MEMORANDUM

DATE: September 1, 2022

TO: USAID/Kenya and East Africa, Mission Director, David Gosney

FROM: USAID OIG Africa Regional Office, Audit Director, Robert Mason /s/

SUBJECT: Financial Audit of USAID Resources Managed by World Vision Kenya Under Cooperative Agreement 72061521CA00002, March 9 to September 30, 2021 (Report No. 4-615-22-089-R)

This memorandum transmits the final audit report on USAID resources managed by World Vision Kenya under the Tumikia Mtoto Project. World Vision Kenya contracted with the independent audit 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. However, it did not have an external peer review or a continuing professional education program that fully satisfy the standards' requirements. The audit firm is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on World Vision Kenya's schedule of expenditures of USAID awards; 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 schedule of expenditures of USAID awards for the period audited, was presented fairly, in all material respects; (2) evaluate World Vision Kenya's internal controls; (3) determine whether World Vision Kenya complied with award terms and applicable laws and regulations; (4) review the indirect cost rate; and (5) review the implementation status of the prior period recommendations.

To answer the audit objectives, Deloitte & Touche (1) audited the schedule of expenditures of USAID awards 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 World Vision Kenya as incurred from March 9 to September 30, 2021; (2) evaluated the control environment, the adequacy of the accounting systems, and control procedures that pertain to World Vision Kenya's ability to report financial data consistent with the assertions embodied in each account of the schedule of expenditures of USAID awards; (3) identified the award terms and pertinent laws and regulations and determined which of those, if not observed, could have

[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.

a direct and material effect on the schedule of expenditures of USAID awards; (4) determined that the review of the indirect cost rate was not applicable; and (5) reviewed the implementation status of the prior period recommendations. World Vision Kenya reported expenditures of $4,444,019 in USAID funds during the audited period.

The audit firm concluded the schedule of expenditures of USAID awards presented fairly, in all material respects, program revenues and costs incurred under the award for the period audited except for $20,126 in ineligible questioned costs. The audit firm also identified no material weaknesses in internal control; and six 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 for the questioned costs and three of the noncompliance instances specifically related to the questioned costs. Nevertheless, we suggest that USAID/Kenya and East Africa determine the allowability of the $20,126 in questioned costs and recover any amount determined to be unallowable. 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.

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

Recommendation 1. Verify that World Vision Kenya corrects the three instances of material noncompliance detailed on pages 32 to 35 of the audit report.

We ask that you provide your written notification of actions planned or taken to reach 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").