



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

MEMORANDUM

DATE: August 26, 2022

TO: USAID/Kenya and East Africa, Mission Director, David Gosney

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

SUBJECT: Financial Closeout Audit of USAID Resources Managed by Christian Aid in Kenya Under Cooperative Agreement AID-615-A-17-00002, August 1, 2020, to July 31, 2021 (Report No. 4-615-22-003-N)

This memorandum transmits the final audit report on USAID resources managed by Christian Aid under the Comprehensive Assistance, Support and Empowerment (CASE) of OVC in Central, Eastern, and part of Rift Valley. USAID/Kenya and East Africa contracted with the independent audit firm PricewaterhouseCoopers LLP, Nairobi, Kenya to conduct the audit. The audit firm stated that it performed its audit in accordance with generally accepted government auditing standards. The audit firm 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 Christian Aid's schedule of expenditures of USAID awards; 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 schedule of expenditures of USAID awards for the period audited, was presented fairly, in all material respects; (2) evaluate Christian Aid's internal controls; (3) determine whether Christian Aid 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, PricewaterhouseCoopers LLP (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 Christian Aid as incurred from August 1, 2020, to July 31, 2021; (2) evaluated the control environment, the adequacy of the accounting systems, and control procedures that pertain to Christian Aid's ability to report financial data consistent with the assertions embodied in each account of the schedule of expenditures of USAID awards; (3) identified the

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.

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 the prior period recommendations. Christian Aid reported expenditures of \$3,596,563 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 except for \$115,670 in unsupported questioned costs. The audit firm also reported one material weaknesses in internal control and two instances of material noncompliance. In addition, although we are not making a recommendation for 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.

In its review of the cost-sharing schedule, the audit firm identified \$59,047 in ineligible cost-sharing contributions. Notwithstanding these questioned contributions, the audit firm also identified a shortfall of \$25,395 upon conclusion of the program on July 31, 2021.

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

Recommendation 1. Determine the allowability of \$115,670 in unsupported questioned costs on page 17 of the audit report and recover any amount that is unallowable.

Recommendation 2. Verify that Christian Aid corrects the one material weakness in internal control detailed on page 25 of the audit report.

Recommendation 3. Verify that Christian Aid corrects the two instances of material noncompliance detailed on pages 31 and 32 of the audit report.

Recommendation 4. Determine the allowability of \$25,395 shortfall in cost-sharing contributions identified on pages 34 to 36 of Christian Aid's audit report and take any corrective action deemed necessary under ADS 303.3.10.3.

Recommendation 5. Determine the allowability of \$59,047 in ineligible cost-sharing contributions on page 35 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").