



MEMORANDUM

DATE: February 13, 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 USAID Resources Managed by Act Change Transform in Kenya Under Contract AID-615-C-14-00013, October 1, 2015, to December 31, 2016 (Report No. 4-615-19-047-R)

This memorandum transmits the final audit report on USAID resources managed by Act Change Transform (ACT). ACT contracted with the independent certified public accounting firm Deloitte & Touche, 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 ACT'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 ACT's internal controls; (3) determine whether ACT 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, Deloitte & Touche (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 ACT as incurred from October 1, 2015, to December 31, 2016; (2) evaluated the control environment, the adequacy of the accounting systems, and control procedures that pertain to ACT'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 since the contract utilized the 10% de minimis fixed indirect cost rate; and (5) reviewed the implementation status of prior period recommendations. ACT reported expenditures of \$1,300,394 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 \$20,710 in ineligible questioned costs. The audit firm also reported three instances of material noncompliance. However, one instance was previously reported and corrected, while another involved a late remittance of \$124 and was clearly immaterial. Consequently, our recommendation will only refer to one instance of material noncompliance reported by the audit firm.

During our desk review, we noted minor issues which the audit firm will need to address in future audit reports. We presented this issue in a memo to the controller, dated February 13, 2019.

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

Recommendation 1. Determine the allowability of \$20,710 in ineligible questioned costs identified on pages 15, 17, and 20 of the audit report and recover any amount that is unallowable.

Recommendation 2. Verify that Act Change Transform corrects the one instance of material noncompliance detailed on page 31 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”).