



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

MEMORANDUM

DATE: February 5, 2024

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 the Rural Agency for Community Development and Assistance in Kenya Under Two Awards for the Period January 1, 2021, to December 31, 2021 (3-000-24-030-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, 2021, to December 31, 2021. RACIDA contracted with the independent certified public accounting firm, PKF Kenya LLP (PKF) to conduct the audit. PKF stated that it performed its audit in accordance with generally accepted government auditing standards (GAGAS) issued by the Comptroller General of the United States. However, PKF does not have a continuing education program that fully satisfies the requirements set forth in GAGAS. PKF 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.¹

The audit objectives were to (1) express an opinion on whether the schedule of expenditures of USAID Awards gives a true and fair view; (2) ascertain whether all material instances of non-compliance and all illegal acts that have occurred or are likely to have occurred are identified; (3) assess that statements as a whole and in revenues received, costs incurred, commodities and technical assistance directly procured by USAID are in conformity with the terms of the agreement and GAGAS; and (4) evaluate and obtain sufficient understanding of the RACIDA's internal controls related to the USAID funded programs, assess control risk and identify reportable conditions. To answer the audit objectives, PKF (1) reviewed the schedule of expenditures of USAID awards for the projects, including the budgeted amounts by category

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.

and major items, the revenues received from USAID for the period covered by the audit, the costs reported by the recipient as incurred during that period; and the commodities and technical assistance directly procured by USAID for RACIDA's use; (2) reviewed RACIDA's internal control structure related to USAID 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) evaluated the control environment for adequacy of the accounting systems and control procedures with emphasis on the policies and procedures that pertain to RACIDA. RACIDA reported expenditures of \$2,314,126 in USAID funds during the audited period.

PKF concluded that the schedule of expenditures presented fairly, in all material respects, program revenues, cost incurred and reimbursed, and commodities and technical assistance directed procured by RACIDA in accordance with the terms of the agreements for the period audited. PKF identified no questioned costs. PKF did not identify any significant deficiencies or material weaknesses in internal control. However, PKF identified one instance of material noncompliance related to the lack of use of an interest-bearing account. PKF reported that one recommendation was implemented for the two prior audit report recommendations, and the second recommendation remains open.

To address the problem identified on page 21 of 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 the Rural Agency for Community Development and Assistance corrects the instance of material noncompliance detailed on page 21 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 oinotice_ndaa5274@usaid.gov.