



OFFICE OF INSPECTOR GENERAL

U.S. Agency for International Development

MEMORANDUM

DATE: February 6, 2023

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 Northern Rangelands Trust in Kenya Under Multiple Awards, January 1 to December 31, 2021 (Report No. 4-615-23-053-R)

This memorandum transmits the final audit report on USAID resources managed by Northern Rangelands Trust (NRT) under the following awards:

Award Name (Type)	Award Number	Audit Period	Prime Implementer
Climate-Resilient Community Conservancies Program (cooperative agreement) – closeout	AID-615-A-15-00009	Jan. 1 – Dec. 31, 2021	
People to People Reconciliation (P2P) in Kenya (cooperative agreement)	72061520CA00002	Jan. 1 – Dec. 31, 2021	

NRT contracted with the independent audit firm PricewaterhouseCoopers (PWC), Nairobi, Kenya to conduct the audit. The audit firm stated that it performed its audit in accordance with generally accepted government auditing standards (GAGAS). However, it did not have an external peer review and 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 NRT'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 NRT's internal controls; (3) determine whether NRT complied with award terms and

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.

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, PWC (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 NRT as incurred from January 1 to December 31, 2021; (2) evaluated the control environment, the adequacy of the accounting systems, and control procedures that pertain to NRT'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 a direct and material effect on the applicable 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. NRT reported expenditures of \$6,040,347 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. The audit firm identified \$112,472 in ineligible questioned costs; one material weakness in internal control; and four instances of material noncompliance. Although we are not making a recommendation for the significant deficiency noted in the report, we suggest that USAID/Kenya and East Africa determine if the recipient addressed the issue noted.

During our desk review, we noted an area for improvement which the audit firm should address in future audit reports. We presented these issues areas in a memo to the controller, dated February 6, 2023.

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

Recommendation 1. Determine the allowability of \$112,472 in ineligible questioned costs on pages 16 and 17 of the audit report and recover any amount that is unallowable.

Recommendation 2. Verify that Northern Rangelands Trust corrects the one material weakness in internal control detailed on pages 27 and 28 of the audit report.

Recommendation 3. Verify that Northern Rangelands Trust corrects the four 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").