



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

### MEMORANDUM

**DATE:** July 23, 2024

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

**FROM:** USAID OIG Africa Regional Office, Audit Director, Ryan Werner /s/

**SUBJECT:** Financial Audit of USAID Resources Managed by University of Nairobi in Kenya Under Cooperative Agreement 72061521CA00014, July 1, 2022, to June 30, 2023 (Report No. 4-615-24-003-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 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 UoN's schedule of expenditures of USAID awards; the effectiveness of its internal control; or its compliance with the award, laws, and regulations.<sup>1</sup>

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 July 1, 2022, to June 30, 2023; (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

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<sup>1</sup> 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 \$11,215,929 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 \$487,436 in total questioned costs (\$375,894 ineligible and \$111,452 unsupported). The audit firm identified seven material weaknesses in internal control (three repeat findings reported in the prior period); and four instances of material noncompliance (two repeat findings reported in the prior period). The audit report also questioned \$944,325 in cost share contributions (\$913,019 ineligible and \$31,306 unsupported). 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 July 23, 2024.

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

**Recommendation 1.** Determine the allowability of \$487,436 in questioned costs (\$375,984 ineligible, \$111,452 unsupported) on pages 19, 20, and 27 of the audit report and recover any amount that is unallowable.

**Recommendation 2.** Verify that University of Nairobi corrects the four material weaknesses in internal control detailed on pages 37 to 39, 42 to 47, and 50 to 55 of the audit report.

**Recommendation 3.** Verify that University of Nairobi corrects the two instances of material noncompliance detailed on pages 88 to 89 of the audit report.

**Recommendation 4.** Determine the allowability of \$944,325 in questioned cost-sharing contributions (\$913,019 ineligible, \$31,306 unsupported) on pages 91, 93, and 95 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"). 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.<sup>2</sup>

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<sup>2</sup> 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](mailto:oignotice_ndaa5274@usaid.gov).