



OFFICE OF INSPECTOR GENERAL

U.S. Agency for International Development

MEMORANDUM

DATE: September 22, 2022

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

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

SUBJECT: Financial Audit of USAID Resources Managed by Liverpool Voluntary Care and Treatment Health in Kenya Under Multiple Awards, October 1, 2020, to September 30, 2021 (Report No. 4-615-22-099-R)

This memorandum transmits the final audit report on USAID resources managed by Liverpool Voluntary Care and Treatment (LVCT Health) under the following awards:

Award Name (Type)	Award Number	Audit Period	Prime Implementer
Stawisha Pwani Program (cooperative agreement)	72061521CA00010	Jun. 30, 2021 – Sep. 30, 2021	
The CHOICE Project (subaward)	PO20002540/ 7200AA19CA00002	Oct. 1, 2020 – Sep. 30, 2021	FHI360
The Promise Project (subaward)	PO20002194/ AID-OAA-A-15-00045	Oct. 1, 2020 – Sep. 30, 2021	FHI360

LVCT Health contracted with the independent audit firm Ernst & Young LLP, Nairobi, Kenya to conduct the audit. The audit firm stated that it performed its audit in accordance with generally accepted government auditing standards. However, it did not have an external peer review program that fully satisfied 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 LVCT Health's fund accountability statement 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 the LVCT Health's internal controls; (3) determine whether LVCT Health complied with award terms and applicable laws and regulations; (4) review the indirect cost rate; and (5)

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.

review the implementation status of the prior period recommendations.

To answer the audit objectives, Ernst & Young (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 LVCT Health as incurred from October 1, 2020, to September 30, 2021; (2) evaluated the control environment, the adequacy of the accounting systems, and control procedures that pertain to LVCT Health'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 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) determined that the review of implementation status of the prior period recommendations was not applicable. LVCT Health reported expenditures of \$2,587,818 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 \$140,072 in total ineligible questioned costs. The audit firm identified no material weaknesses in internal control and five 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.

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

Recommendation 1. Determine the allowability of the \$137,481 in ineligible questioned costs on pages 18 to 19, and 25 of the audit report and recover any amount that is unallowable.

Recommendation 2. Verify that Liverpool Voluntary Care and Treatment Health corrects the four instances of material noncompliance detailed on pages 33, 36 to 38 of the audit report.

Recommendation 3. Verify that Liverpool Voluntary Care and Treatment Health provides FHI360 with a copy of the findings raised in the audit report for their review to (1) determine the allowability of the \$2,591 in ineligible questioned costs identified on pages 18 and 25; and (2) take any appropriate action regarding the one instance of material noncompliance related to the subawards as detailed on pages 34 to 35 of the audit report.

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").