



# OFFICE OF INSPECTOR GENERAL

## U.S. Agency for International Development

### MEMORANDUM

**DATE:** July 26, 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 Liverpool Voluntary Care and Treatment Health in Kenya Under Multiple Awards, October 1, 2021, to September 30, 2022 (Report No. 4-615-23-093-R)

This memorandum transmits the final audit report on USAID resources managed by Liverpool Voluntary Care and Treatment (LVCT) Health under the following awards:

Award Name (Type)	Award Number	Audit Period	Prime Implementer
Stawisha Pwani Program (cooperative agreement)	72061521CA00010	Oct. 1, 2021 – Sep. 30, 2022	
Maximizing Options to Advance Informed Choice (MOSAIC) (subaward)	720OAA21CA00011	Nov. 1, 2021 – Sep. 30, 2022	FHI360
Health Evaluation and Applied Research Development (HEARD) (subaward)	FY22-A03-6024/AID-OAA-A-17-00002	Jun. 1, 2022 – Sep. 30, 2022	University Research Company (URC)
Collaborating for HIV Prevention Options to Control the Epidemic (CHOICE) (subaward) – closeout	PO20002540/ 7200AA19CA00002	Oct. 1, 2021 – Nov. 30, 2021	FHI360
Preparing for Ring Opportunities Through Market Introduction Support and Knowledge Exchange (PROMISE) (subaward) - closeout	PO20002194/AID-OAA-A-15-00045	Oct. 1, 2021 – Dec. 31, 2021	FHI360

LVCT contracted with the independent audit firm Deloitte & Touche 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 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 LVCT'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 LVCT's internal controls; (3) determine whether LVCT 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 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 LVCT as incurred from October 1, 2021, to September 30, 2022; (2) evaluated the control environment, the adequacy of the accounting systems, and control procedures that pertain to LVCT'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. LVCT reported expenditures of \$12,360,576 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 \$206,994 in ineligible questioned costs (\$5,377 related to subawards and \$201,617 related to the prime award); no material weaknesses in internal control; and four instances of material noncompliance. 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. The audit firm also issued a management letter as well as an agreed upon procedure report addressing specific mission procedure requests.

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 July 26, 2023.

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

**Recommendation 1.** Determine the allowability of \$201,617 in ineligible questioned costs on pages 22, 32 and 47 of the audit report and recover any amount that is unallowable.

**Recommendation 2.** Verify that Liverpool Voluntary Care and Treatment Health corrects the four instances of material noncompliance detailed on pages 77 to 86 of the audit report.

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<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.

**Recommendation 3.** Verify that Liverpool Voluntary Care and Treatment Health provides FHI360 and University Research Company with a copy of the findings raised in the audit report for their review to (1) determine the allowability of the \$5,371 and \$6 in ineligible questioned costs identified on pages 48 to 49; and (2) take any appropriate action regarding the two instances of material noncompliance related to the subawards as detailed on pages 77 to 83 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”). 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.<sup>2</sup>

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<sup>2</sup> 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](mailto:oignotice_ndaa5274@usaid.gov).