



MEMORANDUM

DATE: July 19, 2018

TO: Mission Director, USAID/Kenya and East Africa, Mark Meassick

FROM: Acting Regional Inspector General/Pretoria, Louis Duncan, Jr. /s/

SUBJECT: Audit of USAID Resources Managed by Population Services Kenya Under Multiple Agreements, January 1 to December 31, 2016 (Report No. 4-615-18-090-R)

This memorandum transmits the final audit report on USAID Resources Managed by Population Services Kenya (PSK) under agreements AID-615-A-15-00005 and AID-615-A-12-00002. PSK contracted with the independent certified public accounting firm of BDO East Africa Kenya (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.

The audit firm states that it performed its audit in accordance with generally accepted government auditing standards. The audit firm is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on PSK'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 fund accountability statement for the period audited, was presented fairly, in all material respects; (2) evaluate PSK's internal controls; (3) determine whether PSK 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.

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.

To answer the audit objectives, BDO (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 PSK as incurred from January 1 to December 31, 2016; (2) evaluated the control environment, the adequacy of the accounting systems, and control procedures that pertain to PSK'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) determined that the review of the indirect cost rate was not applicable; and (5) reviewed the implementation status of the prior period recommendations. PSK spent \$6,406,704 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; reported no material instances of noncompliance, and no material weaknesses or significant deficiencies in internal control. However, our desk review noted that PSK had \$357,968 in outstanding VAT pending reimbursement from local tax authorities. We addressed these ineligible questioned costs under Recommendation I below.

During our desk review, we noted several 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 July 19, 2018.

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

Recommendation I. Determine the allowability of \$357,968 in ineligible questioned costs on page 17 of the audit report and recover any amount that is unallowable.

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").