



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

### MEMORANDUM

**DATE:** February 26, 2024

**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 Jaramogi Oginga Odinga University of Science and Technology in Kenya Under Cooperative Agreement 72061521CA00004, May 11, 2021, to March 31, 2023 (Report No. 4-615-24-002-N)

This memorandum transmits the final audit report on USAID resources managed by Jaramogi Oginga Odinga University of Science and Technology (JOOUST) under USAID Boresha Jamii Activity, cooperative agreement 72061521CA00004. USAID/Kenya and East Africa contracted with the independent audit firm PricewaterhouseCoopers LLP (PwC), 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 JOOUST'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 JOOUST's internal controls; (3) determine whether JOOUST complied with award terms and applicable laws and regulations; (4) review the indirect cost rate; and (5) review the implementation status of 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 JOOUST as incurred from May 11, 2021, to March 31, 2023; (2) evaluated the control environment, the adequacy of the accounting systems, and control procedures that pertain to JOOUST'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 prior period recommendations. JOOUST reported expenditures of \$14,088,845 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 \$279,709 in total questioned costs (\$274,635 ineligible and \$5,074 unsupported); unsupported cost-sharing contributions of \$204,015; one material weakness in internal control; and five instances of material noncompliance. Although we are not making a recommendation for the 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 issued a management letter.

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

**Recommendation 1.** Determine the allowability of \$279,709 in questioned costs (\$274,635 ineligible, \$5,074 unsupported) on pages 23 and 32 of the audit report and recover any amount that is unallowable.

**Recommendation 2.** Verify that Jaramogi Oginga Odinga University of Science and Technology corrects the one material weakness in internal control detailed on pages 36 and 37 of the audit report.

**Recommendation 3.** Verify that Jaramogi Oginga Odinga University of Science and Technology corrects the five instances of material noncompliance detailed on pages 57 to 66 of the audit report.

**Recommendation 4.** Determine the allowability of \$204,015 in unsupported cost-sharing contributions on pages 65, 66, and 69 of the audit report and take any corrective action deemed necessary under ADS 303.3.10.3.

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

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