



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

MEMORANDUM

DATE: May 6, 2024

TO: USAID/Management/Office of Acquisition and Assistance/Cost Audit and Support Division/Contract Audit Management Branch, Sheree. F. Marshall, Supervisory Auditor

FROM: Director of External Financial Audits Division (IG/A/EFA), David A. McNeil /s/

SUBJECT: Financial Audit on USAID Resources Managed by the African Institute for Development Policy Under the Building Capacity for Integrated FP/RH and PED Action Project for the period April 13, 2021, to September 30, 2023 (3-000-24-056-R)

This memorandum transmits the final audit report on the U.S. Agency for International Development (USAID) resources managed by African Institute for Development Policy (AFIDEP) under the Building Capacity for Integrated FP/RH and PED Action (BUILD) Project, Cooperative Agreement: 7200AA21CA00002, for the period April 13, 2021, to September 30, 2023. AFIDEP contracted with the independent certified public accounting firm of Deloitte & Touche LLP, Kenya (Deloitte) to conduct the audit. Deloitte stated that it performed its audit in accordance with generally accepted government auditing standards (GAGAS) and USAID's Financial Audit Guide for Foreign Organizations. However, Deloitte did not have a continuing professional education program and external quality control reviews that fully satisfy the GAGAS requirements since no such program is offered by professional organizations in Kenya. Deloitte is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on AFIDEP's fund accountability statement; 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 presents fairly in all material respects in relation to the AFIDEP's financial statements as a whole, in accordance with the terms of the agreements and generally accepted accounting principles; (2) evaluate and obtain a sufficient understanding of AFIDEP's internal controls related to the USAID-funded programs, assess control risk, and identify reportable

¹ We reviewed the audit 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 audit firm's supporting working papers; they are not designed to enable us to directly evaluate the quality of the audit performed.

conditions, including material weaknesses; and (3) perform tests to determine whether AFIDEP complied, in all material respects, with agreement terms, including cost-sharing or matching contributions, and applicable laws and regulations related to USAID-funded programs. To answer the audit objectives, Deloitte (1) reviewed direct costs billed to and reimbursed by USAID and costs incurred but pending reimbursement by USAID if any, identifying and quantifying any questioned costs; (2) obtained an understanding of the design of the internal control related to the federal awards and determined whether they have been placed in operation.; and (3) identified the agreement 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. Deloitte reported total USAID audited expenditures of \$3,626,747 for the period audited.

Deloitte issued a qualified opinion and concluded that except for the effects of questioned costs, the schedule of expenditures of USAID awards presents fairly, in all material respects, program revenues, costs incurred and reimbursed, and commodities directly procured by USAID for the period April 13, 2021, to September 30, 2023, in accordance with the terms of the agreements. Deloitte identified direct questioned costs for \$744,195 (\$2,713 ineligible and \$741,482 unsupported), six significant deficiencies in internal controls, and six instances of material noncompliance. Although we are not making a recommendation for the significant deficiencies noted in the report, we suggest that USAID's Office of Acquisition and Assistance Cost, Audit and Support Division/Contract Audit Management Branch determine if AFIDEP addressed the significant deficiencies on pages 32 to 48 of the audit report. The results of the Deloitte review of the cost-sharing/contributions schedule disclosed \$37,931 in inadequately supported costs, which were not fairly presented in accordance with the basis of accounting used by the recipient to prepare the cost-sharing /matching contribution schedule. The agreement provides for a life-of-project budget cost-sharing contribution, and management will have to meet the contributions required by the agreement within the next four years of the program's implementation.

To address the problems identified in the report, we recommend that USAID's Office of Acquisition and Assistance Cost, Audit and Support Division/Contract Audit Management Branch:

Recommendation 1: Determine the allowability of the \$744,195 direct questioned costs (\$2,713 ineligible and \$741,482 unsupported) on pages 32, 44, 55, and 63 of the audit report and recover any unallowable amount.

Recommendation 2: Verify that the African Institute for Development Policy corrects the six instances of material noncompliance detailed in the audit report.

We ask that you provide your written notification of actions planned or taken to reach a 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”). In addition, USAID OIG has determined that this transmittal memo and the enclosed report are not subject to notification and reporting requirements under Section 5274 of the National Defense Authorization Act.²

² The James M. Inhofe National Defense Authorization Act for Fiscal Year 2023 Pub. L. No. 117-263, § 5274. Please direct related inquiries to oignotice_ndaa5274@usaid.gov.