



MEMORANDUM

DATE: April 16, 2018

TO: Mission Director, USAID/Kenya and East Africa, Tina Dooley-Jones

FROM: Regional Inspector General/Pretoria, John Vernon /s/

SUBJECT: Audit of USAID Resources Managed by Northern Rangelands Trust in Kenya Under Agreement AID-615-A-15-00009, September 28, 2015 to December 31, 2016 (Report No. 4-623-18-079-R)

This memorandum transmits the final audit report on The Northern Rangelands Trust's incurred costs under AID-615-A-15-00009 for the project, "USAID-Climate Resilient Community Conservancies Program." The Northern Rangelands Trust (NRT) contracted with the independent certified public accounting firm of PricewaterhouseCoopers, Nairobi, Kenya to conduct the audit. The contract required the audit firm to perform the audit in accordance with generally accepted government auditing standards.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 a continuing education program that fully satisfies the requirement set forth in Chapter 3, paragraph 3.76 of U.S. generally accepted government auditing standards or an external quality control review by an unaffiliated audit organization as required by Chapter 3, paragraphs 3.82 and 3.96. The audit firm is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on the NRT'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¹ On June 30, 2017, USAID OIG rescinded its Guidelines for Financial Audits Contracted by Foreign Recipients, recognizing the Agency's role to impose requirements on its implementing partners and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.

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 the NRT's internal controls; (3) determine whether NRT complied with award terms and applicable laws and regulations; and (4) review the implementation status of the prior period recommendations.

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 NRT as incurred from September 28, 2015, to December 31, 2016; (2) evaluated the control environment, the adequacy of the accounting systems, and control procedures that pertain to NRT's ability to report financial data consistent with the assertions embodied in each account of the fund accountability statement; (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; (4) reviewed the implementation status of the prior period recommendations. NRT spent \$3,547,726 in USAID funds during the audited period.

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 \$133,214 in total ineligible questioned costs and eight instances of material noncompliance.

During our desk review, we noted minor issues which the audit firm will need to address in future audit reports. We presented these issues in a memorandum to the controller, dated April 16, 2018.

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

Recommendation 1. Determine the allowability of ineligible questioned \$133,214 in VAT costs identified on page 11 of the audit report and recover from Northern Rangelands Trust any amounts determined to be unallowable.

Recommendation 2. Verify that Northern Rangelands Trust corrects the eight instances of material noncompliance detailed on pages 19 to 27 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").