funded programs; and (4) determine whether KRCS has taken adequate action on prior audit report recommendations. To answer the audit objectives, KPMG (1) reviewed and tested cost

¹ We reviewed the audit 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 audit firm's supporting working papers; they are not designed to enable us to directly evaluate the quality of the audit performed.

transactions in the fund accountability statement, identifying and quantifying any questioned costs; (2) reviewed KRCS's internal controls structure in order to assess the significant internal control policies and procedures relevant to the programs, and the adequacy of accounting systems and internal controls related to U.S. Government programs to obtain a sufficient understanding of the design of relevant control policies and procedures and whether those policies and procedures have been placed in operation; and (3) evaluate KRCS's compliance with the agreement terms and applicable laws and regulations. KPMG reported total USAID audited expenditures of \$2,396,480 for the fiscal year ended December 31, 2019.

KPMG concluded that the fund accountability statement presented fairly, in all material respects, program revenues and costs incurred under the awards for the period audited. KPMG identified indirect ineligible questioned costs for \$14,540 and four significant deficiencies in internal controls that have also been reported as 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's Office of Acquisition and Assistance Cost, Audit and Support Division/Contract Audit Management Branch determine the allowability of the \$14,540 in questioned costs and recover any amount determined to be unallowable. In addition, although we are not making a recommendation for the significant deficiencies noted in the report, we suggest that USAID's Office of Acquisition and Assistance Cost, Audit and Support Division/Contract Audit Management Branch determine if KRCS addressed the significant deficiencies on pages 25-28 of the audit report. KPMG reported that three prior report recommendations were implemented, and two remain open.

To address the problems identified in the report, we recommend that USAID's Office of Acquisition and Assistance Cost, Audit and Support Division/Contract Audit Management Branch:

Recommendation I: Verify that Kenya Red Cross Society corrects the instances of material noncompliance detailed on pages 25 to 28 of the audit report.

We ask that you provide your written notification of actions planned or taken to reach a management decision.

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.²

² The James M. Inhofe National Defense Authorization Act for Fiscal Year 2023 Pub. L. No. 117-263, § 5274. Please direct related inquiries to oignotice_ndaa5274@usaid.gov.