



MEMORANDUM

DATE: June 4, 2018

TO: USAID/M/OAA/CAS/CAM, Branch Chief, David McNeil

FROM: Regional Inspector General/Pretoria, Rob Mason /s/

SUBJECT: Audit of USAID Resources Managed by Deloitte & Touche for the Young African Leader's Initiative Regional Leadership Center- East Africa Programme Under Agreement AID-OAA-A-15-00030, May 1, 2016, to April 30, 2017 (Report No. 4-000-18-083-R)

This memorandum transmits the final audit report on USAID resources managed by Deloitte & Touche for the Young African Leader's Initiative Regional Leadership Center- East Africa Programme, agreement AID-OAA-A-15-00030. Deloitte & Touche contracted with the independent certified public accounting firm PricewaterhouseCoopers, Nairobi, Kenya to conduct the audit. The audit firm stated that the contract required the audit firm to perform the audit in accordance with generally accepted government auditing standards and USAID OIG Guidelines for Financial Audits Contracted by Foreign Recipients.¹

The audit firm states that it performed its audit in accordance with generally accepted government auditing standards except that the audit firm did not have an external peer review and a continuing education program that fulfill GAGAS requirements. The audit firm is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on Deloitte & Touche's fund accountability statement; the effectiveness of its internal control; or its compliance with the award, laws, and regulations.²

¹ On June 30, 2017, USAID OIG rescinded its Guidelines for Financial Audits Contracted by Foreign Recipients, recognizing the Agency's role to impose requirements on its implementing partners and contractors as a management function. This contracted audit, however, was initiated before that date and follows the Guidelines.

² 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.

The audit objectives were to (1) express an opinion on whether the fund accountability statement for the period audited was presented fairly, in all material respects; (2) evaluate Deloitte & Touche's internal controls related to the USAID-funded program; and (3) determine whether Deloitte & Touche complied with award terms and applicable laws and regulations, specifically with Government of Kenya taxation law.

To answer the audit objectives, PricewaterhouseCoopers (1) audited the fund accountability statement for the award 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 Deloitte & Touche as incurred from May 1, 2016, to April 30, 2017; (2) evaluated the control environment, the adequacy of the accounting systems, and control procedures that pertain to Deloitte & Touche's ability to report financial data consistent with the assertions embodied in each account of the fund accountability statement; and (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 fund accountability statement. Deloitte & Touche spent \$6,004,249 during the period under review.

The audit firm concluded the fund accountability statement presented fairly, in all material respects, program revenues and costs incurred under the award for the period audited except for \$142,220 in total questioned costs (\$141,708 ineligible and \$512 unsupported); one internal control material weakness and one significant deficiency, and two instances of material noncompliance. The audit firm issued a management letter with minor compliance issues noted.

To address the issues identified in the report, we recommend that USAID/M/OAA/CAS/CAM:

Recommendation 1. Determine the allowability of \$142,220 in questioned costs (\$141,708 ineligible and \$512 unsupported) identified on pages 10 and 11 of the audit report and recover any amount that is unallowable.

Recommendation 2. Verify that Deloitte & Touche corrects the one significant deficiency and one material weakness in internal control detailed on pages 20 and 21 of the audit report.

Recommendation 3. Verify that Deloitte & Touche corrects the two instances of material noncompliance detailed on pages 24 and 25 of the audit report.

We ask that you provide your written notification of actions planned or taken to reach management decision. We appreciate the assistance extended during the engagement.

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").