



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

MEMORANDUM

DATE: April 26, 2023

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 University of Nairobi in Kenya Under Cooperative Agreement 72061521CA00014, April 23, 2021, to June 30, 2022 (Report No. 4-615-23-004-N)

This memorandum transmits the final audit report on USAID resources managed by University of Nairobi (UoN) under the Fahari ya Jamii activity. 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. However, it did not have an external peer review 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 UoN'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 UoN's internal controls; (3) determine whether UoN 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 UoN as incurred from April 23, 2021, to June 30, 2022; (2) evaluated the control environment, the adequacy of the accounting systems, and control procedures that pertain to UoN'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

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.

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. UoN reported expenditures of \$7,161,715 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 \$357,228 in total questioned costs (\$356,862 ineligible and \$366 unsupported). The audit firm identified no material weaknesses in internal control; and six 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 also issued a management letter and an appendix to the audit report with results on the request from USAID/Kenya and East Africa on specific matters.

During our desk review, we noted several areas for improvement which the audit firm should address in future audit reports. We presented these areas in a memo to the controller, dated April 26, 2023.

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

Recommendation 1. Determine the allowability of \$357,228 in questioned costs (\$356,862 ineligible, \$366 unsupported) on pages 15 and 18 of the audit report and recover any amount that is unallowable.

Recommendation 2. Verify that University of Nairobi corrects the six instances of material noncompliance detailed on pages 39 to 48 of the audit report.

We ask that you provide your written notification of actions planned or taken to reach management decision.

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