



MEMORANDUM

DATE: February 13, 2019

TO: USAID/Kenya and East Africa, Mission Director, Mark Meassick

FROM: USAID OIG Africa Regional Office, Audit Director, Robert Mason /s/

SUBJECT: Financial Audit of USAID Resources Managed by the Ananda Marga Universal Relief Team in Kenya Under Multiple Awards, January 1 to December 31, 2017 (Report No. 4-615-19-049-R)

This memorandum transmits the final audit report on USAID resources managed by the Ananda Marga Universal Relief Team (AMURT) under the following awards:

| Award Name (Type) | Award Number | Period audited | Prime implementer |
|---|--------------------|------------------------|--|
| Inuka Community Based Orphans and Vulnerable Children Project (cooperative agreement) | AID-615-A-13-00003 | Jan. 1 – Dec. 31, 2017 | |
| APHIAplus Kamili project (subaward)- closeout | | Jan. 1 – Jun. 30, 2017 | Award under Jhpiego Cooperation AID-623-A-11-00008 |
| CASE – OVC (transition award) | | Jul. 1– Dec. 31, 2017 | Award under Christian Aid, CASE-OVC-001-2017 |
| APHIAplus Western Kenya (subaward) - closeout | | Jan. 1 – Jun. 30, 2017 | Award under Program for Appropriate Technology in Health (PATH) AID-623-A-11-00002 |
| MWENDO (subaward) | | Jul. 1– Dec. 31, 2017 | Award under Catholic Relief Services (CRS) AID-615-A-17-00003 |
| Nilinde project (subaward) | | Jan. 1– Dec. 31, 2017 | Award under Plan International Kenya, AID-615-A-15-00005 |

AMURT contracted with the independent certified public accounting firm PKF, Nairobi, Kenya to conduct the audit. The contract required the audit firm to perform the audit in accordance with generally accepted government auditing standards (GAGAS).

The audit firm states that it performed its audit in GAGAS, except that the audit firm did not have continuing professional education and external quality control review programs that fully satisfied the requirements set forth in GAGAS. The audit firm is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on AMURT's fund accountability statement; 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 fund accountability statement for the period audited, was presented fairly, in all material respects; (2) evaluate AMURT's internal controls; (3) determine whether AMURT complied with award terms and applicable laws and regulations; (4) review the indirect cost rate, or determine if such review is applicable; and (5) review the implementation status of prior period recommendations.

To answer the audit objectives, PKF (1) audited the fund accountability statement for the award 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 AMURT as incurred from January 1 to December 31, 2017; (2) evaluated the control environment, the adequacy of the accounting systems, and control procedures that pertain to AMURT's ability to report financial data consistent with the assertions embodied in each account of the fund accountability statement; (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 fund accountability statement; (4) determined that the review of the indirect cost rate was not applicable; and (5) reviewed the implementation status of the prior period recommendations. AMURT reported expenditures of \$1,865,192² in USAID funds during the audited period.

The audit firm concluded the fund accountability statement presented fairly, in all material respects, program revenues and costs incurred under the award for the period audited except for \$177 in ineligible questioned costs. Although OIG does not make formal recommendations if total questioned costs are less than \$1,000, we encourage the mission to follow up on these items and recover any amounts due to USAID. The audit firm also reported one significant deficiency in internal control and one instance of material noncompliance. However, the reported instance of material noncompliance related to the \$177 in ineligible value-added taxes. The audit firm also issued a management letter.

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.

² The audit report contains one award, the DREAMS Innovative Challenge Ajiri Dada Project, which was funded by the Department of State. Total cost incurred per the fund accountability statement of \$2,568,773 less \$703,581 under DREAMS equals \$1,865,192.

During our desk review, we noted several minor issues which the audit firm will need to address in future audit reports. We presented these issues in a memo to the controller, dated February 13, 2019.

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

Recommendation I. Verify that Ananda Marga Universal Relief Team corrects the one significant deficiency in internal control pertaining to the Inuka Community Based Orphans and Vulnerable Children Project detailed on pages 29 and 30 of the audit report.

We ask that you provide your written notification of actions planned or taken to reach management decision. We appreciate the assistance extended during the engagement.

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”).