



MEMORANDUM

DATE: January 29, 2019

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

FROM: USAID OIG Africa Regional Office, Audit Director, Robert Mason /s/

SUBJECT: Closeout Financial Audit of USAID Resources Managed by Uraia Trust in Kenya Under Cooperative Agreement AID-623-A-12-00020, January 1, to June 10, 2016 (Report No. 4-623-19-007-N)

This memorandum transmits the final audit report on USAID resources managed by Uraia Trust. USAID/Kenya and East Africa contracted with the independent certified public accounting firm RSM Eastern Africa, 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 (GAGAS).

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 continuing professional education and external quality 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 Uraia Trust's fund accountability statement; the effectiveness of its internal control; or its compliance with the award, laws, and regulations.¹

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.

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 Uraia Trust's internal controls; (3) determine whether Uraia Trust complied with award terms and applicable laws and regulations (4) review the indirect cost rate; (5) review the implementation status of prior period recommendations; and (6) determine whether Uraia Trust complied with Government of Kenya (GOK) specific taxation laws.

To answer the audit objectives, RSM Eastern Africa (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 Uraia Trust as incurred from January 1, to June 10, 2016; (2) evaluated the control environment, the adequacy of the accounting systems, and control procedures that pertain to Uraia Trust'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; (5) reviewed the implementation status of the prior period recommendations; and (6) confirmed that Uraia Trust complied with the specific GOK taxation laws. Uraia Trust reported expenditures of \$533,918 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 \$78,225 in total ineligible questioned costs. Of this amount, \$74,853 represents the fund balance that has not been remitted to USAID. The audit firm also reported three instances of material noncompliance. No significant deficiencies or material weaknesses in internal control were identified. The audit firm also issued a management letter dated September 13, 2018.

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

Recommendation 1. Determine the allowability of \$78,225 in ineligible questioned costs on page 9 of the audit report and recover any amount that is unallowable.

Recommendation 2. Verify that Uraia Trust corrects the three instances of material noncompliance detailed on pages 15 to 17 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").