



OFFICE OF INSPECTOR GENERAL

U.S. Agency for International Development

MEMORANDUM

DATE: June 12, 2024

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

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

SUBJECT: Financial Audit of Close-Out of USAID Resources Managed by RACIDA Under USAID Award No. 720BHA21GR00380 for the Period Ended July 26, 2023, and Agreement Number 720BHA23GR00106 for the period 12 May 2023 to December 31, 2023 (3-000-24-068-R)

This memorandum transmits the Close-Out Audit of the Integrated Emergency Response to the Triple Crisis of Drought, COVID-19, and Desert Locusts in Mandera County, Kenya (IETC) MoD III Project under Agreement Number 720BHA21GR00380 for the period 1 January 2023 to 26 July 2023 and financial audit of Integrated Life Saving Project in Mandera County, Kenya (ILSP) under Agreement Number 720BHA23GR00106 for the period 12 May 2023 to December 31, 2023, managed by Rural Agency for Community Development and Assistance (RACIDA) and funded by the United States Agency for International Development (USAID). RACIDA contracted with the independent certified public accounting firm PKF Kenya LLP (PKF) to conduct the audit. The audit firm stated that it performed its audit in accordance with generally accepted government auditing standards (GAGAS) issued by the Comptroller General of the United States. However, PKF does not have an external peer review that fully satisfies the requirements set forth in GAGAS. The audit firm is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on RACIDA'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 gives a true and fair view in accordance with GAGAS; (2) ascertain whether all material instances of non-compliance and all illegal acts that have occurred or are likely to have occurred are identified; (3) assess that RACIDA's schedule of expenditures are in conformity with the award terms and applicable laws and regulations, (4) evaluate RACIDA's

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.

internal controls related to USAID funded program. To answer the audit objectives, the audit firm (a) assessed the accounting principles used and significant estimates made by RACIDA Project Management, as well as evaluating the overall financial statement presentation; (b) reviewed RACIDA's internal control structure related to USAID programs to obtain a sufficient understanding of the design of relevant control policies and procedures and whether those policies and procedures have been placed in operation; (c) evaluated the design and operation of internal control structure to identify deficiencies that would be considered significant and material; and (d) evaluated the control environment for adequacy of the accounting systems and control procedures with emphasis on the policies and procedures that pertain to RACIDA. PKF audited \$ 9,740,627 of expenditure for the year ended December 31, 2023.

The audit firm concluded the schedule of expenditures of USAID awards has been prepared, in all material respects, in accordance with the terms of the agreements. PKF did not question any costs. PKF did not identify any material weaknesses or significant deficiencies in internal control. In addition, PKF did not disclose any instances of noncompliance that are required to be reported here under GAGAS. However, PKF noted certain matters involving internal control and its operation and certain immaterial non-compliance instances reported to the management of RACIDA in a separate letter dated 26 April 2024. PKF reported no previous audit findings.

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.