



MEMORANDUM

DATE: July 9, 2018

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

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

SUBJECT: Agency Contracted Audit and Closeout Audit of USAID Resources Managed by DAI Global LLC in Kenya Under Multiple Agreements, January 1, 2011, to December 31, 2016 (Report No. 4-623-18-009-N)

This memorandum transmits the final audit reports on DAI Global LLC's (DAI) locally incurred costs under the following awards:

Award Name (Type)	Award Number	Period
Financial Inclusion for Rural Microenterprises (contract) ¹	AID-623-BC-11-000012	January 1, 2011- December 31, 2016
Kenyan Integrated Water Sanitation and Hygiene (Task order)	AID-615-TO-1500001	September 28, 2015- December 31, 2016
Africa Lead II Partnership for Resilience and Economic Growth Institutional Strengthening , Policy and Learning Project (cooperative agreement)	AID-OAA-A-13-00085	October 1, 2015- December 31, 2016
East Africa Trade and Investment Hub Project Contract Number (contract)	AID-623-C-14-00006	August 22, 2014- December 31, 2016

¹ Closeout Audit.

DAI contracted with the independent certified public accounting firm Deloitte & Touché, Nairobi, Kenya to conduct the audit. 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 except that the audit firm did not have an external peer review and meet continuing professional education requirements. The audit firm is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on DAI's fund accountability statement; the effectiveness of its internal control; or its compliance with the award, laws, and regulations.²

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 DAI's internal controls; (3) determine whether DAI complied with award terms and applicable laws and regulations; (4) perform tests to specifically determine whether DAI has complied with applicable tax laws, including exemptions, for goods and services it acquired; (5) review the indirect cost rate; (6) review the implementation status of the prior period recommendations, and (7) perform closeout procedures for closing awards.

To answer the audit objectives, Deloitte & Touché Kenya (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 DAI as incurred from January 1, 2011, to December 31, 2016; (2) evaluated the control environment, the adequacy of the accounting systems, and control procedures that pertain to DAI'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 recipient did not fully comply with applicable tax laws, including exemptions, for goods and services it acquired; (5) determined that the review of the indirect cost rate was not applicable; (6) determined that the implementation status of the prior period recommendations was not applicable; and (7) determined that no issues were noted in performing closeout audit procedures. DAI spent \$32,988,279³ 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 awards for the period audited except for \$749,860 in ineligible questioned costs and two instances of material noncompliance.

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.

³ As the scope of the audit relates only to locally incurred costs, \$32,988,279 is the total amount of locally incurred costs. The amount stated on FAS includes all the costs (locally incurred, home incurred, and costs incurred through other offices). See summary table page 47 of the report for the breakdown of the amounts.

During our desk review, we noted a minor issue which the audit firm will need to address in future audit reports. We presented this issue in a memorandum to the controller, dated July 9, 2018.

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

Recommendation 1. Determine the allowability of \$749,860 in ineligible questioned costs on pages 28 and 32 of the audit report and recover any amount that is unallowable.

Recommendation 2. Verify that DAI Global LLC corrects the two instances of material noncompliance detailed on pages 51 to 58 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").