



## MEMORANDUM

**DATE:** November 20, 2019

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

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

**SUBJECT:** Financial Closeout Audit of USAID Resources Managed by African Union-Interafrican Bureau for Animal Resources in Multiple Countries Under Limited Scope Agreement 623-LSGA-09-001-AU-IBAR, March 14, 2012, to March 31, 2017 (Report No. 4-623-19-002-N)

This memorandum transmits the final audit report on USAID resources managed by African Union-Interafrican Bureau for Animal Resources (AU-IBAR) under the Standard Methods and Procedures in Animal Health (SM-Animal Health) award. 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 AU-IBAR's fund accountability statement; the effectiveness of its internal control; or its compliance with the award, laws, and regulations.<sup>1</sup>

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 the AU-IBAR's internal controls; (3) determine whether AU-IBAR complied with award terms and applicable laws and regulations; (4) review the indirect cost rate; and (5) review the implementation status of prior period recommendations.

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<sup>1</sup> 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 AU-IBAR as incurred from March 14, 2012, to March 31, 2017; (2) evaluated the control environment, the adequacy of the accounting systems, and control procedures that pertain to AU-IBAR'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; and (5) reviewed the implementation status of prior period recommendations. AU-IBAR reported expenditures of \$7,349,000 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 identified \$38,715 in total questioned costs (\$37,521 ineligible and \$1,194 unsupported). The audit firm also reported one significant deficiency in internal control and three instances of material noncompliance. Furthermore, PWC listed seven immaterial other matters in section 9 of the audit report.

During our desk review, we noted several minor issues for the audit firm's consideration in future audit reports. We presented these issues in a memo to the controller, dated November 20, 2019.

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

**Recommendation 1.** Determine the allowability of \$38,715 in questioned costs (\$37,521 ineligible, \$1,194 unsupported) on pages 12 and 17 of the audit report and recover any amount that is unallowable.

**Recommendation 2.** Verify that African Union-Interafrican Bureau for Animal Resources corrects the one significant deficiency in internal control detailed on page 25 of the audit report.

**Recommendation 3.** Verify that African Union-Interafrican Bureau for Animal Resources corrects the three instances of material noncompliance detailed on pages 29 to 32 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”).