



## MEMORANDUM

**DATE:** March 27, 2020

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

**FROM:** USAID OIG Africa Regional Office, Assistant Director, Matthew Rathgeber /s/

**SUBJECT:** Financial Audit of USAID Resources Managed by Trade Mark East Africa in Multiple Countries under Multiple Agreements, January 23, 2018, to June 30, 2019 (Report No. 4-623-20-050-R)

This memorandum transmits the final audit report on USAID resources managed by Trade Mark East Africa (TMEA) in Burundi, Kenya, Rwanda, South Sudan, Tanzania and Uganda for the following agreements:

Award Name (Type)	Award Number	Period	Prime Implementor
Trade Infrastructure Project (cooperative agreement)	AID-623-A-14-00002	July 1, 2018- June 30, 2019	
Ongera Ubucuruzi Project (cooperative agreement)	72069618CA00003	Jan 23, 2018- June 30, 2019	

TMEA contracted with the independent certified public accounting firm Ernst & Young, Nairobi, Kenya, to conduct the audit. The audit firm stated that it performed its audit in accordance with generally accepted government auditing standard (GAGAS). However, it did not have continuing professional education (CPE) and external peer programs that fully satisfy the requirements of GAGAS. The audit firm is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on TMEA's fund accountability statement; 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 fund accountability statement for the period audited, was presented fairly, in all material respects; (2) evaluate TMEA's internal controls; (3) determine whether TMEA complied with award terms and applicable laws and regulations; (4) review the indirect cost rate, or determine if the review of the indirect cost rate was not applicable; (5) review the implementation status of the prior period recommendations; and (6) determine whether TMEA complied with Partner State taxation laws and regulations.

To answer the audit objectives, Ernest & Young (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 TMEA as incurred from January 23, 2018, to June 30, 2019; (2) evaluated the control environment, the adequacy of the accounting systems, and control procedures that pertain to TMEA'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; (5) reviewed the implementation status of the prior period recommendations; and (6) determined whether TMEA complied with Partner State taxation laws and regulations. TMEA reported expenditures of \$7,236,997 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; no material weaknesses in internal control; and one instances of material noncompliance directly related to the questioned costs of \$440. Since the questioned costs identified did not meet the OIG's established threshold of \$25,000 for making a recommendation, we are thus not making a recommendation. Nevertheless, we suggest that the mission determine the allowability of the \$440 in questioned costs and recover any amount determined to be unallowable. In addition, although we are not making a recommendation for the significant deficiency noted in the report, we suggest that the mission determine if the recipient addressed the issues noted. The audit firm issued a management letter.

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").

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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.