



## MEMORANDUM

**DATE:** January 20, 2021

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

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

**SUBJECT:** Financial Closeout Audit of USAID Resources Managed by Intergovernmental Authority on Development in Multiple Countries Under Multiple Awards, January 1, 2018, to December 31, 2019 (Report No. 4-623-21-004-N)

This memorandum transmits the final audit report on USAID resources managed by Intergovernmental Authority on Development (IGAD) in Djibouti, Eritrea, Ethiopia, Kenya, Somalia, Sudan, South Sudan, and Uganda under the following awards:

<b>Award Name (Type)</b>	<b>Award Number</b>	<b>Audit Period</b>
Regional Development Objective Grant Agreement (RDOAG) for the IGAD Health Project - closeout	623-IL-16-IGAD-IHSDD-AHPN-I	Apr. 11, 2018 – Jul. 10, 2019
RDOAG for IGAD Climate Prediction and Applications Centre (ICPAC) – closeout	623-IL-16-IGAD-ICPAC-AENV-I	Jan. 1, 2018 – Mar. 31, 2019
Limited Scope Grant Agreement (LSGA) for Conflict Early Warning and Response Mechanism (CEWARN) – closeout	623-IL-No.9-14-IGAD	Jan. 1, 2018 – Aug. 31, 2019
RDOAG for IGAD Drought Disaster Resilience and Sustainability Initiative (IDDRSI) - closeout	623-IL-16-IGAD-IDDRSI-ARE-I	Jan. 1 – Jan. 31, 2018

USAID/Kenya and East Africa contracted with the independent certified public accounting 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 (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 IGAD'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 IGAD's internal controls; (3) determine whether IGAD complied with award terms and applicable laws and regulations; and (4) 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 IGAD as incurred from January 1, 2018, to December 31, 2019; (2) evaluated the control environment, the adequacy of the accounting systems, and control procedures that pertain to IGAD'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; and (4) reviewed the implementation status of the prior period recommendations. IGAD reported expenditures of \$1,938,929 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 identified \$1,023 in total ineligible questioned costs; no material weaknesses in internal control; and two instances of material noncompliance. Since the questioned costs and the material noncompliance instance specifically related to the questioned costs did not meet the OIG's established threshold of \$25,000 for making a recommendation, we are not making a recommendation. Nevertheless, we suggest that USAID/Kenya and East Africa determine the allowability of the \$1,023 in questioned costs and recover any amount determined to be unallowable. In addition, although we are not making a recommendation for significant deficiency and immaterial noncompliance instance noted in the report, we suggest that USAID/Kenya and East Africa determine if the recipient addressed the issues noted.

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 January 20, 2021.

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

**Recommendation 1.** Verify that Intergovernmental Authority on Development corrects the one instance of material noncompliance detailed on pages 39 to 42 of the audit report.

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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.

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”).