



MEMORANDUM

DATE: August 23, 2018

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

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

SUBJECT: Audit of USAID Resources Managed by Trade Mark East Africa in Multiple Countries Under Agreement AID-623-A-14-00002, January 27, 2014, to June 30, 2017 (Report No. 4-623-18-097-R)

This memorandum transmits the final audit report on USAID resources managed by Trade Mark East Africa (TMEA) in Burundi, Kenya, Rwanda, Tanzania and Uganda. TMEA contracted with the independent certified public accounting firm PricewaterhouseCoopers (PWC), Nairobi, Kenya to conduct the audit. The contract required the audit firm to perform the audit in accordance with generally accepted government auditing standards (GAGAS).

The audit firm states that it performed its audit in accordance with GAGAS, except that the audit firm did not have continuing professional education and external quality control review programs that fully satisfied the requirements set forth in GAGAS. The audit firm is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on TMEA'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 TMEA's internal controls; (3) determine whether TMEA complied with award terms and applicable laws and regulations; (4) review the indirect cost rate; and (5) determine if TMEA complied with applicable taxation laws.

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, PWC (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 TMEA as incurred from January 27, 2014, to June 30, 2017; (2) evaluated the control environment, the adequacy of the accounting systems, and control procedures that pertain to TMEA'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 indirect cost rate; and (5) reviewed compliance with taxation laws. TMEA reported expenditures of \$20,411,660 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. However, the audit firm identified \$207,846 in total questioned costs (\$191,526 ineligible and \$16,320 unsupported). In addition, the audit firm reported three significant deficiencies in internal control and three instances of material noncompliance. The audit firm also issued a management letter dated March 6, 2018.

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 memo to the controller, dated August 23, 2018.

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

Recommendation 1. Determine the allowability of \$207,846 in questioned costs (\$191,526 ineligible and \$16,320 unsupported) on pages 12 and 17 of the audit report and recover any amount that is unallowable.

Recommendation 2. Verify that Trade Mark East Africa corrects the three significant deficiencies in internal control detailed on pages 20 to 25 of the audit report.

Recommendation 3. Verify that Trade Mark East Africa corrects the three instances of material noncompliance detailed on pages 28 to 35 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”).