



# OFFICE OF INSPECTOR GENERAL

## U.S. Agency for International Development

### MEMORANDUM

**DATE:** April 17, 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 Moi Teaching and Referral Hospital in Kenya Under Multiple Awards, July 1, 2021, to June 30, 2022 (Report No. 4-615-23-061-R)

This memorandum transmits the final audit report on USAID resources managed by Moi Teaching and Referral Hospital (MTRH) under the following agreements:

Award Name (Type)	Award Number	Period Audited	Prime Implementer
AMPATHPlus Project (cooperative agreement) - closeout	AID-615-A-12-00001	Jul. 1, 2021 – Oct. 31, 2021	MTRH
USAID AMPATH Uzima (cooperative agreement)	72061521CA00020	Oct. 14, 2021 – Jun. 30, 2022	MTRH
USAID Dumisha Afya (cooperative agreement)	72061522CA00001	Oct. 29, 2021 – Jun. 30, 2022	MTRH

MTRH contracted with the independent audit firm PricewaterhouseCoopers LLP, 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 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 MTRH's schedule of expenditures of USAID awards; the effectiveness of its internal control; or its compliance with the award, laws, and regulations.<sup>1</sup>

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 MTRH's internal controls; (3) determine whether MTRH complied with award terms and applicable laws and regulations; (4) review the indirect cost rate; and (5) review the

<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.

implementation status of the prior period recommendations.

To answer the audit objectives, PricewaterhouseCoopers LLP (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 MTRH as incurred from July 1, 2021, to June 30, 2022; (2) evaluated the control environment, the adequacy of the accounting systems, and control procedures that pertain to MTRH'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 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. MTRH reported expenditures of \$15,919,404 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 \$105,397 in ineligible questioned costs; no material weaknesses in internal control; and one instance of material noncompliance. In addition, 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 issues noted. The audit firm also issued a management letter and a report on request from USAID/Kenya and East Africa on specific matters, however no findings were identified in this report.

During our desk review, we noted several areas for improvement which the audit firm should address in future audit reports. We presented these areas in a memo to the controller, dated April 17, 2023.

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

**Recommendation 1.** Determine the allowability of \$105,397 in ineligible questioned costs on pages 18 and 24 of the audit report and recover any amount that is unallowable.

**Recommendation 2.** Verify that Moi Teaching and Referral Hospital corrects the one instance of material noncompliance detailed on pages 33 to 34 of the audit report.

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

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