



MEMORANDUM

DATE: February 12, 2019

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

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

SUBJECT: Financial Audit of Locally Incurred Costs of USAID Resources Managed by State University of New York in Kenya Under Contract AID-615-C-14-00002, January 1, 2014, to December 31, 2017 (Report No. 4-615-19-009-N)

This memorandum transmits the final audit report on the locally incurred costs of USAID resources managed by State University of New York (SUNY) under Agile and Harmonized Assistance for Devolved Institutions Project (AHADI). USAID/Kenya and East Africa 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 SUNY'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 SUNY's internal controls; (3) determine whether SUNY complied with award terms and applicable laws and regulations; (4) review the indirect cost rate; and (5) determine whether the auditee has complied with local taxation laws.

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 SUNY as incurred from January 1, 2014, to December 31, 2017; (2) evaluated the control environment, the adequacy of the accounting systems, and control procedures that pertain to SUNY'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 within the scope of the audit since application of such rate was not considered to be a locally incurred cost; and (5) reviewed compliance with local taxation laws. SUNY reported locally incurred costs of \$15,077,205 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. The audit firm identified \$96,768 in ineligible questioned costs and two instances of material noncompliance. No material weaknesses in internal control were reported. The audit firm issued a management letter noting an internal control matter.

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 February 12, 2019.

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

Recommendation 1. Determine the allowability of \$96,768 in ineligible questioned costs on pages 16 and 20 of the audit report and recover any amount that is unallowable.

Recommendation 2. Verify that State University of New York corrects the two instances of material noncompliance detailed on pages 26 to 28 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”).