



## MEMORANDUM

**DATE:** May 7, 2020

**TO:** USAID/M/OAA/CAS/CAM, Acting Branch Chief, Eleanor C. Jefferson

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

**SUBJECT:** Financial Audit of USAID Resources Managed by African Development Solutions in Somalia Under Multiple Awards, January 1 to December 31, 2017 (Report No. 4-000-20-067-R)

This memorandum transmits the final audit report on USAID resources managed by African Development Solutions (ADESO) under the following awards:

Award Name (Type)	Award Number	Audit Period
Establishing a Global Network for Southern NGO's (NEAR) (grant)	AID-OFDA-G-15-00265	Jan. 1, 2017 – Dec. 31, 2017
Supporting Pastoral/Agro Pastoral and Urban Poor Communities in Somalia (SPUR) (grant) closeout	AID-OFDA-G-16-00063	Jan. 1, 2017 – Mar. 31, 2017
Emergency Food Security Program in Somalia (grant)	AID-FFP-G-16-00096	Jan. 1, 2017 – Dec. 31, 2017
Drought Emergency Assistance Project (DEAP) (grant)	AID-OFDA-G-17-00070	Jan. 4, 2017 – Dec. 31, 2017

ADESO contracted with the independent certified public accounting firm PricewaterhouseCoopers (PwC), Nairobi, Kenya, to conduct the audit. The audit firm stated that it performed its audit in accordance with generally accepted government auditing standards (GAGAS). However, it did not have continuing professional education and an external peer review that fully satisfied 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 ADESO's fund accountability statement; the effectiveness of its internal control; or its compliance with the award, laws, and regulations.<sup>1</sup>

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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.

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 ADESO's internal controls; (3) determine whether ADESO 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, PwC (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 ADESO 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 ADESO'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) reviewed the indirect cost rate; and (5) reviewed the implementation status of the prior period recommendations. ADESO reported expenditures of \$8,502,066 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. The audit firm did not identify any questioned costs; no material weaknesses in internal control; and two instances of material noncompliance. In addition, although we are not making a recommendation for significant deficiency noted in the report, we suggest that USAID/M/OAA/CAS/CAM determine if the recipient addressed the issues noted. The audit firm also issued a management letter.

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 controller, dated May 7, 2020.

To address the issues identified in the report, we recommend that USAID/M/OAA/CAS/CAM:

**Recommendation 1.** Verify that African Development Solutions corrects the two instances of material noncompliance detailed on pages 29 to 31 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").