



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

### MEMORANDUM

**DATE:** July 28, 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 World Vision Kenya Under Multiple Awards, October 1, 2021, to September 30, 2022 (Report No. 4-615-23-097-R)

This memorandum transmits the final audit report on USAID resources managed by World Vision Kenya (WVK) under the following awards: 1) Tumikia Mtoto award, cooperative agreement 72061521CA00002; and 2) Health Evaluation and Applied Research Development (HEARD) project, subagreement under University Research Co., LLC (URC). WVK contracted with the independent audit firm KPMG, 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 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 WVK'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 WVK's internal controls; (3) determine whether WVK 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, KPMG (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 WVK 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 WVK's ability to report financial data consistent with the assertions embodied in each account of the schedule of

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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.

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. WVK reported expenditures of \$12,550,407 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 \$85,162 in total ineligible questioned costs (\$84,547 related to the prime award and \$615 related to the subaward); no material weaknesses in internal control; and four instances of material noncompliance.

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

**Recommendation 1.** Determine the allowability of \$84,547 in ineligible questioned costs on pages 23, 39 to 41 of the audit report and recover any amount that is unallowable.

**Recommendation 2.** Verify that World Vision Kenya corrects the four instances of material noncompliance detailed on pages 37 to 41 of the audit report.

**Recommendation 3.** Verify that World Vision Kenya provides University Research Co., LLC with a copy of the findings raised in the audit report for their review to (1) determine the allowability of the \$615 in ineligible questioned costs identified on page 23; and (2) take any appropriate action regarding the one instance of material noncompliance related to the subaward as detailed on pages 39 to 40 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).